Berks County Employees' Retirement Fund Minutes
July 19, 2016

The Berks County Retirement Fund Board met in a regular session on Tuesday, July 19, 2016, at 10:00 A.M. in the Boardroom on the 13th floor of the Berks County Services Center, pursuant to due notice to Board members and the public.

Chairman Christian Leinbach called the meeting to order at 10:06 AM. Attending were Sandra Graffius, Secretary and Dennis Adams, Treasurer and member Mark Scott. The following County staff attended: Christine Sadler, Solicitor; Robert Patrizio, Chief Financial Officer; Suzanne Baer, Pension Coordinator; Grazyna Nykiel, Senior Governmental Accountant and Coreen Thomas, representative of UFCW. Terry Gerlich, CFA, Jonathan Waite, FSA and Michael Burke, CFA from SEI Global Institutional Group.

APPROVAL OF MINUTES

The minutes of the June 16, 2016 meeting were approved as presented.

PUBLIC COMMENT FROM THE FLOOR

None.

PRESENTATION

1. SEI Investment Management Corporation Quarterly Presentation:

Terry Gerlich presented the global market review stating the theme for investors this year is the aggressive monetary policy around the world with quantitative easing [central banks intervening in their bond markets and buying bonds to push down their interest rates.] As a result, approximately 36% of government bonds worldwide are generating a negative yield. A discussion took place about the events that have had an effect on the global market. Mr. Gerlich gave a detailed comparison of the Financial Market performance.

In the Equity market it has been a difficult quarter for active managers due to attractiveness of stable and safe investments. The value and growth stocks are both extremely cheap compared to what is normal. Low volatility strategies have performed well. Signs show growth will continue to grow slowly but steadily with a lot of volatility.

Fixed Income markets had a strong second quarter, as prices were pushed up by both falling rates and contracting credit spreads. The first influence is the rise of negative yields causing a thirst for yield or return which forces rates down.

The second influence is the high demand in the Unites States from international investments which is lowering interest rates in the country. With increased uncertainty surrounding global capital markets, SEI believes it is important to remain strategically diversified across fixed income.

Mr. Gerlich mentioned management changes; one manager was terminated, Delaware Investment Fund Advisors and two managers, BlackRock and MetWest, were hired. Mr. Adams requested the presentation be sent electronically the day before the meeting.

Michael Burke presented the Portfolio Summary for the second quarter of 2016 stating that Asset allocations are in line with policy.

Real Estate/Property allocation has grown by about approximately 2.5%.

Mr. Burke stated the portfolio has absolute sense, positive returns but is slightly behind the benchmark. Mr. Burke elaborated, giving a detailed summary comparing asset allocation to this portfolios benchmark. Mr. Gerlich explained that they benchmark against itself intentionally to take it out of the relative return calculation as a better way to track progress.

SEI’s view is to maintain strategic exposure to capture rebounds has benefited in the Emerging markets Debt Fund and High Yield Bond Fund which have rebounded early this year and continue to rise.

Core property continues to play a very important role providing both income and capital appreciation for the portfolio. It continues to be a strong year and SEI expects that they will continue to capture that income and get a 7-10% return moving forward.

The Special Situations fund is down almost 6% in the first 6 months. As we move back to the sense of normalcy, SEI expects that these managers will add value.

Mr. Scott questioned if there is a need to move out of these types of hyper-inflated investments since SEI anticipates normalcy and stocks stagnating or going down. Mr. Gerlich answered that in this situation; SEI is not advocating a move out of the low volatility strategy because they believe it has a strategic role in the portfolio. SEI expects it to be relatively stable to preserve the funded status.

Mr. Scott inquired how the Fund will attain a 7.5 percent return [the requirement to maintain funded status according to the Hay Group Report: GASB 67 & 68] in a lower return environment with a large allocation in bonds.

Mr. Gerlich agreed that we are in a lower return environment over a long term view. SEI believes the diversified allocation is aggressive enough to generate the returns needed to meet the actuarial assumption.

Mr. John Waite reminded the Board that because the plan was within the 100% funded range, several years ago the plan was de-risked; added to the fixed income, added to the managed volatility, increased the core property while still looking for other return opportunities across the portfolio. Mr. Waite suggests the overall asset allocation should be reexamined. SEI will revisit the allocation of the assets.

Mr. Leinbach inquired about the Hay Group projected returns, risk cost, and what level of risk makes sense going forward. Mr. Gerlich responded saying SEI believes this is an appropriate portfolio.

A discussion took place about the normalcy assumption and the high degree of uncertainty in the market.

2. **Discuss long term negative projection listed in GASB 67 & 68 report**.

Mr. Waite explained the expected long term real rates of return for each major asset class do not include inflation. When inflation is included and balanced across the various asset classes, it still supports Hay Groups 7.5 percent assumptions. SEI's analysis supports the 7.5 percent on a long term basis, over the life of the plan, with a healthy margin.

Mr. Waite explained that the Sensitivity Analysis of the net pension asset to changes in the discount rate does not represent the results of a 6.5% actual return in the plan. Instead, this represents the results if the plan was re-measured at the full liability of the total amount at a 6.5% rate. Mr. Waite mentioned the Hay Group report is an effort by the accountants to get everything on a similar basis so that analysts, banks and lenders can understand and compare different agencies.

Mr. Scott inquired about the impact of the valuation of the liability if the inflation rate on the report was decreased to compare to the current inflation rate. Mr. Waite responded that the impact would be mixed because it should tie into all the other economic assumptions that Hay Group uses for their liability determination. Mr. Robert Patrizio pointed out that these assumptions are based on the life of the plan.

A discussion took place about the risk of a personal portfolio verses a governmental portfolio in pension; the important factors being time horizon and risk tolerance. The Board also discussed how political changes may affect the strategy.

The Board discussed the risk of making the plan more aggressive versus focusing on the long term growth and how it may affect the Annual Retirement Contribution. The Board requested SEI return with multiple recommendations in August or September. To allow enough time for the SEI presentation, SEI will work with the secretary to schedule a date in August or September to reschedule the regular meeting for new recommendations.

COMMUNICATION

The Board received the following communications:

1. Bank statements
    - i. June, 2016 statement from SEI Trust Company account 15963-C
    - ii. June, 2016 statement from National Penn Bank for checking account 216784425
2. Solicitations:
    - i. General: None
    - ii. Conferences: None

OLD BUSINESS

None.

NEW BUSINESS

1. Mr. Scott moved, second by Ms. Graffius, to approve the employees' requests to buy service time. Motion carried.
    - i. Georgene (Sheetz) Maurer buying back over 3 years of previous service time in the amount of $1,463.64.
    - ii. Amy E. McKnight buying back over 3 months of LOA time in the amount of $333.64.
    - iii. Denise L. Wright buying back over 1 year of previous service time in the amount of $856.67.
    - iv. Raymond Moore, Jr. purchasing 5 years of military service time in the amount of $35,085.74
    - v. Sandra L. Santiago buying back over 7 months of LOA time in the amount of $3,080.66.
    - vi. Brian S. Kulp purchasing over 4 years of military service time in the amount of $26,597.52
    - vii. Christine Sadler buying back over 1 month of LOA time in the amount of $431.31.

AUTHORIZE DISBURSEMENTS

1. The Board authorized the disbursements for the Annuities and Refunds for July, 2016, on motion by Mr. Scott and second by Ms. Graffius. Motion carried.

Annuities	$ 1,377,713.60
Refund	56,952.25
Total	1,434,665.85

Market Value of fund as of July 19, 2016 was $412,869,847.33

There being no further business, the meeting adjourned at 11:59 A.M. The Board entered into Executive Session at 11:34 a.m.

Respectfully Submitted,

Sandy Graffius, Secretary Retirement Fund Board