

A meeting of the Retirement Board was held on Wednesday, February 18, 2009 at 9:30 a.m. in the boardroom of the Commissioner's office.

Commissioner Zimmerlink called the meeting to order at 9:35 a.m.

Commissioner Zimmerlink brought to the Board's attention that the agenda was dated February 18, 2008. Betty Stutzman of the Controller's office apologized to the Board for the typo error as she generates the agenda.

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 Zaposky, Commissioner (**arrived at 9:40 a.m.**)
 Vince Vicites, Commissioner (**arrived at 9:44 a.m.**)

The following were also in attendance during the meeting:

ALSO PRESENT: Will Gurner, Sector Capital Management
 Bill Gentry, Sector Capital Management
 Edward A. "Ned" Gray, Delaware Investments
 Kimberly L. Aspenleider, Delaware Investments
 Frank Burnette, Morrisison Fiduciary Advisors, Inc.
 Betty Stutzman, Administrative Assistant, Controller's Office

2. Public Comment

Let the record reflect there was no public comment.

3. Approve the meeting minutes

Moved by Controller Lally, seconded by Treasurer Danko, to approve the November 19, 2008 meeting minutes.

The vote was:

Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

4. Authorize payment of actuarial fees to the Hay Group

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

The vote was:

Commissioner Zimmerlink	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 payment of the 1st quarter actuarial fees for the period of January 1, 2009 to March 31, 2009 to the Hay Group in the amount of \$6,261.00.

The vote was:

Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

6. Authorize payment of management fees to Sector Capital Management

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to Sector Capital Management in the amount of \$5,363.58.

The vote was:

Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

7. Authorize payment of management fees to FNB Wealth Management

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to FNB Wealth Management in the amount of \$6,043.03.

The vote was:

Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

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

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to FNB Wealth Management/GWK in the amount of \$5,757.48.

The vote was:

Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

Let the record reflect that Commissioner Zapotosky arrived at 9:40.

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

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to U.S. Asset Management, Inc. in the amount of \$3,308.52.

The vote was:

Commissioner Zapotosky	Yes
Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

10. 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 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to U.S. Asset Management, Inc. /BlackRock in the amount of \$4,014.63.

The vote was:

Commissioner Zapotosky	Yes
Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

11. Authorize payment of management fees to Federated Investors, Inc.

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter management fees for the period of October 1, 2008 to December 31, 2008 to Federated Investors, Inc. in the amount of \$7,304.69.

The vote was:

Commissioner Zapotosky	Yes
Commissioner Zimmerlink	Yes
Controller Lally	Yes

Treasurer Danko Yes

MOTION CARRIES UNANIMOUSLY

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

Moved by Controller Lally, seconded by Treasurer Danko to authorize payment of the 4th quarter custodian fees for the period of October 1, 2008 to December 31, 2008 to National City Bank in the following amounts:

CIM	\$ 736.14
FNB	\$ 744.59
Federated Investors	\$1,218.70
Sector Capital	\$ 768.43
US Asset/BlackRock	\$ 787.15
FNB/GWK	\$ 603.38
Delaware	\$ 591.34

The vote was:

Commissioner Zapotosky	Yes
Commissioner Zimmerlink	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES UNANIMOUSLY

Frank Burnette questioned Betty Stutzman, Administrative Assistant in the Controller's office if she reviews all the invoices before the Board meetings and asked if the November and December 2008 charges of \$2,254.00 was a special charge for the actuarial. Betty Stutzman responded that yes she does review all invoices before they are presented to the Board for approval and the \$2,254.00 was the actuarial fee for November and December 2008. Betty Stutzman informed Frank Burnette that the Hay Group lowered their fees for 2009 and the \$6,261.00 billing is for the 1st quarter of 2009.

13. Presentations

Sector Capital Management – large cap core equity manager

Frank Burnette stated that Sector Capital Management has been the fund's best manager,

Let the record reflect that Commissioner Vicites arrived at 9:44 a.m.

Will Gurner and Bill Gentry of Sector Capital Management distributed their Investment Manager Review booklet to the Board members.

Will Gurner refreshed the Board on their strategy and stated Sector tries to stay within 1% of the S&P 500 portfolio sector weights.

Since this was the first time Will Gurner had met Commissioner Zapotosky, he informed Commissioner Zapotosky that Bill Gentry used to manage Fed Ex's pension plan and this is the strategy Sector is currently using.

Will Gurner informed the Board and Frank Burnette that they are GICS compliant as of the end of December, 2008 and he can e-mail those reports to Frank Burnette.

Commissioner Vicites asked what is the GICS and Will Gurner responded it is an accreditation of sorts. Bill Gentry explained that it is a check and balance that lists all disclosures and makes sure everyone is included in the composite.

Will Gurner gave each Board member a copy of their portfolio, listing the fund's numbers through February 12, 2009 in order to give the Board the best update. Will Gurner stated the way their portfolio is set up, they will be able to add a lot of value to the Fund.

Controller Lally inquired if Sector Capital is one of the few companies running a positive rate of return over 5 years. Controller Lally also asked Frank Burnette that in relation to the other managers in our Fund, are they running anywhere near a 30% rate. Frank Burnette responded that is the growth rate of the earnings in their companies. Controller Lally stated he understands, he is just asking in general as he sees numbers that are coming back lower and lower.

Frank Burnette asked Will Gurner if this is a historical or projected rate of return. Will Gurner explained this is a 5 year historical earnings growth rate on average; the gist is that every manager has their idea of what they think moves a stock up, just as all the Board members have their own theories, but Sector Capital thinks there are two keys that drive a stock price up; one key is you get what you pay for when you buy stock right; you can win on the sale side, but you really win on the buy side. The second key is does the company for the price you pay for stocks, have the earnings growth to make people want to buy that stock and drive that price up. Will Gurner stated that by having companies that have a high earnings growth historically and knowing that buying them at a much lower PE, gives a high probability of adding value in your portfolio and that is what Sector is trying to do.

Frank Burnette stated in answer to Controller Lally's question that most of the stock investors hold companies that indeed have positive range growth over the last 5 years, and all our equity managers have had negative returns from an investment performance point of view over 5 years, but so have the indexes.

Will Gurner encouraged the Board to ask questions if they want to know more about the market or what Sector is doing.

Commissioner Zapotosky asked if Sector thought they would see an upswing with the stimulus bill being passed, especially on the construction-side. Bill Gentry responded that everyone is hopeful, but no one knows

the answer, but he is worried about the debt and thinks the banks are insolvent and he feels there should be more bail-out in that area. Bill Gentry stated he feels the housing problem has to be fixed first.

Controller Lally stated his fear is if you are giving money to people that aren't working and with credit and everything else, it is going to create inflation because interest rates are going to be driven up by the money that was given away. Will Gurner responded that you can get ready for inflation, because it is coming in his opinion.

Commissioner Zapotosky asked where that would put Fayette County in respective to this plan in Sector's opinion. Bill Gentry stated he feels we are in hard times, but thinks we are getting closer to the end.

Frank Burnette stated that one of the most important things that is done as a Board is to establish time in exposure to equity risks, and that is going to be the biggest throttle on how well we do and his advice and counsel to the Board, and the Board is invited to make input on this, and now that this has unraveled and the fund has gone down 40%, he does think the Fund needs to continue to be invested in a way that if and when an up-side occurs, we participate. Frank Burnette stated he would hate to see the Fund basically stay 50-55-60% invested all the way down and then be 40% invested on the way up because the Fund will only recapture half of what was lost at the end of the day; therefore, he feels that is the most important decision the Board has to make.

Bill Gentry stated what the Board has a problem with is the funding level which is a problem with defined benefit plans; when things are going well it's ok to contribute money because taxes are coming in a little bit more than normal and you have a little extra money and it's great to make a contribution, but the government on corporate plans won't let you make a contribution during those times because they think you are avoiding taxes. Bill Gentry also stated that when times are bad like they are now, and all of a sudden you get the bill and the bill states you have to contribute more to your plan, this can be a worse time to contribute to your plan as you don't have the money and you are struggling to keep people employed, struggling to make things work and this goes to Frank Burnette's issue. Bill Gentry stated he will try to explain this; if you have an 8% actuarial assumption, using a \$1M example, the present value of your projected benefits were \$1M at 8%, but if you can earn 1% more, your present value of projected benefits is \$756,000 and that is a 24.4% savings; your actuarial value of assets is the same at \$500,000. The present value of future contributions to date percent is \$500,000, but at 9% it is \$256,000 with a savings of 48.8% in contributions. On the liability side is where Frank Burnette and this Board would want to get to that 9%; if you have 9%, get to 10%; but with every percent you make above your actuarial assumption you will save this County 48%, almost 50% in contributions. It is imperative that you strive to get the higher percent. Bill Gentry stated if you look back over the history of the market, in bonds you earn 5% so you automatically are losing 3% of your actuarial assumption. Equities over the long term have been the best to outperform, but you do go through periods like this, and we are all suffering from this, but you will see at some point the forward and you will see it put to a stop and you will see it go back up. Bill Gentry stated they have one bullet point in their presentation that in November of 2008 they hit a low, but since that time the market has gone up 11% and they are up 23%.

Bill Gentry said that from the County's side of the table, the Board wants to find equity because equities are the best way in the world to reduce liabilities. The County will go through some down-sides and it will be pain and suffering, but you still want to do this and be patient because you will make your money up and you will make a lot of money. Bill Gentry stated you want to get to that 9% or 10% level and that is what Frank Burnette is helping the County do.

Controller Lally asked Frank Burnette if the Fund is running at a 7.5% level. Frank Burnette replied our assumption is 7.5% and obviously that is a function of the asset allocation mix and fixed income assets these days are 4%; however, on the equities side, stocks are selling so the earnings divided by the share crises is equivalent to a 10% yield. Frank Burnette stated he did not know if the earnings are going to get bigger or smaller over time, but theoretically they tend to get bigger over time. Frank Burnette stated the really smart people in the business are telling you that equities will return twice what fixed is, the problem is you have to stay fully invested at a time when it absolutely couldn't be darkest.

Commissioner Zimmerlink stated that according to Ben Bernanke, Director of the Federal Reserve, he is wondering how to control inflation given that all this money has been pumped into the economy, and her question is if Sector is looking at investments that have historically performed well in periods of high inflation; considering the change in the economy and change in the market, is that the future investment plan of Sector?

Bill Gentry replied they do look for investments that have historically performed well in periods of high inflation and they also look for companies that perform well in downturns as well as in upturns; but last year there was only one down company that was positive and that was WalMart and they avoided the Merrill Lynch's, AIG's, and the Bear Sterns' companies. Bill Gentry stated they own good companies, but when there is a massive sell-off with the hedge and mutual funds they will sell the best companies; however, these companies should bounce back which they did. Bill Gentry stated when they get to an inflationary period, Sector will be positioned with good companies that can weather the storm; therefore, they are pleased with their portfolio and always looking for opportunities to upgrade and get a better stock. So far this year they have seen Google and Corning up 16%, and they have those companies in their portfolio; therefore, as he has said before, they do have good companies that are making money.

Bill Gentry stated they want to be on the team with Fayette County, they don't want to just come in and make excuses or say good or bad things, but they feel the best way to make money and to meet the County's actuarial assumption is to have some equities, because since 1926 equities have returned 11% and bonds returned 5%; therefore, it is pretty easy math that you would want to be in equities. Bill Gentry stated Sector does not chase returns and they don't chase companies that are speculative, but they are controlled with their disciplines.

Frank Burnette informed the Board that the Fund is protected from leverage and greed as all the assets are held at National City Bank, and not one board member has the ability to get to those assets; the Board can recommend an asset be sold or purchased, but the assets are held in trust in a separate segregated of duties position.

Controller Lally asked Bill Gentry if Sector feels that the market has bottomed or is close to the bottom. Bill Gentry replied he hopes November 20, 2008 was the bottom, but Sector is only a few hundred points off from the lows of November 20th after yesterday. Bill Gentry stated that Sector was positive for this month until the market went down 4%. Bill Gentry stated that what gives Sector encouragement is seeing that companies are still making money.

Controller Lally inquired if their staples are pharmaceuticals are inflation-proof basically? Bill Gentry stated that WalMart, McDonalds, and Coca-Cola are staples. Frank Burnette stated that the S&P 500 earnings got up

to around \$100 per share; 20% of the S&P 500 were the banks and of course there were no earnings and that is the most significant earnings drag, but the bigger companies are getting some cash flow generated so it is not a train wreck yet.

Bill Gentry stated that Sector feels the market will bounce back 6 or 7 months before the economy does.

Delaware Investments – Foreign Equities Manager

Frank Burnette informed the Board that all of the Fund managers work under a tight fee schedule and Delaware Investments offered a 5 basis point discount which he felt was very generous and puts them at a very competitive level.

Frank Burnette informed the Board the next presentation is by Delaware Investments and they have not done great since hired. Mandarin was the Board's first choice, but due to contract issues, the Board went with the second firm, Delaware Investments because the person that gave the presentation was very good and indicated they had an ambitious team; however, she is no longer with the firm, but theoretically they have re-configured their group, but this particular manager has been an underperformer.

Commissioner Zimmerlink stated that since this is their first presentation that the Board and others present introduce themselves.

Edward A. "Ned" Gray, Senior Vice President, Senior Portfolio Manager and Kimberly L. Aspenleider, Vice President, Client Services introduced themselves and distributed their portfolio performance report for the 4th quarter 2008 to the Board members.

Kimberly Aspenleider gave a short overview on Delaware Investments, but stated Ned Gray will talk about the team as he can give the best idea on how the team has changed and evolved since inception and address any issues about performance and give an update of their performance since 2009 and moving forward.

Ned Gray informed the Board of their staff and their history and duties of Delaware Investments and also informed the Board that they are looking for another person in the next few months to join their team.

Kimberly Aspenleider reminded the Board that they are looking at a relatively short period of time with the performance of their company.

Frank Burnette stated he would like to discuss the stock of Delaware Investments. Frank Burnette stated this is our Fund's only foreign equity manager, and if this is possibly invested in a value strategy during a time when growth did better, then maybe the fund should be in a core strategy.

Ned Gray responded that if you look at the cycles of performance for their style relative to the market, clearly it is a value oriented style and there are some swings in terms of relative performance related to that. Ned Gray stated they will show consistent style characteristics in line with the value philosophy they have, and there will be some periods of underperformance, particularly at the tail end of a bull market which is when you tend to underperform; you have seen that in what happened in 2007 when there was a dramatic fall-off in the more

selectively exposed companies; while those that continued to do well were the highly rated expensive more growth oriented names during that 2007 time period and into the first half of 2008; particularly in the commodity lead names such as the industrial metal stocks, fertilizer stocks, and chemical stocks where people were looking to the continued growth of China as being the great savior for the global economics when North America and some parts of Europe were already starting to fall off in a meaningful way. Ned Gray stated the prospects for that source of global growth and the consensus around a downturn is now very firmly entrenched. Ned Gray stated that how that relates to the prospects for this style's performance going forward, the best to do is look back at past cycles bottom of the markets in 2002 and during the brief downturn in 1998, or the early 1990's when there was a another dramatic downturn in relative performance for the value style. Ned Gray stated that what you saw was the same pattern, the blow-off phase of the bull market is very, very difficult for their style; the downturn is they tend to perform more or less in line with the market; they tend to outperform and underperform and there is no consistent pattern. Ned Gray stated the bottom of the cycle is when their style starts to really gain traction and they find it very encouraging at this point to see not only the fact that their relative performance has changed very significantly, especially since the middle of last year and more particularly since the turn of 2008 into 2009, but also the composition of what has been working in the market has shifted as well; the defensive sectors, the staples and the utilities that did especially well last year are starting to underperform this year as you are starting to see valuations across the whole market, see valuation troughs that really haven't been seen at all in his professional lifetime and to him that is the core foundation that you can actually put some faith into when you have valuations on even very stable metrics, such as price to sales or EB to EBTA selling well below any trough level we have seen over the last 20 years. It is very clearly well understood throughout the market that valuations are bad, because it is a recognition that the economic prospects are as weak as we have seen them and it's uncertainty that is very clearly recognized, but stocks are a leading indicator as stock prices lead the economy; you expect them to bottom before there is any sign of a turn in the underlining economic cycle that we are seeing.

To them, the responsible way of dealing with this divide between an economic cycle with no light at the end of the tunnel means you have to rely on what you can understand and that gets back to their philosophical basis focused not on allocating to different risk factors, not allocating to different trends within the market or certain economic cycles or different markets, but focusing on those individual companies that have a competitive advantage, that will be clearly survivors coming out of the downturn. They do not know how long the downturn is going to last, how deep it is going to be, but what they do know though that within certain industries there will be survivors, and within those industries when you can buy those companies at very compelling valuations, that is the highest probability of success in the equity market throughout the cycle.

Kim Aspenleider stated she hopes Ned Gray is answering the question, but the bottom up process that some of the growth has in this past market, has outperformed value. From the bottom up research that they do is going to capture the value, despite an out and out performance in value or growth over a long period of time, despite when you might see more one style or the other style, but their process is to get the best stocks in their particular markets by doing this fundamental research; right now you're seeing different areas out perform, but they believe over time that this process will be able to pick out the best names, focusing on really quality companies. That's what they do, to know the companies, know the sectors and be able to pick the individual name and that is where they are value added over the long term in basically stock selection, not trying to play the market or time the market in any way.

Ned Gray stated that what that means at this point in the market cycle, means understanding that yes, risks throughout the market are a whole lot higher than they have been at any time in the past 10 years and that means focusing on those companies that do not have leverage balance sheets, that are not going to be caught between the rock and the hard place of debt markets that are not functioning and a balance sheet which is in need of new help, but also understanding that they want to find those companies with internal cash flow generation that will enable them to get through the bottom of the cycle without having to go to the market to raise the kind of capital they need to stay competitive within their industries; therefore, strong free cash flow generations, strong balance sheets and very solid competitive positions are 3 key elements that they are looking for at this point in the cycle. They look for those characteristics across the cycle, but especially at the bottom of the downturn and you want to make sure you have that kind of defense against further deterioration in the fundamentals.

Frank Burnette stated it is the manager's job to interpret the markets and position the fund over the next quarter or two. Frank Burnette stated that Delaware is positioned 15% underweight in financials and 23% in cash. Frank Burnette stated a 23% cash position is a little unusual for their firm and Kim Aspenleider stated this was primarily driven by the contribution towards the end of the year, so it is usually much lower, but it gives a good picture of the defensiveness of the portfolio, but again it is a pretty short period of time to look at performance since Fayette County has come on, but it has also been a very volatile time so the timing of the cash flows has definitely affected performance. Kim Aspenleider again stated the process of this team is bottom up, they are defensively positioned at this time, but they are doing the bottom up research in order to pick the best names that are going to come into this economic cycle and volatile times right now and you see a little more in the performance; it's difficult to tease out what they're doing, but once this cash is invested and you look at performance coming into this year, performance of this asset area is down over 10% and this portfolio is down only about 5%.

Ned Gray stated what they really want to resist is being drawn into the consensus Bear-ish view and take themselves out of positions that are strong companies, well positioned to succeed coming out of the bottom of the cycle and find that they are getting into what appears to be the safest sectors just at the point that everyone else is doing the same thing. They are starting to see some of the affect of that in the relative performance so far this year where a strong performance is not coming from the staple stocks and utility stocks as they are the worse performing sectors within the market year to date so far; what is doing well has been the material stocks, classically cyclical sector which was severely beaten down during the second half of last year; the energy stocks are actually the best in cross sectors within EAFE so far this year. Again, coming off of severely depressed performance at the end of last year, the sector that surprised a lot of people is the consumer discretionary which is the third best performing sector in the market this year. That is reflecting the fact that everyone has been hating these stocks for a long time and the valuations are beaten down to points where if you can find stocks that are well positioned that are not going to be suffering the kind of problem that you are seeing across the headline companies that are in severe trouble now; those are the companies that are going to take advantage of that down cycle to build their market share to find themselves in better competitive positions coming out of the cycle, but who knows if this is a trend that will survive, but the indications are on the economic front that things are declining, but not at the same rate they were a couple of months ago and you are starting to see some glimmers of hope in terms of the relative performance of those sectors that do have select economic gearing to them and the market has effectively discounted an awful lot of bad news already.

Frank Burnette responded that this answers his questions and that Delaware makes decisions like this

substantially based on a team in the process and what he is hearing, is this is definitely a substantial team with a tried and proven process.

Both Kim Aspenleider and Ned Gray thanked the Board for the opportunity to meet with the Board and left business cards if there are any further questions.

Discussion of the Presentations

Commissioner Zapotosky inquired of the Board members if Delaware said the opposite of what Sector had said regarding the stocks they look to buy and maintain. Frank Burnette responded yes and no, they all have their approach and Sector is looking at very large domestic companies and Delaware is looking at international; they are all looking for stocks that are undervalued that have durable earnings and potentially increase in value, but there is no doubt everyone is different in trying to get to the same place.

Commissioner Zimmerlink stated they are also looking at a totally different type of market. Commissioner Zapotosky stated yes the foreign market compared to the domestic market.

Frank Burnette stated that Sector tends to look more at larger growth oriented companies, while Delaware is intentionally looking for value oriented companies; therefore, Sector's stocks need the economy to expand and grow so their value can grow.

Commissioner Zapotosky asked if Delaware was a higher flip firm where they buy the undervalued stocks. Frank Burnette responded that yes they are, but they are definitely looking for tarnished, out of favor, low priced stocks that will have some level of credibility with a potential of growth.

Commissioner Vicites stated that Frank Burnette seems to be comfortable with Delaware's strategy, but their performance is not good with 20% down in the fourth quarter.

Commissioner Zapotosky stated Delaware has had our fund since May of 2008.

Frank Burnette stated there are two ways to look at this; the gray bar of the index was basically down 20% and they were down 20%, give or take a quarter and then factor fees.

Commissioner Zapotosky asked Frank Burnette in his knowledge of other international firms, if Delaware is on the same performance. Frank Burnette responded yes and Delaware had a little recovery in January, but looking at 12/31/08 numbers for Delaware, they are about the 42nd percentile for that quarter, which means they were better than average by a couple spots.

Frank Burnette explained to put it into perspective, the way you manage them is relative to a benchmark and relative to a peer group, and he feels Delaware did what they were hired to do.

Frank Burnette stated that regarding the -20% for the quarter; GWK was down 23%, Sector was down 26%, FNB was down 21% which means they all are down and around the same ball park.

Commissioner Vicites stated he saw all the managers were down, but the question is should the fund stay in the foreign market if it is that bad.

Frank Burnette responded the Board can go one of two ways; the Board can close the doors and take a low rate of return, but really limit the possibility of the fund taking further losses. Frank Burnette stated that if the Board makes that decision correctly once, the Board has to at some point make a second decision correctly that now the time is to re-enter these strategies to participate in the upside. Frank Burnette stated it is a little bit of a market timing thing, and we as a Board do not like to make decisions on the spot, so factor in that complexity. Frank Burnette stated that it is probably a 50-50 bet whether you get the first decision right and probably a 50-50 bet that the second decision will be right; therefore, what are the odds of the Board making 2 good market calls in a row is less than 50%, but having said that, it is the risk tolerance the Board has to address and be comfortable with; right now the fund is clearly invested so that if a market recovery begins the fund will fully participate as every manager is set up for that. Frank Burnette stated of all the meetings he has had and of all the professional advice that he has been inundated with, 90% of them think you have to stay fully invested; nobody is telling their clients to bail.

Commissioner Vicites asked Frank Burnette what is his recommendation. Frank Burnette responded to stay fully invested and endure this pain.

Commissioner Vicites asked Frank Burnette if Delaware took anything off their fees. Frank Burnette responded that Delaware has given Fayette County the lowest fee of any account they have which is 75 basis points. Frank Burnette stated that fee was a good fee that was recently negotiated, not stale fees from many years ago. Frank Burnette also stated this was not the fee that was in their proposal; it was negotiated lower than their proposal.

Frank Burnette stated it is a hard decision, but Fayette County does not have 75-80% stocks, any high yield, any aggressive strategies or any hedge funds. Commissioner Vicites asked if the fund's percentages are correct and Frank Burnette responded the fund is right on the policy and the policy is reasonably conservative versus all those pension funds, hospital funds and corporate funds out there.

Frank Burnette informed the Board that last year this fund lost 22%, the average corporate fund lost 26%, the average state pension fund lost 28%, but a 26% loss is where the industry was last year; therefore, the fund is about 4% points ahead of the industry which he thinks is mostly because there was no hedge funds and the fund only had a 60% asset allocation and the board re-balanced back toward our target when stocks had gone up in 2007 and when the Board was getting out of one manager and into another manager, the Board was sitting on about \$8M - \$9 M in cash and that was during one of the months when the market went down very hard and that helped the Fund.

Commissioner Vicites stated that Frank Burnette mentioned we were on the Policy, but to take it further, is the policy right for the percentages and is the Fund positioned where it needs to be for the future; is there too much risk or just right. Frank Burnette stated he thinks the Fund needs to be where it is.

Commissioner Vicites asked if the fund has been higher and Frank Burnette responded when he got here, the fund was much higher at 70% + as a policy and substantially over-weighted on top of that; there was a time when

the fund was 77% equities and we are now 60% equities.

Commissioner Zapotosky asked what was the discussion that Sector mentioned about getting more into equities. Frank Burnette responded that the fund has to feel it's tolerance and is now 60% equities and the policy is 60% equities and to him he feels it is a little on the conservative side of a normal fund as there are aggressive funds out there running 65%, 70% and 75% equities, which gives you an extra 10% equities versus what the Fund currently has and that extra 10% equities could be a percent or two in returns, but if the market goes down, instead of losing \$2.5M, we will lose \$3.5M; it's such a two edged sword that in trying to balance, he does not know if as a Board and from what he hears is if the Board wants to be at the higher end of that risk threshold. Frank Burnette stated there is probably more to gain by being over-weighted in equities. Frank Burnette also stated he does not feel this is a high risk Board by any means.

Commissioner Vicites stated Sector does not seem to be real conservative. Commissioner Zapotosky stated that is why he finds it interesting that Sector was pushing that based on their conservative ideology. Frank Burnette stated if the Board is more comfortable running this Fund with more equities than the average county pension plan is run, then we can do it. Frank Burnette stated all he has ever heard from people is they want to be conservative. The Board worked real hard just to get into small cap and foreign equities and that was just baby steps in terms of taking on "implied risks". Frank Burnette stated that bumping up the Fund's equity allocation an additional \$3M or \$4M is a significant step for taking on more risks, but generating the possibility of a greater return.

Commissioner Vicites stated he could not understand why Sector was suggesting it if they are conservative. Frank Burnette stated he did not know the answer and Commissioner Vicites would have to ask them. Frank Burnette stated that a lot of funds right now are under their policy benchmark and they should be re-balancing back up to their policy and that may have been what Sector was referring, or Sector may have thought that 60% was low and they would run it at 75% because they have that much confidence in the future. Frank Burnette stated that is within the range of acceptable advice and the Board can bump it if they like. Commissioner Vicites responded that the Board looks to Frank Burnette for those types of suggestions. Frank Burnette stated until he hears the Board say that they are willing to take on a little more risk and potentially get a little more return and recognize you are taking on more risk to make that decision, he cannot say he would make that recommendation to this Board.

Commissioner Zimmerlink stated Delaware has not been with Fayette County for even a year and that is why Frank Burnette did not go over their performance summary, and given the situation with the economy right now, the market and them being in the foreign market, the County has to look at their portfolio without jumping into any conclusions and going into more risks, which she does not want to go into.

Commissioner Zapotosky informed Commissioner Zimmerlink that Sector was mentioning the equity, not Delaware.

Commissioner Zimmerlink responded that with all managers, whether Sector or Delaware or any other manager, she would rather stay the course. Commissioner Zapotosky agreed and stated he would like to see numbers with a + in front of them. Frank Burnette stated it is going to be a long year, to which Commissioner Zapotosky stated he understands and realizes that there is no quick fix, but not ever being involved in the market, he did

not grasp the patience one needs and he is learning this.

Commissioner Zimmerlink stated that is the first thing they say, do not get into stocks if you don't have the tolerance, and realize you cannot look at your stock every day, every month, you have to look at it historically and if you don't have the stamina you should not be doing it.

Frank Burnette stated if he takes the fund back into a real safe stabilized position where there are no ups and downs, the yields will be 4% and the actuary will tell the Board they have to put \$3M a year in the Fund; the Fund will have no risk, but you will completely drain your operating budget.

Commissioner Zimmerlink stated that is what the stock market is about; the ups and downs; and with the way in which the economy is now, obviously the stock market is going to be down more than it is up. Commissioner Zimmerlink stated one of the presentations stated that you will see a recovery quicker in the markets than in the economy which makes sense.

Commissioner Zapotosky stated the only frustrating thing about this is the Fund is seeing the negative impact, because of irresponsibility by those in the market; the Fund is dealing with all of these losses because of their lack of responsibility, regulation or ethical behavior. Commissioner Zapotosky stated they set the rules, they broke the rules, and our pensioners are paying the price so they can regroup to make money and that is the frustrating aspect.

14. Distribute Federated Investors, Inc.'s Review Booklet

Review booklets for the period ending December 31, 2008 were delivered to the Board members with their agenda for their review.

Please note the Board went out of the Agenda order to Item #17

17. Discuss the Fund's overall returns.

Frank Burnette informed the board his only observation is what is going on in this economy might be more than normal and this might be what a normal economy can sustain.

Frank Burnette informed the Board that Muhlenkamp was terminated and the funds were transferred to CIM and the performance measurement for CIM starts January 01, 2009. Frank Burnette stated this is one account where we moved the money market in the pension fund with treasury-only funds and the treasury-only funds are down to 0% and some are closing. Frank Burnette informed the Board his recommendation is to go back to a regular prime money market that includes CD's and commercial paper where the yields are approximately 2%.

Commissioner Zapotosky asked if they were safe at this point in time and Frank Burnette responded he thinks the Treasury has come in and guaranteed them and there is insurance and the Fund has only about a half million dollars at the most in those accounts so it is not particularly material; therefore, he feels comfortable making that recommendation. Frank Burnette informed the Board without a motion he cannot move the cash balance of the pension fund from a treasury-only money market to a prime money market.

Commissioner Vicites made the motion, seconded by Controller Lally, to move the cash balance of the pension fund from a treasury-only money market to a prime money market.

The vote was:

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

MOTION CARRIES UNANIMOUSLY

Frank Burnette stated to Betty Stutzman an e-mail needs to be sent to Patty Parrucci and she will do this.

Frank Burnette stated that Allegiant and PNC are now merged and the Board will probably see some changes in the custody-business, but he is not sure what we will see and it will happen in the next couple of quarters and he will keep track of that. Frank Burnette stated he will point out that he has learned that the Allegiant fee schedules were less than the PNC schedules through a few accounts that have done this merger; therefore, he did not know if we hold the fee schedule or if PNC will write a letter. Commissioner Vicites asked if it would be a better fee and Frank Burnette responded it potentially could be worse.

Frank Burnette informed the Board that FNB made a personnel change as the person managing this accounts performance was good enough, but not great, so they made a change and Mike Basile is now the portfolio manager. Frank Burnette stated he expects he will be at one of the meetings in the next cycle.

Frank Burnette informed the Board that during the month of December, the Controller and he negotiated fee schedule savings of approximately \$8,000 annually from Sector, FNB and the Hay Group. Frank Burnette informed the Board that Allegiant had previously lowered their custody fees by approximately \$20,000 annually and he thinks the Controller simply accepted the new fee schedules. Frank Burnette asked the Board if a motion was needed to put the new fee schedules in action. Controller Lally stated the managers instituted the fee schedules; therefore a motion was not needed.

Frank Burnette informed the Board the Fund is 61.7% equities verses a 60% target; all of the different asset classes are where they need to be; he does have BlackRock a little underfunded and Federated a little overfunded.

Frank Burnette informed the Board that the total brokerage analysis for the Fund was \$43,575 for 2008 which is approximately \$52 per trade which is reasonable and is about .02 a share which is extremely reasonable. Frank Burnette informed the Board that the two directed brokers, Abel Noser and Gunn Allen, received approximately 20% of the Fund's trades in 2008; the managers can trade with these brokers, but they don't have to as it is still best execution on behalf of the managers.

Frank Burnette explained to the Board the services that Morrison Fiduciary Advisors performed that he felt were in addition to their contract in 2008 which he would normally send an invoice for these services, but wanted to discuss it with the Board first. Frank Burnette stated he did not know if it was 100 hours of work, but somewhere in that area. Frank Burnette stated if he charged \$135 per hour for 120 hours that would be \$16,200 and he has no idea how to handle this situation, but he feels the projects were done; therefore, he could send a bill for \$10,000-\$12,000 and see if the Board would pay it.

Frank Burnette stated he has discussed with the Board in changing the fee schedule which is the next point on the unified fee schedule, but there was not very much sponsorship. Frank Burnette stated he thought there was going to be a fee schedule adjustment and now there is not, so he does not know what to do with the projects he performed.

Sean Lally asked Frank Burnette and Betty Stutzman how much he was paid over the last fiscal year. Betty Stutzman replied it was about \$15,000, plus a \$5,000 fee in June of last year, plus the 4th quarter of 2008 is still due. Sean Lally stated compensation would be approximately \$25,000 for 2008 and the additional \$16,000. Frank Burnette stated it would not even be \$16,000; theoretically it would get up to the high \$30,000's or mid \$30,000's or back to a standard fee schedule which would be \$37,000. Controller Lally inquired how much of an all inclusive fee schedule he asking for and Frank Burnette replied 10 basis points which is \$37,000.

Controller Lally stated he will be the first to say that he and Frank Burnett have a lot of conversations about the fund and the direction it is going, etc.

Commissioner Zimmerlink stated the Board has talked about this and it is not part of today's agenda, but those are the additional services Frank Burnette is asking for. Controller Lally agreed these things Frank Burnette lists are outside of the scope of his contract.

Vince Zapotosky asked Controller Lally if he is familiar with the work listed and the services rendered schedule. Controller Lally stated when he reviewed this, these are definitely things that he and Frank Burnette have gone over; there is no doubt that these are things he has performed and done. Controller Lally stated his interpretation is how Frank Burnette is to be paid for these services, not only for this particular fiscal year, but in the future.

Commissioner Zapotosky replied that of course we want to pay for services rendered, but his question to Frank Burnette is were these authorized services by the Board or were these works that Frank Burnette needed to do, how would he define what he listed. Frank Burnette stated he thinks there was nothing listed there that was not discussed with the Board and there was a consensus to do the work; but did he send a letter with a stated fee schedule and did he get a signed authorization back from the Board, no. Frank Burnette stated that if there was anything listed that he did and the Board was not aware he was working on, he will strike it off the list immediately, because there is nothing on there he should attempt to bill for that the Board wasn't with him in that it was something the Fund needed.

Commissioner Vicites questioned how you pay for something that is not under contract and that is the problem that he sees as Frank Burnette is asking for payment, but there is nothing in his contract that says we had to do that, so the Board is in a gray area contractually.

Frank Burnette suggested reading the contract to see what it says. Commissioner Zapotosky stated this was something the Board talked about 2 or 3 meetings ago as well and the contract has been beat to death.

Frank Burnette read the contract to read “additional consulting services will be provided on a project specific basis with professional fees agreed upon by the Board”. Frank Burnette stated that in the past when he has done extra work beyond the core of performance reporting, they have submitted an invoice and effectively it has either been negotiated and paid or paid.

Commissioner Vicites stated the Board should vote on those things at the meeting to make sure it is approved before it happens and that is the way he thinks it should be done. Commissioner Vicites stated that he cannot understand how the Board could run up a bill like that without having monitoring and guidance.

Commissioner Zapotosky asked Controller Lally if he was aware of these charges for the services. Controller Lally responded that he was aware of the services, but Frank Burnette and he did not talk about a rate; he was aware that he was performing these services that were outside of the scope of his contract, but he was not aware of a rate; he thought in his mind that the Board would come to some sort of a resolution on his compensation, that was his thoughts and anticipations.

Commissioner Zapotosky stated that Frank Burnette has discussed or shared with the Board that his services that are paid for by other counties are an average; obviously Fayette County is still basing it on what would have been your good graces or kindness or generosity from the previous year. Commissioner Zapotosky stated that maybe the Board needs to see what the market truly tells us what we should be paying, or the Board will be making frugal decisions and not really realizing that the Board is not paying for the services we received.

Commissioner Zimmerlink stated not only that, there is a contract and it is effective and not that difficult to understand. Commissioner Zimmerlink stated Frank Burnette offered to do the listed year end employee letter regarding market environment; she suggested Controller Lally could write something up, but Frank Burnette wrote the letter and sent it to the Board for review and a couple changes were made and then put in the employees’ pay checks. Commissioner Zimmerlink stated that when Frank Burnette said he would write the letter, she did not think it would be outside the scope of the contract or that it would be something billable at x amount of dollars.

Commissioner Zimmerlink stated another listed item, the issuance of solicitor RFP and related discussions (project terminated), from day one she always said that was the function and role of the Controller to issue that RFP, but whether Frank Burnette does that differently in other counties, Fayette County has always had that role under the Controller’s office; therefore, she feels that should not be part of additional services as the present and past administration stated it should stay with the Controller.

Frank Burnette asked if the Board authorized him to issue an RFP for the solicitor or was it something he did on his own. Commissioner Zimmerlink stated she would have to refer to past minutes. Commissioner Zapotosky stated if his memory serves him correct, it was authorized. Commissioner Vicites stated he voted no on this issue. Frank Burnette stated this was done at the end of 2007 at a late December meeting and it was worked on in 2008.

Commissioner Zimmerlink stated each of the Board members needs to take a hard look at it and make a final decision before the next meeting.

Commissioner Zapotosky asked Controller Lally for his assessment as to the value that this has provided to the Board and the Plan and his opinion as to which ones.

Controller Lally stated he thinks the biggest thing that is credible to Frank's benefit for the last fiscal year was the suggestion of getting our fee structure reduced; the Fund has saved an additional \$8,000 in fees because of the letter that was Frank's recommendation.

Commissioner Vicites stated if the Board recalls, he said at a meeting the Board needs to go back to the managers to lower the fee schedule. Commissioner Vicites stated he does not know if it was Frank Burnette's recommendation or not, but he did bring this to the attention of the Board. Commissioner Vicites asked how the Board could pay these bills after the fact when there was nothing authorized in the first place and on a public stand point he feels the Board is on thin ice. Commissioner Vicites stated he feels the Board will have a major problem if the bill is paid now when it was not in the contract and it was not authorized to be done.

Commissioner Vicites stated he tried to get this under one contract three times and he never received a second. Commissioner Vicites stated he asked it to be \$30,000 and Frank Burnette does everything and no body would move on it and now the Board is in this situation.

Commissioner Zimmerlink stated she does agree with part of what Commissioner Vicites said that he did bring up the low end fees issue. Commissioner Zimmerlink stated that the Board has to be clear on what services are to be provided; we have a contract and nothing besides that.

Commissioner Zimmerlink stated what she disagrees with Commissioner Vicites is on whether or not the Board should make the contract inclusive and make it \$37,000, because some of these items that are placed in there to increase the fee is the process of looking for other managers.

Commissioner Vicites stated that is why he wanted to do that, the County would be better off going \$30,000 as we were paying that anyway. Commissioner Zimmerlink agreed we would have been for that period of time it may have been, but to do that now when we just completed our diversification and having all the fund managers so in essence the County would be paying for a service at \$30,000 or \$37,000 would include the scope of work to seek out new fund managers, but she would hope the Board would not be that aggressive and do that since we just went through that in 06, 07, and 08.

Commissioner Vicites stated you never know when you have to do that. Commissioner Zimmerlink stated she doubts the Board will do that in the next 3 years, given this economy and given the situation we have now; therefore, she is just saying if the Board is going to look at a \$37,000 contract or a \$30,000 contract, the specific items in the scope of work would have to be looked at by this Board to determine if it should be covered in the next few years and if those are things that the Board is actually going to do.

Commissioner Vicites stated that Commissioner Zapotosky brought up a good point, and he agrees with him, the Board is dickering on the scope of work that Frank Burnette does, the amount of money (\$30,000 vs.

\$37,000), and the way you really find out is if an RFP is done and you see what people propose and you do put in the RFP everything inclusive and see where the chips fall. Commissioner Vicites stated maybe the \$37,000 is reasonable, but how does the Board know that until we test the market.

Controller Lally asked Frank Burnette if he didn't provide data to the Board of what similar people in his industry earn. Frank Burnette responded that Controller Lally and Commissioner Zimmerlink did some work on this. Commissioner Zimmerlink stated she never worked on this, but Controller Lally brought some information on other counties to one of the meetings.

Commissioner Vicites stated this has to come to a conclusion and if the Board did an RFP it would answer some questions; it doesn't mean Frank Burnette will not get the RFP, but it will answer what the market bears and Frank Burnette stated he is fairly comfortable with that.

Controller Lally stated that he as a Board member inquires if the Board does this RFP and finds Frank Burnette is the most value added person in the game, is the Board going to agree to a comprehensive fee schedule so we don't have to come back to this discussion. Commissioner Vicites stated absolutely, that it would be in the specs.

Frank Burnette stated it might look a lot like the proposal that is an industry standard of all services provided.

Commissioner Zapotosky stated he didn't feel the Board will ever get closure until the Board does have an apple to apple comparison. Commissioner Zapotosky stated the Board has been discussing this for the last 12 months and it is not fair to Frank Burnette. Treasurer Danko agreed with Commissioner Zapotosky that a decision has to be made.

Commissioner Zapotosky asked who would be writing the specs. Commissioner Vicites stated the Controller, with the Board members and the solicitor's approval.

Commissioner Zimmerlink asked when the last time an RFP was done how the specs were obtained.

Controller Lally stated he is sure there is an example for the last RFP in the files. Commissioner Zimmerlink stated the Board can also check with other counties to determine if they have copies of the RFP proposal that they can share.

Commissioner Zapotosky stated before the Board continues with the motion, his question is would the Board members then have an opportunity to review the specs and have any editorial capability, or would the Board be bound to accept the specs. Commissioner Zimmerlink stated the Board should review the specs and proposal before it even advertised.

Commissioner Zapotosky made the motion to RFP the services of the Retirement Board Consultant, contingent on the Board's review of the specs proposed by the Controller's office and the solicitor's approval. Seconded by Treasurer Danko.

The vote was:

Commissioner Zapotosky	Yes
Commissioner Zimmerlink	No
Commissioner Vicites	Yes
Controller Lally	Yes
Treasurer Danko	Yes

MOTION CARRIES 4 - 1

Let the record reflect that Commissioner Zapotosky and Treasurer Danko left the meeting at 11:15.

15. Discuss the transfer of monies to the general fund for administrative fees for the years 2008 and 2009.

Commissioner Zimmerlink read a copy of a memo that was done in 2003, Commissioner Vicites who at that time was the chair, from Controller Mark Roberts regarding this transfer of funds. Commissioner Vicites asked what the item was and Commissioner Zimmerlink stated it was included in the Board's agenda packet. Commissioner Vicites stated he did not see the item. Frank Burnette stated he felt this was a totally reasonable request. Frank Burnette stated he had to leave the meeting for a previous meeting scheduled with Beaver County. Commissioner Zimmerlink suggested that since Frank Burnette had to leave, the Board should table this item to May's meeting. Controller Lally agreed that this item should be tabled. Commissioner Vicites also stated to wait until the full Board is present to discuss this issue.

Controller Lally made the motion to table this item to the May 20, 2009 meeting, seconded by Commissioner Vicites.

The vote was:

Commissioner Zimmerlink	Yes
Commissioner Vicites	Yes
Controller Lally	Yes

MOTION CARRIES UNANIMOUSLY

16. Discuss manager fee schedules.

Frank Burnette stated that this was discussed in his presentation.

17. Discuss the Fund's overall returns

Commissioner Zimmerlink stated this was also included in Frank Burnette's presentation.

Frank Burnette stated the only comment he would like to make is that the Fund has US Asset/BlackRock which is supposed to be an index fixed income account, which apparently took a lot of file securities into their portfolio and have materially underperformed.

18. Public Comment

There was no public comment.

19. Adjournment

Controller Lally motioned to adjourn the meeting at 11:21 a.m. Commissioner Vicites seconded the motion.