

RETIREMENT BOARD MEETING
NOVEMBER 25, 2008

Commissioner	P. J. Stevens (arrived late)
Commissioner	Milan Gjurich
Commissioner	William Harris
Controller	Ed Cernic, Jr.
Second Deputy	Kristine Segear
Treasurer	Barbara Kline (left at 11:05a.m.)
Ameriserv	Mike Geiser
Peirce Park	Michael Shone

Commissioner Gjurich called the meeting to order at 10:02 a.m.

Motion by Ed Cernic to approve the minutes of the September 11, 2008 meeting. Seconded by William Harris. Vote unanimous 4-0.

Public Comments-No one signed up but a retiree was there and had some questions regarding the healthcare coverage. The Board recommended that she contact Bryan Beppler in the Human Resource department to answer all of her questions.

Announcements-None

Ameriserv report given by Mike Geiser. As of November 25, 2009 the value of the fund was \$126,103,000, down 6.4 million since October 31, 2008. The total decrease of the fund since the last meeting on September 11, 2008 was approximately 31.4 million. Motion by William Harris to accept the Ameriserv report. Seconded by Ed Cernic. Vote unanimous 4-0.

The Chase report that was listed on the agenda will be addressed at the next meeting.

Michael Shone gave the Peirce Park quarterly review. He stated that what defines a bear market is when the stock market is down by 20% or more. According to the analysis it has happened seven (7) times since the end of WWII. The average was 30.5% and the maximum was 44.7%. On average, top to bottom takes about thirteen (13) months. If we have hit the bottom earlier this month, then we are at thirteen (13) months. The average time from the bottom to where it was is approximately two (2) years. One year down, two years back up. If this were the end of the decade, it would go down as the worst on record. The only other years worse than this past year were 1931 and 1937. What needs to be considered now is whether or not to reallocate the funds and how to

reallocate the funds. The current policy allows for 55% in stocks and we have been as high as 65%. We currently are at 50%. When there is more volatility in the market, should we move money to stocks or do it over a period of time instead? That will be the most important decision that you will make. The trend shows that the returns for the year following the rebound is 20(+)% average, but averages can be deceiving sometimes. The chart on page 6 shows the volatility of the S&P 500. The spreads are dramatic for the months of September and October. Around the fourth quarter of 2007, the credit spread was dramatic and there was more risk in the corporate bond market, had to pay more yield. The best performing bond in 2007 was US TIPS, but it was one of the worst in 2008. Treasury bonds were up both in 2007 and 2008 and had positive returns both years. The difference between corporate bonds versus treasuries are that most of the time, corporate bonds have a higher return for most years between 1982-2005. As of the close of the market on Friday, the S&P 500 was down 45% YTD, 31% for the quarter and 17% for the month. In earlier decades, when the market was down, International stocks performed better, but that is not the case now.

Michael Shone then reviewed the Pennsylvania County Pension Fund Database Third Annual Report. Ten years ago, only 3 counties were above Cambria, for the past five years, 6 counties have been above Cambria. Some Counties used an aggressive approach and sometimes it worked and sometimes it didn't. Cambria used a more conservative approach and had above average returns consistently year after year. We are invested a little higher in International stocks than most counties. Also, the Board may want to consider changing the approach to calculating our liabilities. We currently use the aggregate approach and may want to consider using the entry age method that could lower the ARC. They should talk to the Actuary concerning this. The Board also needs to review the interest rate at the end of each year and adjust, if necessary. It is currently at 4.75% and even though a decrease will not produce a drastic savings, if done over a period of time, can make a difference. P. J. Stevens asked what would happen if the County did not make the ARC? Michael stated that there were no legal implications that he was aware of, however, it would continue to stay on the books as a liability until satisfied, regardless of the performance of the markets and does not recommend doing that over an extended period of time.

Michael then reviewed the managers. The good performers were Vanguard Value Index, Chase and C.S.McKee. The poor performers were Valley Forge Asset Management, Brandes (under benchmark-deep value manager) and Thornburg (added dollars to them on September 27-worst time to add). The question is whether or not the Board wants to rebalance back to the targets. The total portfolio was down 6.9% for the quarter. Michael stated that there is a lot of uncertainty right now and the Board could ride it out for right now and revisit it at the February meeting. If the Board wishes to rebalance, Michael recommends giving additional dollars to Chase and Vanguard, one is value and the other growth. Motion by P. J. Stevens to take 2 million dollars from each C.S. McKee and FNB and give to Chase and Vanguard. Seconded by Ed Cernic. Vote unanimous 4-0.

The next Retirement Board meeting was scheduled for Tuesday, February 10, 2009 at 10:00 a.m.

New Business-Motion by Bill Harris to put together a review process of our Consultant. Seconded by Ed Cernic. Vote unanimous 4-0.