

Montgomery County Employees' Retirement Board

Meeting Minutes from Wednesday, April 8, 2009

A meeting of the Montgomery County Employees' Retirement Board was held on Wednesday, April 8, 2009 at 11:00am in the Commissioner's Conference Room, 8th Floor in Norristown, PA 19404.

Members present: Commissioner James Matthews, Chairman; Commissioner Bruce Castor; Controller Diane Morgan, Secretary; Treasurer Garrett Page

Members absent: Commissioner Joseph Hoeffel, Vice Chairman

Also in attendance: Chief Operating Officer/Chief Clerk Robert Graf; First Deputy Controller Kevin Hoke; Solicitor Barry Miller; Assistant Deputy Solicitor Jeff Albert; Retirement Manager Marisol Lezcano and Pension Accountant John O'Brien

Outside Presenters: Malcolm (Skip) Cowen, Managing Director – Cornerstone

Secretary Diane Morgan called the meeting to order at 11:10am.

On a motion by James Matthews, seconded by Bruce Caster, the minutes for the February 3, 2009 meeting were unanimously approved by the Board.

Controller Diane Morgan deferred to Cornerstone for their presentation. Malcolm (Skip) Cowen discussed four action items:

- 1.) Investment Policy Statement: Mr. Cowen requested the approval of the Investment Policy Statement dated March 2009. The changes were to reduce the long term allocation to domestic equities with the excess being invested in fixed income and alternative investments as well as reduce long term targets by 10% from 60% to 50%. Also, minor changes (such as Lehman indices to Barclays indices) were made for housekeeping purposes. The board unanimously approved the changes and agreed to sign the Investment Policy Statement.
- 2.) Revised Board Resolution: Cornerstone revised the Board Resolution that was previously approved giving them limited discretion to add "liquid alternatives" as they see fit. In terms of discretion, the recommendation was to move from index portfolio (passive funds) and increase exposure by buying into 4 new groups.

A question was posed by the Solicitor about how much discretion is being granted. Is Cornerstone comfortable with the label of deposit administrator as described in Section 29 of the County Pension Law? Mr. Cowen responded that Cornerstone is comfortable with as much discretion as the County is willing to give within a pre-determined range. Example: to unilaterally make decisions within 5%. Cornerstone had discretion over passive funds and wanted to increase their ability to make decisions to include actively managed funds.

Chairman Matthews was willing to forgo authority. Commissioner Castor wanted to take the advice of the professionals. Treasurer Page was in agreement with notification and Secretary Morgan could live within 5%. Assistant Solicitor Albert wanted to confirm that Cornerstone would be changing their role from Advisor to Deposit Administrator and able to transfer funds without Board permission. Mr. Cowen had no problem with new label/designation. Mr. Albert explained that he had a conversation with someone from Cornerstone last year who apparently had

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a problem with the new label, but continued that if the new designation is acceptable then there is no legal issue. Mr. Cowen said there was no problem.

- 3.) Additional Mutual Fund Investments: The board unanimously approved the revised resolution, which included the alternative basket of mutual fund investments.
 - a. Vanguard Inflation-Protected Securities (VIPSX)
 - b. PIMCO Commodity Real Return Strategy (PCRDX)
 - c. Cohen & Steers Realty Income A (CSEIX)
 - d. Calamos Convertible A (CCVIX)
- 4.) Termination of Logan Capital Management: Mr. Cowen met with management at Logan and his meeting went better than anticipated. According to him, they did what was necessary, but still recommended the move from Logan to Goldman. Ultimately, Cornerstone would like two managers in the large cap space. The board unanimously approved the termination of Logan and move to Goldman.

The board continued with the agenda after the presentation by Cornerstone. The retirement procedure for Ex-officio Robert Linsinbigler has not begun because no formal request was made on the part of the former employee. Secretary Morgan made a motion to table during the prosecution of his case by the District Attorney's Office. The board unanimously agreed.

It was not needed to discuss the retirement disability request because the employee passed away.

On motion by Diane Morgan, seconded by James Matthews the request for Kathy Hart-Morrison to enter the DROP Program was unanimously approved by the board.

The County of Montgomery, Office of the District Attorney notified the Retirement Department that Melkeisha Flagg was being considered for a community corrections center. She served in a state correctional institution for unlawful use of a computer. As the victim, the Montgomery County Employees' Retirement Board is entitled to participate in any release decisions made by the Department of Corrections. The board unanimously decided to allow placement.

The Retirement Board was approached to participate in a class action lawsuit against American Express. The pension fund lost over \$500,000. The contention was that American Express failed to disclose certain critical information. The lawsuit was already filed in the Southern District of New York. The firm who filed suit would like the County to be the lead plaintiff. The lead plaintiff would have expenses reimbursed, but it would mean more work for the Solicitor's office. As lead plaintiff not much is established as an advantage except for being able to identify what we get in return. Many times these lawsuits are settled out of court. Mr. Albert explained that attorneys make their dollars when there is a lead plaintiff. Chairman Matthews had no position but would rather not be the lead. Commissioner Castor had no interest but recommended we monitor the case. Treasurer Page felt the advantage was unknown. It was unanimously decided that the board not move forward as lead plaintiff.

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Having no additional business to discuss before the board, on a motion by Diane Morgan, seconded by James Matthews, the meeting was adjourned at 11:37am.

Respectfully Submitted,



Diane Morgan
Controller – Secretary

