

FAYETTE COUNTY RETIREMENT BOARD

Meeting Minutes November 19, 2014

A meeting of the Retirement Board was held on Wednesday, November 19, 2014 in the conference room of the Commissioner's Office.

Commissioner Zapotosky called the meeting to order at 9:34 a.m.

1. Roll Call

Roll call was taken and the following members were present:

PRESENT: Vincent Zapotosky, Chairman
Angela Zimmerlink, Commissioner
Alfred Ambrosini, Commissioner Arrived 9:43 a.m.
Nancy Wilson, Treasurer
Jeanine Wrona, Acting Controller

The following were also in attendance during the meeting:

ALSO PRESENT: Carol Guman, Account Clerk III
Debora Apicella, Deputy Treasurer
Stacey Kreinbrook, Accounting and Auditing Manager
Chuck Friedlander, Municipal Finance Partners
Lee Martin, Peirce Park Group
Sarah Wilson, Peirce Park Group

2. Reorganization of Retirement Board.

Commissioner Zimmerlink made the motion and Acting Controller Wrona 2nd the motion in accordance with Act 96 and pursuant to county code that the Chairman of the Board of Commissioners, which now is Commissioner Zapotosky is the Chairman of Pension Board. Commissioner Zapotosky accepted the nomination.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY.

Commissioner Zimmerlink made the motion and Commissioner Zapotosky 2nd the motion in accordance with Act 96 in the county code that the Secretary of the Pension Board is also the County Controller, which in this case is Acting Controller Wrona.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY.

Commissioner Zapotosky made the motion and Acting Controller Wrona 2nd the motion that Commissioner Zimmerlink act as Vice Chairman of the Fayette County Retirement Board. Commissioner Zimmerlink accepted the nomination.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY.

3. **Public Comment on agenda items**

Let the record reflect there was no public comment.

4. **Consider approval of the minutes from August 13, 2014 the meeting.** Moved by Commissioner Zimmerlink and 2nd by Acting Controller Wrona to approve the August 13, 2014 minutes.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY.

5. **Ratify the following payments made from August 2, 2014 to November 14, 2014 in the amount of \$788,649.20.** Moved by Treasurer Wilson and 2nd by Acting Controller Wrona to ratify the payments in the amount of \$788,649.20.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

6. **Recognize the retirement of the following employees;**

Mary Richnafsky	23.16 years of service
Julia Hair	21.66 years of service

7. **Authorize payment for the 3rd quarter of 2014 investment counseling services for the period of July 1, 2014 to September 30, 2014 in the amount of \$30,551.83 to Peirce Park Group.** Moved by Acting Controller Wrona and 2nd by Treasurer Wilson to authorize the payment of \$30,551.83 to Peirce Park Group for investment counseling services.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

8. **Authorize payment for the 4th quarter of 2014 actuarial services provided for the Fayette County Employees' Retirement System in the amount of \$6,250.00 to Municipal Finance Partners.** Moved by Commissioner Zimmerlink and 2nd by Treasurer Wilson to authorize payment of \$6,250.00 to Municipal Finance Partners for actuarial services.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

9. **Authorize payment for the 3rd quarter of 2014 advisory fees for the period of July 1, 2014 to September 30, 2014 in the amount of \$7,384.20 to Federated Investors, Inc.** Moved by Commissioner Zimmerlink and 2nd by Commissioner Ambrosini to authorize payment of \$7,384.20 to Federated Investors, Inc. for advisory fees.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

10. **Authorize payment for the 3rd quarter of 2014 management fees for the period of July 1, 2014 to September 30, 2014 in the amount of \$6,716.70 to GW&K Investment Management.** Moved by Commissioner Zimmerlink and 2nd by Commissioner Ambrosini to authorize payment of \$6,716.70 to GW&K Investment Management for management fees.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

11. **Authorize payment for the 3rd quarter of 2014 for the custodian fees for the period of July 1, 2014 to September 30, 2014 in the following amounts to PNC Investments:**

Federated Investors, Inc.	\$ 1,589.87
GW&K Investment Management	\$ 516.81
Peirce Park Mutual Fund	\$ 6,356.94

Moved by Commissioner Zimmerlink and 2nd by Commissioner Ambrosini to authorize payment of the above amounts to PNC Investments for custodian fees.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

12. Peirce Park Presentation on the 3rd quarter of 2014 performance of the Pension Fund and discussion on Asset Allocation.

Lee Martin gave a brief summary of the Annual Pennsylvania County Pension Plan Report. The data was taken from actuarial reports submitted from the forty-four counties throughout Pennsylvania. Fayette County is one of four counties that lower their assumed rate return to 7% from 7.5%. For a better comparison between counties, the County actual value was used of assets for the adjusted funded ratio. The following assumptions were used for all counties; 4.5% salary increase, 7.5% investment return, and the RP2013 mortality table. Fayette County adjusted funded ratio in 2013 was 92.5%.

On August 28, 2014, Peirce Park called GW&K SMID about their performance. After careful consideration, Peirce Park took the Fund down to 5% in the portfolio. As of October GW&K SMID were 4.5% in the positive.

Peirce Park did extensive research every month for 30 years to see the yields and returns. Yields are a good predictor of future returns. The current yield of Intermediate Gov/Cred as of 12/31/13 is 1.6%. The Fund is currently at 60% equity. The projected returns over the next ten years are going to be a lot lower than they are currently.

The some challenges for the next decade is a lower than average bond and stock returns. If assumed rate of return is reduced this may lead to reduced funded ratio and increased future ARCs. Possible solutions to make are not to change anything, to increase allocation to stocks, add other asset classes or to lower the County return assumption.

Commissioner Ambrosini made the motion and Treasurer Wilson 2nd the motion to move from 60% equities the Fund is currently in to 65% equities with a conservative approach.

The vote was:

Commissioner Zapotosky	yes
Commissioner Zimmerlink	yes
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY

13. Presentation by Municipal Finance Partners, discussion of COLA; actuarial equivalence; discussion of fees for actuarial and administrative services for 2015.

The ARC increased from \$1.72 million to \$1.74 for 2014. The unfunded liabilities will show on the balance sheet under GASB 68. Liabilities will be calculated at lower municipal bond rates after the insolvency date.

The cost of living increase is based on the annual average of the CPI, which increased from 2013 to 1.91%. The increases are based on October to December prior years' experience. The last time a COLA was granted was in 2011. Act 96 states that the County has to look at a COLA once every three years, but does not have to adopt one. The cost of a COLA can be funded immediately or by amortized over a ten year period as part of the ARC. Chuck suggested to the Board to decide whether to grant a CPI for 2015 and to implement changes in the assumptions for benefit conversions.

Chuck Friedlander has not given the County an increase in actuarial and administrative services since 2011. Municipal Partners requests an increase of \$2,000 per year with additional \$5,000 for GASB. The fees do not include the COLA study. An experience study is an extra \$10,000.

Commissioner Ambrosini made the motion and Treasurer Wilson 2nd the motion to accept the actuarial and administrative services for 2015.

The vote was:

Commissioner Zimmerlink	nay
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	nay

MOTION DENIED 2-2

Acting Controller Wrona brought up discussion about seeking proposals from firms working with PA Counties to include both fees and experience. Lee Martin offered information from the report he had distributed to the Board, which included information from 44 Counties and listed the Actuarial Firms working with counties within the state and it included the number of clients each serve. The Hay Group was first and serves 34 counties and Municipal Finance Partners was second and serves 4. There are 6 other firms with 1 client each. It was discussed to send letters to the top two for their proposals.

Acting Controller Wrona made the motion and Treasurer Wilson 2nd the motion to send out letters to request proposals for both fees and experience for actuarial services. This would include the Hay Group and Municipal Finance Partners.

The vote was:

Commissioner Zimmerlink	yes
Commissioner Ambrosini	nay
Treasurer Wilson	yes
Controller Wrona	yes

MOTION CARRIES 3-1

14. **Actuarial Report**

Let the record reflect that at this time no actuarial report was given.

15. **Public Comment**

Let the record reflect there was no public comment.

16. **Adjournment**

Moved by Treasurer Wilson and 2nd by Commissioner to Ambrosini to adjourn the meeting at 11:43 a.m.

The vote was:

Commissioner Zimmerlink	yes
Commissioner Ambrosini	yes
Treasurer Wilson	yes
Acting Controller Wrona	yes

MOTION CARRIES UNANIMOUSLY