

**FIRST QUARTER MEETING  
ERIE COUNTY EMPLOYEES' RETIRMENT BOARD**

**FEBRUARY 21, 2019**

Members present: Fiore Leone  
Mary E. Schaaf  
Dr. Kyle Foust  
Andre Horton  
James Sparber

Also present: Doug Smith, County Clerk  
Kevin Plymyer, FNB  
Melissa Grucza, PNC  
Andrew Dylewski, PNC  
Anthony Keim, PNC  
James Baily, PNC  
Steve Hamilton, Bental Kennedy  
Cindi Marzka, Boetger  
Jack Walburn, Pleasant Ridge Manor  
Greg Ferrick, Pleasant Ridge Manor

Chairman Leone called the Erie County Employees' Retirement Board to order at 12:15 PM in Room 114A, Erie County Courthouse. All members were present.

Chairman Leone called for hearing of the public. No one spoke

Chairman Leone called for motion to approve the minutes from the 11-15-18 meeting, they were approved unanimously.

Chairman Leone turns the floor over to Frank Burnette from Morrison Fiduciary.

Mr. Burnette states that the Fourth quarter market downtrend has reversed itself. The Fund return was -5.08% for 2018 and YTD is up 7.5%. He stated the diversification cushioned the blow of the fourth quarter market decline.

Ms. Schaaf questioned how the total Fund return was calculated with the new private equity and private debt investments not reporting a return yet. Was the \$10.6 million factored in with no return or did you subtract it out?

Mr. Burnette states that they made ultra conservative estimate for the returns. We did get some numbers and some the balances had not come in yet. What you have to do is take an estimate by calling the firm asking what do you think your return will be. We then wait for the audited reports come out.

Ms. Schaaf asked whether the entire Fund value was used for of the calculation of the return or was the \$10.6 subtracted out of the \$244,000,000 invested. She requested the simple math formula used.

Mr. Burnette states he did use estimates on what was not known but zero returns for the three co-investments. The negative 5.08% was based on the above. There will be a better rate at the end of the quarter. It is only significant in the year -end report.

The fund weighting is 52% equity vs a target of 50%.

The Stock market is up 19% since Dec 24<sup>th</sup> 2018.

MLPs are paying out 7.23% in a current yield. 90% of the portfolio increased their dividends last year, and is currently the highest yielding asset.

Ms. Schaaf questions if the distributions are being reinvested. Mr. Burnette states yes. Ms. Schaaf asked Mr. Burnette to confirm that the \$8.4 Million total value includes the reinvested distributions and that the investment is still down from the original investment of \$10 Million invested.

Dr. Foust asked if Mr. Burnette could quantify how the private equity and private real estate cushioned the blow from sell off.

Mr. Burnette states that there was no impact on their valuations and there was no change in function and deal flows. The stock market was a non-event during the decline and by the same token, for this quarter, the stock market rise of 19% is a non-event for Private equity and they will still report a 2% quarterly return.

Mr. Burnette stated that we have a couple of underperforming large cap managers and the fourth quarter was even worse for them. He would like to put Golden Capital with Wells Capital and Boston Advisors on watch for underperformance. These managers have trailed their respective benchmarks. The 93 bp underperformance in the three year period from Golden Capital is a significant miss.

Chairman Leone stated he would entertain a motion, Dr. Foust moved to put Golden Capital and Boston Advisors on watch, Ms. Schaaf seconded the motion.

Ms. Schaaf commented that the returns stated for Golden and Boston were gross of fees and that the Vanguard Index Funds returns were net of fees, thus the net returns for Golden and Boston were worse than stated.

Chairman Leone called for a roll call vote:

Mr. Sparber- Yes

Dr. Foust- Yes

Chairman Leone- Yes

Mr. Horton- Yes

Ms. Schaaf- Yes

The BMO return was \$83,000 for 2018 less than the \$100,000 or higher goal promised.

Private Equity is \$12 million invested of the \$20 million allotted.

Mr. Burnette requested that board authorize that himself and Ms. Schaaf the authority to fund another \$5 Million call from private equity.

Dr. Foust moves to authorize an additional funding of 5 Million for private equity and debt. Seconded by Mr. Sparber.

Chairman Leone calls for a roll call vote.

Mr. Sparber- Yes

Dr. Foust- Yes

Chairman Leone- Yes

Mr. Horton- Yes

Ms. Schaaf- Yes

Mr. Burnette states that PNC has agree to a new fee schedule which is 17% lower which would require a motion from the board

Dr. Foust motioned to approve the new PNC fee schedule, Ms. Schaaf seconded.

Chairman Leone asked for a roll call vote:

Mr. Sparber- Yes

Dr. Foust – Yes

Chairman Leone- Yes

Mr. Horton- Yes

Ms. Schaaf- Yes

Mr. Burnette turns the floor over to Steve Hamilton from Bentall Kennedy. Mr. Hamilton states that Bentall Kennedy has merged with Green Oak. The merger does not affect this fund, the management team for this fund will remain the same.

Mr. Hamilton states that the fund is valued at 8.6 million, leverage is a 24.6%, returns since inception is 9.7%. Core real estate average are around 6.5 to 7%.

Mr. Burnette turns the floor over to James Bailey with PNC Capital Advisors Fixed Income.

Mr. Bailey states the fund has a value of \$21 Million, yield to maturity is 3.21% vs the benchmark of 2.99%. Since inception the fund has performed 13 basis points above the benchmark at 3.24% annualized. On the quarter the return was 1.23% vs the benchmark of 1.65, and YTD is plus .25%. For the year, the return was .44% vs .88 for the benchmark.

Ms. Schaaf asked about the distributed notice of security interest stating that Silicon Valley Bank now holds as security pledged all assets of the private equity. Mr. Burnette explained that private equities use lines of credit to borrow money to buy companies then make the capital calls. The notice was informing the investors that a lien was place on all the investments in the private equity portfolio used as collateral.

Ms. Schaaf read an article about Governor Wolf endorsing using index funds in the State pensions and discontinue private equity investments which would save \$10 billion in public pension costs over thirty years.

Chairman Leone wants the State to reduce the State Pension Fund deficit

Adjournment at 12:56 P.M.

Mary E. Schaaf, Secretary  
Erie County Employees' Retirement Board  
Pleasant Ridge Manor Employees' Retirement Committee  
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