

Montgomery County Employees' Retirement Board

Meeting Minutes from Tuesday, December 6, 2011

A meeting of the Montgomery County Employees' Retirement Board was held on Tuesday, December 6, 2011 at 11:00am in the Commissioner's Conference Room, 8th Floor in Norristown, PA 19404.

Members present: Commissioner Joseph Hoeffel, Vice Chairman; Commissioner Bruce Castor; Controller Diane Morgan, Secretary; Thomas Ellis, Treasurer

Also in attendance: Treasurer-elect Jason Salus; Controller-elect Stewart Greenleaf, Jr.; Deputy Treasurer Ava Tuturice; Finance Director Randy Schiabe; Assistant Deputy Solicitor Jeff Albert; Retirement Manager John O'Brien; Pension Accountant Stephen Potynski; Whitmarsh Township Supervisor Robert Hart

Outside Presenters: Malcolm (Skip) Cowen, Managing Director of Cornerstone; Tiffany Gilbert of Cornerstone assisting Mr. Cowen

Secretary Diane Morgan called the meeting to order at 11:20am.

On a motion by Commissioner Hoeffel, seconded by Mr. Ellis, the minutes of the September 13, 2011 meeting of the Board were unanimously approved.

Mr. Cowen then gave Cornerstone's presentation regarding the Retirement Fund in the third quarter. He stated that he and his firm regarded economic fundamentals as basically good; that the recent volatility was due to government policies, mostly in Europe and that market declines should be taken advantage of. In August, in accordance with its authorization, Cornerstone moved \$4 million from the liquid alternative mutual funds (Vanguard Short term Investment Grade, Eaton Vance Floating Rate and Vanguard Inflation Protected) into the Vanguard S&P 500 Index Fund.

Mr. Cowen then noted that during the five year period ended September 30, 2011, the Retirement Fund had obtained an investment return about 100 basis points better than its peer group. He pointed out that while the returns for the period were very bad, the advantage the fund had obtained by investing conservatively resulted in an increase of about \$21 million compared with the peer group.

Mr. Cowen then proposed that the Fund increase its exposure to somewhat riskier assets than it had in the past few years. He proposed taking \$15,200,000 from the more conservative investment managers' allocation and investing it in domestic and international equities and adding to the Fund's liquid assets as follows:

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Manager	Subtract	Add
Alex Brown Equity	\$2,000,000	
Swarthmore Group	\$2,000,000	
Vanguard Institutional 500	\$3,000,000	
Valley Forge Equity	\$1,000,000	
Goldman Sachs	\$1,400,000	
Nuveen Preferred Securities	\$1,000,000	
Vanguard Inflation Protected	\$1,200,000	
ING Clarion	\$1,000,000	
PIMCO Commodity Real Return	\$1,500,000	
Eaton Vance Floating Rate Note	\$1,100,000	
Sterling		\$5,000,000
Emerald		\$3,000,000
Vanguard Developed Markets		\$3,000,000
Wells Fargo Money Market		\$4,200,000
TOTAL	\$15,200,000	\$15,200,000

Cornerstone was also authorized to withdraw up to \$5,000,000 from Valley Forge Fixed Income to meet the needs of the fund to pay benefits and expenses during the first quarter of 2012.

Commissioner Castor moved the approval of the above authorizations, Mr. Ellis seconded and the motion was unanimously approved.

Treasurer-elect Jason Salus and Controller-elect Stewart Greenleaf, Jr., who will be joining the board in January, 2012 were introduced.

The board then took up the Disability retirement of Dennis Stetler, a former janitor at Parkhouse. Mr. O'Brien explained that Mr. Stetler had been diagnosed with multiple sclerosis and had been approved for disability benefits by Social Security and several insurance companies. However, Mr. O'Brien stated that the forms required by the County to be submitted by Mr. Stetler's physician had not been received. The members of the board were then given the opportunity to examine the medical records that Mr. Stetler had submitted.

Mrs. Morgan moved that the disability retirement of Mr. Stetler be approved subject to receipt of the proper forms. Mr. Albert advised that this would be a legal way of handling the situation to avoid delay. Mrs. Morgan's motion was then seconded by Mr. Castor and unanimously approved. After the meeting adjourned, Mr. O'Brien advised the board members that the required forms had been received in his office during the meeting and that he would process Mr. Stetler's Disability retirement.

The question of a cost of living allowance (COLA) for pensioners was brought up by Mrs. Morgan. She stated that Hay Group had advised that the annual required contribution (ARC) for 2012 would be increased by \$7.2 to 8.5 million if a COLA were granted. Mr. Albert then told the board that he had told

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Moody's Investors' Services, the county's bond rating agency that the County was exercising "maximum restraint" in fiscal matters. The board agreed that the county could not afford to grant a COLA for 2012.

Mr. Hoeffel then moved that the question of a 2012 COLA be tabled, Mr. Castor seconded and the board unanimously agreed.

Having no additional business to discuss before the board, Vice Chairman Hoeffel made a motion to adjourn the meeting, seconded by Mr. Ellis. The Retirement Board meeting was adjourned at 11:55am.

Respectfully Submitted,



John A. O'Brien
Retirement Manager