1. **Call of the Roll.** The following members of the Retirement Board were present: Mr. John Brown, Mr. Jim Hunter, Mr. John Cusick, and Mrs. Cindy Smith. **ABSENT:** Mr. Glen Geissenger, and Mrs. Margaret Ferraro

   **Others present:**
   Mr. Michael Shone, Investment Management Consultant - Peirce Park
   Mr. David Ceraul, Assistant County Solicitor

2. **Courtesy of the Floor – Nothing**

3. **Approval of the June 6, 2016 Retirement Board Minutes.**

   Mr. Brown made a motion to accept the Minutes, as presented.
   Mr. Cusick seconded the motion.

   Motion passed unanimously.

4. **Performance Reports – M. Shone**

   Mr. Shone discussed Q2 news, specifically the BREXIT vote. The vote did have an impact on performance at the end of the quarter. However, the issue became a non-event as everything eventually leveled out. The UK voted to leave the EU. This caused fear to drive UK stocks, which in turn slowed all Global Markets. Since the turmoil, the Markets have all rallied back and passed their initial losses.

   The FED was expected to raise interest rates, which did not materialize. Interest rates have gone down. Compared to our investment peer group, lower interest rates made our performance look less favorable because of our conservatively situated investments, relative to the peer group. However, our returns are positive.

   Oil prices have continued to fluctuate, and commodities in general have gone up some and then held, relative to last year, which is positive performance.

   - Equity returns have proven stronger than expected so far
   - Bond returns have been better than expected, due to lower interest rates
   - Overall returns higher than anticipated, Q2
   - Value Stocks out-performed Growth Stocks (previous years, Growth Stocks have been higher performers)
Pension Fund
- Market Value (August 31, 2016): $354.0 million
- Q2 Gain: +$5.2 million
- Q2 Return: 1.5% (Benchmark: 1.7%) Peer Group ranking: 75
- 1 Year Gain: 2.3 million gain
- 1 Year Return: 2.7% (Benchmark: 2.9%) Peer Group ranking: 64

Slightly lagged Policy Index in Q2 – 40 Basis points. Thornberg severely underperformed and had a terrible quarter. A portion of their allocated funds were removed, then the fund was fully terminated on August 22 because of continued poor performance. Thornberg had been a strong performer for many years before landing on the watch list last year. Leading to the termination, the fund had been evaluated monthly by Peirce Park.

5. Performance Updates – M. Shone

UPDATE ON Band of NY issues: There has been some concern in relation to service. Mr. Shone explained a recent move at Bank of NY. Between 2003 and 2014 they did extremely well; however, there has been a recent slide. Peirce Park has been watching, and are prepared to make a change if necessary. Since the major changes and replacement of the main team at BNY, service has completely turned around. Prices have also been lowered, resulting in significant cost savings. Mr. Shone will remove this issue from active considerations.

Our fund being Mid-Cap heavy proved beneficial. Mid-cap Value stocks did very well and continue to grow. Mr. Shone discussed other options as part of a possible plan, moving forward. He continues to strongly advise against Hedge Funds and explains only Hedge fund managers benefit from them. He is preparing an educations presentation concerning Timberland and Farmland investments. He explained this type of diversity would be similar to the move we made recently into Real Estate Markets.

6. Timber land investments – M. Shone

Mr. Shone discussed a White Paper concerning an investment class in Timber land. The size of the County’s plan is large enough to support this type of investment, but it is not a must have at this point. Mr. Shone explained he is simply providing information for an informed decision at this point. He can provide a more detailed discussion at subsequent meetings, should it be desired.

Mr. Shone suggests consideration to raise the Plans stake in Real Estate investments slightly, should the Timber land option go unpursued. Bonds continue to track down and Equities have historically been overvalued, therefore considerations should be made for towards future allocation considerations.
7. Benefit Class Consideration – Board, M. Shone

Mr. Cusick had inquired into ramifications of making changes to the Benefit Classifications to new hires. A major concern is “spiking”. Where employees accumulate overtime in the last three years of their employment, to boost their bottom line calculations. This becomes especially problematic in 24/7 operations in the County. One solution, would be to limit pension calculations to base salary only and exclude overtime. This issue has been at the CCAP level for some time, with no recent movement.

Mr. Shone had previously provided documents laying out possible Classification changes. The focus became the difference between the 1/60 Classification and a 1/80 Classification. Current County employees are Classified as:

\[
\text{1/60: (1.67\%) \times (years of service) \times (last 3yr average salary) = monthly annuity}
\]

Purposed change:

\[
\text{1/80: (1.25\%) \times (years of service) \times (final salary) = monthly annuity}
\]

Short-term, savings are minimal. However, in the long-term, the changes would be more substantial. If a change were implemented, it would only effect employees hired after implantation of the new Classification.

The discussion spurred several hypothetical employee relation questions, dealing with timing issues, buy-backs and some probable Union related issues. Mr. Brown pointed out serval hurdles and examples the State is currently dealing with after implement the same Classification change. Therefore, he suggested tabling the issue until the December meeting and revisiting the discussion.

With no further business, Mr. Cusick made a motion to adjourn the meeting.
Mr. Hunter seconded the motion.

The motion passed unanimously.

*Mr. John Stoffa has tendered his resignation to the Retirement Board and was accepted by Mr. John Brown, via phone/email communications.

Meeting adjourned