

**A meeting of the Retirement Board was held on Wednesday, August 20, 2008 at 9:30 a.m. in the Boardroom of the Commissioner's office.**

**Commissioner Zimmerlink called the meeting to order at 9:36 a.m.**

### **1. Roll Call**

Roll call was taken and the following members were present:

PRESENT:           Angela Zimmerlink, Commissioner  
                  Sean P. Lally, Controller  
                  Robert Danko, Treasurer

The following members were absent:

ABSENT:           Vince Zapotosky, Commissioner  
                  Vince Vicites, Commissioner

The following were also in attendance during the meeting:

ALSO PRESENT:   Frank Burnette, Morrision Fiduciary Advisors, Inc.  
                  Betty Stutzman, Administrative Assistant, Controller's Office

### **2. Public Comment**

Let the record reflect there was no public comment.

### **3. Presentations**

In the absence of no presentations being scheduled, Frank Burnette scheduled the following items for discussion:

## **Discuss Large Cap Value Equity Manager**

**Let the record reflect that Commissioner Vicites arrived at 9:37 a.m.**

Frank Burnette informed the Board that the proposals for the large cap value equity manager came in and he picked up 15 proposals this morning. Frank stated they will be able to review them quickly and get back to the Board within 3 to 4 weeks, but hopefully sooner. Frank stated that as they have done previously, they will eliminate some immediately as unqualified, establish 6 or 7 to review in more detail, identify the top proposals, and the Board as a group will determine who to interview and decide how to proceed. Frank stated he will recommend who he feels the Board should interview.

Frank stated that in the search process, 15 of the proposals were rejected and 15 accepted. Of the 15 that were rejected, 14 were rejected because the package did not have a physical piece of tape sealing the envelope and 1 was rejected because it was 9 minutes late. The gentlemen from PNC who was 9 minutes late appealed to the Board for acceptance. Frank also stated he doesn't think the firms that submitted RFQ's without tape know that their proposals were rejected. Frank informed the Board he received feedback from some firms that the Board should accept those proposals because those technical deficiencies are not that serious, but others said no this is a fairly strict process and the Board needs to adhere to its standards.

Frank stated the proposal has a particular paragraph stating that the Board reserves the right to reject any part of any proposal and make an award in the best interest of the County and the RFP itself states that at any time during this RFQ process the Board has the right to consider all factors and take any action to ensure the plan obtains the best possible manager evaluation result. These Board actions include the Board's right to negotiate proposals received, amend the RFQ process, accept additional proposals, consider information not contained in the original proposals and consider all factors in addition to price. This RFQ process is for professional services and the final award will not be based strictly on price. Having said all that, Frank stated that absent was a specific motion of the Board and approval; therefore, he will simply take the proposals that have been approved by the bid opening process and consider them for the search.

Commissioner Vicites asked Frank Burnette why so many of the firms did not tape their proposals and Frank replied it could be carelessness, not attention to detail, or not reading the proposal in detail, but the industry as a whole operates in a way where most bid processes don't adhere to such a difficult standard. Frank also stated the person who packages the proposals at the larger firms may not have even read the bid specifications.

Commissioner Vicites asked if the specifications that Frank sent out had the information that the RFQ had to be sealed. Controller Lally read the RFQ that was advertised and stated it does say it had to be sealed with tape and it states this in bold letters. Controller Lally stated this puts him in a precarious position because he understands both sides of this argument that if we receive bids from qualified applicants that are eligible, able, and they meet the initial requirements to be fund managers, and they don't have the attention to detail to put the RFQ number on the front of the package and seal it with tape, it begs to question is it a valid proposal. Controller Lally stated he can see both sides of this because we have spent \$1,280.00 on advertising for this RFQ process and if we preclude 14 proposals, is it the best interest of the County? Controller Lally stated he was told by members of his staff that during the previous administration there was an issue that Mr. Cupp clarified stating the RFQ process was put in place for a specific reason and that was so the rules and regulations could be followed and

abided by so there is never a point that it could come back on the County saying there was collusion by a bid that was not sealed. Controller Lally stated he has also heard the argument there is no monetary gains to these firms, but yet there is because these firms charge per basis point.

Commissioner Vicites stated the bottom line is did Frank Burnette's specifications state they had to be sealed. Frank stated at the very end there were a lot of versions of the RFQ and his did not include the RFQ had to be sealed and in bold letters. Betty Stutzman, Administrative Assistant in the Controller's office, showed Frank Burnette a copy of the email that was sent to him stating the final advertisement. Frank Burnette stated it probably made it into his final version, but he will email Bob Bulas in his office to check.

Commissioner Zimmerlink stated this administration, as well as the previous administration has been consistent in this type of RFQ process and it goes through the Controller's office as it is under his duties. Commissioner Zimmerlink stated she was adamant the last time this was an issue, because we are ultimately responsible to make certain that the County code is followed. Commissioner Vicites stated if the people interested in bidding on this didn't get the proper instructions, you cannot fault them. Commissioner Zimmerlink stated if that is the case, perhaps the Board should have a specific list of what occurred and then the Board can determine if they want to reject all bids and re-do the RFQ. Commissioner Vicites stated his concern is that everyone received the same information. Frank Burnette stated he feels very sure the ad stated sealed with tape, and he will know in about two minutes if his website had that exact phrasing. The board agreed to move on with other issues and not wait for this information.

**Let the record reflect that Commissioner Zapotosky arrived at 9:45 a.m.**

### **Review of Vendor Fee Schedules**

Frank Burnette stated this is an issue that was brought up at the last meeting. Frank stated it was discussed to possibly increasing Morrison Fiduciary Advisors' fee in measure with the scope of services provided as a unified comprehensive fee. At the last meeting it was discussed that the Controller's office was to find out what other counties' consultants charged. Frank pointed out to the Board all the comprehensive consulting services he would do as listed in his quarterly review booklet.

Commissioner Zimmerlink stated she disagrees that the Fund would delegate most of the investment manager bid process to the consultant as the bid process should stay in the Controller's office. Frank stated that was fine and he anticipated it, but would like to move on to discussing the vendor fee schedules.

Frank Burnette asked that due to the absence of any comments, would the fee schedule stay the way it is currently.

Commissioner Zimmerlink asked Frank Burnette if the original Morrison contract and the current contract list the professional fee for a search at \$5,000 and Frank replied they are pretty much word for word in the existing contract.

Controller Lally asked Frank if what he asking today is the Board to eliminate the \$5,000 search fee and

determine a number that would be an all-inclusive fee basis for him. Commissioner Zapotosky asked Frank how many searches he does in a calendar year. Frank stated this year a solicitor search was started and not finished, therefore there was no charge; and a search for the large cap value equity manager this year and there were 2 searches last year. Frank stated there were some projects along the way that totaled between \$4,000 and \$8,000 as he finds himself doing more than performance measurement and searches. Commissioner Zimmerlink confirmed with Frank the number of searches he has performed. Commissioner Zapotosky stated the County understands there are other services that Frank has performed and not billed for, but a search for a new manager would be one, maybe two a year. Frank informed the Board that the wording in his contract states “professional fees for new manager/vendor searches will be \$5,000 per initiated search”.

Commissioner Zapotosky inquired that on top of the searches, would there be other services provided by Frank that would be billed on an hourly basis, and Frank stated the language in the contract is “the additional consulting services will be provided on a project specific basis with professionals agreed upon by the Board”.

Commissioner Zimmerlink asked what other searches were performed and Frank replied that the MDL evaluation was not a publicly advertised search, but an extensive time consuming process that did translate into a manager change and eventually the money was rolled to Black Rock, so Frank did not charge for this.

Commissioner Zapotosky questioned Frank that in the last three years what was his total cost of services to the County and Frank replied that it was between \$25,000 and \$30,000. Controller Lally stated that in the year 2005 Frank Burnette made \$5,002; in 2006 his aggregate total was \$34,344.70 which is inclusive of \$4,000 for various services performed, \$10,000 was for a small cap core and foreign equities manager searches and the actual fee structure was \$20,344.70; in 2007 Frank was paid \$27, 686.20 which breaks down to \$2,000 for a custody fee schedule review, \$4,000 for services performed in addition to ongoing performance analysis review and update of the plan’s investment policy statement, and the fee structure was \$21,868.20; this year to date \$5,240.86 was paid in fees, not including this search for the large cap value manager which will be \$5,000.

Commissioner Zapotosky asked what this would average per year and Frank responded approximately \$31,000 per year. Commissioner Zapotosky stated if the Board fixed Frank’s rate to be all inclusive, Frank would get no more search fees regardless if he does 3 or 5 searches. Frank stated if the Board works on a custody fee schedule, it is 100% comprehensive and anything that moves within the pension plan would be within their scope of work.

Commissioner Zimmerlink stated the Board also has to take into consideration what they anticipate in the future; if no additional searches are to be done in the future, the Board is paying for something that would not be done. Commissioner Zapotosky said his concern is with the instability of the market and he would rather exercise on the pro-active and not have to worry about it, knowing that it is available if needed.

Frank stated he feels he can work on anything that comes up in the pension plan that needs addressed without having to come to the Board, propose the project, get approved for the project, and then do the project. Frank stated his point is that whatever the fee, it should be comprehensive for everyone to make this process go more smoothly. Frank stated he understands the concern that if the plan goes dormant, but he has never had a pension plan anytime in his 25 year history that went to auto-pilot; there is always something going on because the market and the rules are always changing.

Commissioner Vicites confirmed with Frank Burnette that he is proposing 9 basis points. Controller Lally and Commissioner Zimmerlink stated that would be approximately \$40,000 per year. Commissioner Zapotosky stated he personally would not support 9 basis points, he would come down.

Commissioner Vicites stated Westmoreland County's fund is \$302M, and their fee is \$33,500 per year with 8 managers. Frank replied they charge for all their projects and participate in the commissions generated by the plan. This means they generate additional income that doesn't show up in the invoice and the financial advisor takes part in the commission schedule as well. Frank stated that when they do a search they charge \$15,000.

Per Commissioner Zimmerlink's suggestion, the Board discussed the analysis of what other counties pay their consultant with Frank Burnette. Frank Burnette stated this analysis which was done by the Controller's office gives the Board an idea of what is going on in other counties and frankly the number of managers has a lot to do with the complexity of the accounts.

Frank stated he does not want the Board to think he is trying to charge something that is so much higher than the market place and that he is trying to take advantage. Frank stated he feels he does not think his request is unreasonable versus what other counties are paying their consultants.

Controller Lally stated he is weighing both sides of the equation and fundamentally he feels it would be better to have an all inclusive fee structure and he would not like to relinquish the control of the RFQ process to Frank Burnette. Frank Burnette replied that this contract discussion would not include the RFQ process. Commissioner Vicites stated it all comes down to what the all inclusive fee would be.

Commissioner Zimmerlink inquired of Frank Burnette the term of his contract and Frank responded it renewed annually on the anniversary date of the contract, unless terminated at any point in writing with a 30 day notice. Commissioner Zimmerlink pointed out this fee schedule change would be changing the terms of the contract and the question should be posed on whether the County should be soliciting other consultants.

Commissioner Zapotosky inquired of Frank how long he has been consultant for the County and Frank responded since September of 2006, but he may have worked a year under the old contract with Millennium Capital Management, Inc. Commissioner Zapotosky also questioned the need to solicit bids for another consultant.

Controller Lally stated that at this point is it in the Board's power to give Frank an all inclusive fee schedule without going through an RFQ process as the question Commissioner Zimmerlink has proposed. Commissioner Zimmerlink stated the county code states the Board can do an RFQ for professional services and this should fall under professional services and the Board can search to see if they are getting the best service at the best price. Commissioner Zimmerlink informed Frank Burnette that this is no reflection on him one way or the other.

Commissioner Vicites stated that he feels Frank Burnette does a good job, he is satisfied with his work, and he is for an all inclusive fee as he has proposed this on several occasions, but the Board has to decide if the majority feels the same and what that amount should be.

Commissioner Zapotosky stated that was a valid point and this presentation has been made two or three times previously, but if the Board is going to undertake another RFQ, it should have been done earlier.

Controller Lally stated that in light of the information that he and Betty had put together on the analysis, Mr. Burnette’s fees that he is asking for are not out of line, but ultimately what the Board needs to look at is the individual rate of return as a pension plan. Controller Lally stated if Frank’s compensation is based on his performance, as it should be, then what he is asking for is justified.

Frank Burnette replied that performance is important, but performance-wise Fayette County is one of his most disappointing accounts as most of his accounts had double digit returns last year and a lot of his accounts were down 2% to 3% versus 6% in Fayette County. Frank stated if the plan were more fluid, decisions were made and implemented more quickly, this plan could do better.

Commissioner Vicites stated he would like to know what Frank makes from other counties and Frank explained this to him.

Commissioner Zimmerlink suggested putting this on the agenda for the next meeting in November so additional analysis and research can be done if wanted. Commissioner Zapotosky asked that in the exercise of caution, should clarification from the solicitor be done. Commissioner Zimmerlink stated this could be done, plus any other analysis they felt necessary. Commissioner Vicites stated this could be checked, but he felt this was not needed as this is a professional service. Frank Burnette stated he thinks the Board should get a solicitor’s opinion, but the Board has done some research. Commissioner Vicites stated you have to remember this is under the auspice of the Retirement Board. Commissioner Zimmerlink asked Controller Lally if he would get a legal opinion on this issue and he agreed.

**Let the record reflect that Commissioner Zapotosky left the meeting at 10:20 a.m.**

**4. Approve the May 21, 2008 meeting minutes**

Moved by Controller Lally, seconded by Treasurer Danko to approve the May 21, 2008 meeting minutes.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**5. Authorize payment of actuarial fees to the Hay Group**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payments for the months of June and July 2008 to the Hay Group in the amounts of \$2,254.00 each.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**6. Authorize payment of 2008 benefit statements to the Hay Group**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2008 benefit statements to the Hay Group in the amount of \$910.20.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**7. Authorize payment of management fees to Sector Capital Management**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to Sector Capital Management in the amount of \$11,086.10.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**8. Authorize payment of management fees to FNB Wealth Management**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to FNB Wealth Management in the amount of \$8,681.33.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**9. Authorize payment of management fees to FNB Wealth Management/GWK**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to FNB Wealth Management/GWK in the amount of \$7,075.19.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**10. Authorize payment of management fees to U.S. Asset Management, Inc.**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to U.S. Asset Management, Inc. in the amount of \$7,080.58.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes

Treasurer Danko Yes

**MOTION CARRIES UNANIMOUSLY**

**11. Authorize payment of management fees to U.S. Asset Management, Inc. /BlackRock**

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to U.S. Asset Management, Inc. /BlackRock in the amount of \$5,082.03.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**12. Authorize payment of management fees to Federated Investors, Inc.**

Moved by Controller Lally, seconded by Commissioner Vicites to authorize payment of the 2<sup>nd</sup> quarter management fees for the period of April 1, 2008 to June 30, 2008 to Federated Investors, Inc. in the amount of \$7,897.01.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**13. Authorize payment of quarterly custodian fees to National City Bank (Allegiant)**

Moved by Controller Lally, seconded by Commissioner Vicites to authorize payment of the 2<sup>nd</sup> quarter custodian fees for the period of April 1, 2008 to June 30, 2008 to National City Bank in the following amounts:

FNB	\$ 958.44
Federated Investors	\$1,437.74

Sector Capital	\$1,103.70
US Asset	\$ 681.86
US Asset/BlackRock	\$1,052.44
FNB/GWK	\$ 565.63
Delaware	\$ 206.05

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**14. Authorize payment of quarterly consultant fees to Morrision Fiduciary Advisors, Inc.**

Moved by Controller Lally, seconded by Commissioner Vicites to authorize payment of the 2<sup>nd</sup> quarter consulting fees for the period of April 1, 2008 to June 30, 2008 to Morrision Fiduciary Advisors, Inc. in the amount of \$5,251.82.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**15. Authorize payment of services performed to Morrision Fiduciary Advisors, Inc.**

Moved by Controller Lally, seconded by Commissioner Vicites to authorize payment for services performed for the search of a large cap value equity investment firm to Morrision Fiduciary Advisors, Inc. in the amount of \$5,000.

Commissioner Zimmerlink suggested tabling this payment until the November meeting. Controller Lally motioned and Commissioner Vicites seconded the motion to pay this invoice for \$5,000; however, Commissioner Zimmerlink suggested rather than making this payment now, waiting until the Board has determined what information was actually sent versus what was not sent in the RFQ, because if there was a discrepancy, the Board may want to modify the bill.

Commissioner Vicites stated that Frank Burnette still had to do the search, evaluate, and do all the steps for the large cap value equity manager. Commissioner Zimmerlink agreed that Frank Burnette had to be paid for that part of the service.

Controller Lally question Frank if this \$5,000 invoice is approved and paid now, and in the November meeting the all inclusive fee structure is approved for this fiscal year, would this number be included as part of his compensation or be an addition. Frank Burnette responded that it would not be an addition and would be adjusted. With Frank Burnette's response, Controller Lally stated he see's no reason not to pay this invoice as Frank has started the search and will perform the search regardless of any other said facts. Commissioner Vicites also questioned Frank about this invoice and Frank stated he would do a direct offset and credit this amount against the comprehensive fee.

Commissioner Zimmerlink stated she agrees that Frank Burnette did the work and should be paid, but she is suggesting a modification if it is determined the advertising for the RFQ was not the same as the Controller's advertisement. Frank Burnette informed the Board that the advertisement for the RFQ was correctly advertised on his website, but his copy did not get updated. Commissioner Zimmerlink stated she made these statements based on not knowing the result Frank's website advertisement; therefore, with knowing the advertisement was correct this is a mute point because Frank answered the question.

Commissioner Zimmerlink stated there is a motion and a second, all in favor:

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

## **MOTION CARRIES UNANIMOUSLY**

### **16. Ratify advertising fees to the Herald Standard**

Moved by Controller Lally, seconded by Commissioner Vicites to ratify payment for advertising fees for RFQ 08-02 for a large cap value equity investment manager to the Herald Standard in the amount of \$293.10.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

## **MOTION CARRIES UNANIMOUSLY**

**17. Ratify advertising fees to the Tribune Review**

Moved by Controller Lally, seconded by Commissioner Vicites to ratify payment for advertising fees for RFQ 08-02 for a large cap value equity investment manager to the Tribune Review in the amount of \$401.38.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**18. Ratify advertising fees to the Pittsburgh Post Gazette**

Moved by Controller Lally, seconded by Commissioner Vicites to ratify payment for advertising fees for RFQ 08-02 for a large cap value equity investment manager to the Pittsburgh Post Gazette in the amount of \$883.50.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

**MOTION CARRIES UNANIMOUSLY**

**19. Discuss National City payments**

Controller Lally stated that Mr. Roberts in the previous administration came up with a way to determine how much was paid to the custodian which is Allegiant Management or National City Bank. Mr. Roberts felt that a 3 month rolling average was the way they should be compensated, but this is not the same way National City Bank determines what we owe them for being the custodian of the pension fund; it leaves discrepancies anywhere from one penny to \$150 to sometimes \$80 on average. Controller Lally informed the Board that the accounting end is not balancing correctly and what he is proposing is to go back to an end of the month evaluation and every month they get a set stipend of .005%.

Commissioner Vicites asked if this was more accurate and Controller Lally informed him that it is much more accurate.

Commissioner Zimmerlink asked if it would be the same figures and Controller Lally replied that no, our numbers, or their numbers depending on the direction of the fund, can be off in the amounts he previously stated. Controller Lally stated the manner in which the custodian was paid in the past is leaving accounting errors in which either National City has a credit owed to us or we owe money to National City; therefore, he wants to rectify this problem so we are on the same page and everyone is billing on a monthly basis instead of a rounding average per quarter which is his proposal.

Commissioner Zimmerlink stated if this is the better way to do it, does the Board agree, and she stated the Board does not need a formal resolution to tell the Controller how to do the accounting. Controller Lally stated he just wanted the Board to be aware of this.

## **20. Discuss length of meeting minutes**

Controller Lally stated this was put on the agenda by his office as it came into discussion between Frank Burnette and himself that we are literally dictating every item of the meeting into our minutes and the last meeting minutes were 16 pages long. They were discussing going to a system which shows the ratifications, votes and things of that nature, but they do not want to do that without the rest of the Board agreeing.

Commissioner Zimmerlink stated the minutes are on the website and available to any county employee and discussion is always important by those who are voting and she does not see any reason if Betty wants to minimize and she can certainly shorten them, it is a comfort level she will have to get used to. Commissioner Zimmerlink stated that every person who takes minutes gets used to this procedure. Commissioner Zimmerlink stated you have to have a point of discussion, but it does not need to be verbatim. Commissioner Zimmerlink asked Betty Stutzman, Administrative Assistant in the Controller's office, if she was more comfortable as she is now doing it almost verbatim. Betty Stutzman replied she has always typed the discussions because she was taught it was to be done that way in case discrepancies were ever brought up in the future. Commissioner Vicites stated they do not do verbatim, but summarizes minutes. Commissioner Zimmerlink stated she certainly understands Betty's concern as she does not want to be placed in a position where something is left out of the minutes; therefore her suggestion is to shorten the minutes a little and pull out the pertinent parts of the discussions as the minutes are given to the Board for their review prior to the meeting. If there are items the Board wants added, they can inform Betty at the meeting of the changes. Commissioner Zimmerlink stated not to go from one extreme to the other. Commissioner Lally stated that Betty's concern is that if the minutes are summarized and essential elements are left out, then there will be an issue. Commissioner Zimmerlink stated that the issue would be caught when the Board votes and approves the minutes. Betty Stutzman told the Board she can give them the minutes when they are completed instead of the week before the meeting in order for them to review and make pertinent changes as necessary before the Board votes on them. Controller Lally agreed with Betty and Commissioner Zimmerlink on this solution.

Frank Burnette suggested that if there are two points of view on an issue, or if a manager is defending his performance it should be in the minutes, but the presentations by managers are mundane economic information

and need not be as detailed in the minutes, but conflict should definitely be in the minutes.

## **21. Distribute to the Board for their review the quarterly review books from Morrision Fiduciary Advisors**

### **Retirement Resolution**

Frank Burnette wanted to inform the Board that the Controller's office gave him a resolution by the Retirement Board so that in the future when any action is taken by the pension board and the vendors want to see evidence of that action, this resolution describes that 3 out of 5 signatures can authorize a contract and the Controller can authorize other issues. This will be very useful when firms expect to see this type of document.

### **Meeting Schedule**

Frank Burnette informed the Board the next meeting will have the actuary, the Hay Group on November 19, 2008, which will be during the budget process for the County. Also, Black Rock and Federated Investors, both fixed income managers, will also be present.

### **Returns of Funds**

Frank Burnette stated that one of his jobs is to monitor managers and inform the Board what is going on with them, and unless there are no changes or unexpected activities, he doesn't mention them to the Board.

Frank stated he was quite surprised that GWK (small cap core equity manager) had a change in ownership and he is assuming this will be a non-event, but in his history when a change of management and/or personnel occur, it brings up red flags.

Frank also informed the Board that the Delaware (foreign equities manager) representative who was so impressive with her presentation was fired from Delaware because of the team's chemistry.

Frank wanted to inform the Board of these changes and that he would keep an eye on both issues. Frank stated he may have to call these managers in for a special meeting to discuss these issues.

Frank also stated this is a year in which the fund is not doing well, the overall markets are not doing well, the equity market is down 20%, and this fund is down 6.7%. Frank informed he cannot give a good explanation other than the fund has had 5 very good years of investment performance and now are following with one year of bad performance. From an actuarial point of view, Frank stated the fund will have an impact on the ARC payment when it is calculated at year end and that is why the actuary is scheduled for the November meeting.

Commissioner Vicites asked Frank Burnette what he thought the ARC payment would be at the end of the year and he replied \$250,000, but he is making a wild guess for next year. Commissioner Vicites and Controller Lally both stated they heard that there may not be an ARC payment. Frank Burnette stated the actuary probably has not yet factored in the fact that there will be a negative return when we anticipate a 7.5% positive return,

which Controller Lally stated was the conversation he had with Hank Stiehl at the controller's association conference. Frank Burnette stated he liked the idea that pension payments can be leveled out and makes it an easily budgeted line item. Frank stated this conversation can be continued in November when Hank Stiehl is scheduled for a presentation.

Commissioner Vicites stated that November might be too late, as the budget is proposed earlier than November. Commissioner Zimmerlink and Commissioner Vicites both stated they would need the information before the budget is proposed in November. Frank Burnette asked Betty Stutzman if she could give Hank Stiehl a call and see if he can give the Board an estimate. Commissioner Zimmerlink stated the latest they would need to know would be October 15<sup>th</sup>.

**Let the record reflect that Commissioner Zapotosky returned to the meeting at 10:50 a.m.**

Frank Burnette informed the board the total fund year to date return was -6.8%. Frank stated some of the managers are doing well, but FNB has been trailing for the last couple of years; Muhlenkamp has not gotten any better, Sector is doing outstanding; GWK and Delaware have only been with the County a short period of time; and Federated and BlackRock as fixed income managers have done very well. Frank stated FNB is a manager he is going to keep talking to as he does not feel they have done so poorly that they should be terminated, but as a manger, would like to see them do better.

Commissioner Vicites inquired where the County stands with Muhlenkamp and Frank stated they have been terminated, but are still running the money and as soon as a large cap value manager is decided the money will be transferred.

Controller Lally wanted to inform the Board that he started a spreadsheet on the RFQ responses received and many of the firms list their rate of return not inclusive of fees, and Frank Burnette stated this was customary. Frank Burnette stated the firms are evaluated by their infrastructure, employees, process, and their professional credentials; also weighed in is their fees and historical investment performance. Controller Lally asked Frank if all the firms are basically constant except the basis points, how does he determine who would be the best firm for Fayette County? Frank replied that he would have managers come in and give presentations and the Board would pick the one they felt gave the best presentation and made the best connection with the Board. Commissioner Zimmerlink informed Controller Lally that was the procedure for the last search.

Frank Burnette stated that unless there is a motion otherwise, he will look at the proposals.

Commissioner Vicites questioned if a decision was made about the proposals that were not accepted. Frank stated there was no motion to the contrary; therefore the process would stay as is. Commissioner Vicites stated he felt it was a shame that some good managers will probably be eliminated because they did not read and follow the RFQ. Frank suggested that before the next search the Board should modify the proposal. Commissioner Zimmerlink did not agree, she felt the procedure should be consistent. Commissioner Zimmerlink stated the Board took the opinion of the county solicitor and if the Board wants to change it, it must be a majority vote to do so.

**23. Distribute investment review booklets from Federated Investors, Inc.**

Investment review booklets from Federated Investors, Inc. for the period ending March 31, 2008 were distributed to the Board members for their review.

**19. Public Comment**

There was no public comment.

**Controller Lally motioned to adjourn the meeting at 11:00 a.m. Treasurer Danko seconded the motion.**