

RETIREMENT BOARD MEETING  
FEBRUARY 19, 2008

Present:	Commissioner	P. J. Stevens Milan Gjurich
	Controller	Ed Cernic, Jr. Toni Sherry
	Ameriserv	Mike Geiser
	Peirce Park	Michael Shone

Commissioner Gjurich called the meeting to order at 9:07 a.m.

The first item addressed was the reorganization of the Retirement Board. Motion by P.J. Stevens to retain the current officers. Second by Ed Cernic. Vote unanimous 4-0.

Motion by P. J. Stevens to accept the minutes of the November 20, 2007 meeting. Second by Barbara Kline. Vote unanimous 4-0.

Public Comments-None

Announcements-None

Mike Geiser gave the Ameriserv Report. As of February 15, 2008, the balance was \$169,811,203.35, up a little from January. Mike stated that we were over-weighted in Domestic and recommended that \$500,000.00 be taken from Evergreen to fund the benefit payments. Motion by P. J. Stevens. Second by Ed Cernic. Vote unanimous 4-0. Ed Cernic questioned Mike as to what manager took the biggest hit, noting that the fund was valued at about 182 million in October. One of the factors was the bonus that was paid to THB. They once again had a bonus payment. Michael Shone stated that on collective trusts, such as those that pay a bonus, they only get the bonus on micro stocks. THB also changed the benchmark in 2007 and no one was notified. In addition, they went retroactive. There is currently 3.6 million dollars invested and although they bring good returns, the fees have to be taken into consideration. There are no other current managers that do micro caps. Michael stated that they would begin looking for a new manager. P. J. recommended that we do away with micro caps all together and transfer to smid caps for the interim. Motion by P. J. Stevens. Second by Ed Cernic. Vote unanimous 4-0. Ed Cernic recommended that the search for another manager to replace THB wait until they get all the other manager searches completed. Mike Geiser will notify THB to transfer all funds into smid caps. Motion by Ed Cernic to accept the Ameriserv Report. Second by Barbara Kline. Vote unanimous 4-0.

Pierce Park report by Michael Shone. The report that Peirce Park produces that show how thirty-nine Pennsylvania Counties are performing, Cambria County was their second best performing client. It is in the middle where it is well protected and well diversified. Ed Cernic asked Mike if he had any idea when he thought that a COLA might be given to the retirees. P. J. stated that as long as there was an ARC contribution, it would be a direct hit to the general fund and with the increases for the hospitalization, he didn't feel that it could be done. Ed reiterated that the retirees are always grateful for their benefits. Mike then went on to the Performance Analysis. Ed Cernic stated that the fourth quarter "bump" was missing. There was a problem with Tattersall, they have 85% in mortgages and a lot of catching up to do. Michael recommended that we have the bond managers in at the next meeting. Chase performed poorly in 2006 but had a great year in 2007 (19.8 vs. 11.8).

The Board then went on to hear presentations from six (6) potential managers. Those interviewed were for Domestic (C. S. McKee, Valley Forge Asset Management, and Valley Forge Capital Advisors) and for Global (Highlands, American Funds and Thornburg Investments). Each one was given twenty (20) minutes to make their presentation and another ten (10) minutes for questions from the Board.

C. S. McKee-presented by Joe Buongiorno and Gregory Melvin. McKee has had an ongoing relationship with the County for 24 years. They did an overview of the Company that is based in Pittsburgh and 100% employee owned. They have had "0" turnover in the last seven (7) years. Their fees, since they also do fixed income for us, would be only 25 basis points, with a minimum investment of \$15,000,000.00. Their bottom line is to outperform with a team approach of quantity and quality. Their concern is for the long-term outlook.

Valley Forge Asset Management-presented by Jim Gibson and Jim Vogt. The firm was established in 1969 and currently manages 3.5 billion dollars in assets. They have seasoned professionals with tenures of at least ten (10) years and are owned by Susquehanna Bank in Lititz, Pa. They have a unique set-up and report to the Bank Chairman. They have a diverse client base and currently have three (3) Pennsylvania Counties. Their investment philosophy is to manage risk with short-term preservation with long-term growth. Value and Growth can go back and forth and they manage that with diversification. They use a "top down" process where they look at only the major throughout the world. Only allow for 25% investment in any one sector. Their fees would be fifty (50) basis points.

Valley Forge Capital Advisors-presented by John Roman and Michael Mara. Their company is made up of nine (9) professionals with a minimum experience of ten (10) years. As part of their fiduciary responsibility, they developed a program for Growth and Value to protect on the down side. No sector can be more than two times (2x) it's benchmark or 30% of the total portfolio. Their measuring factors are good earnings that are growing consistently. They rank stocks against each other and get rid of them quickly if they don't meet their targets. They have had consistent growth, of the last twenty-eight (28) quarters, they have out-performed they benchmark 75% of the

time. They are very disciplined and consistently protect the down side. Their fees would be 65 basis points for the first 10 million and 50 basis points after that. They are a Pennsylvania based company.

Highland Financial-presented by Gordon Smith and Val McAllister. They are an independent corporation in Johnstown. They deal in almost all mutual funds (Retirement Funds, Endowments, Foundations and International OP Domestic). One area does not comply with our current Investment Policy, but that would not be a problem, they could adjust. Returns are net of fee. The top ten (10) funds are listed on page 9, more exposed to merging markets. They can report monthly, quarterly or even daily, if wanted. The investment would have to be a least 4 million and fees are based on returns. An example portfolio is value weighted in all cap stocks. The portfolio could be structured to a design that the County would be comfortable with. Michael Shone recognized the work that went into the presentation.

American Funds-presented by Michael Breller. They are one of the largest and oldest mutual fund families. Fifty-five (55) years of experience in global investments. They are located and educated in all parts of the world. Their approach is to do in depth research with a “hands on” structure to best understand. The research analysts manage the portfolio and the counselors are equal with the analysts so there are multiple decision makers. They believe that results in more consistent returns. They have New Perspective Fund that is core growth and a Blue Chip Fund that is multi-national and diversified. They believe in growth with low volatility. Take into consideration, the cross sectors of the countries. More investments are out of the country. Geared more toward the make-up of the portfolio and the returns.

Thornburg Investments-presented by Dana Dean and Christa Choat. Employee owned company with one (1) global research team managing two strategies in international and domestic. In 1995, reached out to include global. The firm is based in New Mexico and in the business since 1982. The current numbers are 40-50 holdings in Domestic, 50-60 in International and 33 Global. Companies in other countries own some domestic stocks. Their competition is all over the world. Their process is to make a business transparent and make sure they are qualitative, good stocks with good methods. They are exposed to all the sectors so they can see the best of the best. Their fees are 95 basis points, 80 basis points for new clients.

An overview of all of the presentations followed. After the Board narrowed it down to three potential companies, it was decided that Michael Shone would provide some different scenarios as to how to disperse the funds. It was decided that after receiving his suggestions and comparisons, the Board would hold a special meeting and make their final decisions. It was decided that 5 million would come from Legg Mason, 1.5 million that was left over from THB and 5 million from Brandes and would be reinvested with the new companies.

After a further discussion regarding THB, Ed Cernic made a motion to terminate THB all together and transfer the funds to C. S. McKee in the small cap area. Second by Barbara Kline. Vote unanimous 4-0.

The next meeting was scheduled for May 20, 2008 at 10:00 a.m.

Meeting adjourned at 3:00 p.m.

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Ed Cernic, Jr.