

The Minutes of the
Meeting of the
Lancaster County Retirement Board
February 12, 2021

The meeting was called to order by Commissioner Joshua Parsons at 9:00 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street.

Members Present: Commissioner Joshua Parsons, Commissioner Ray D'Agostino, Commissioner Craig Lehman, Controller Brian Hurter, and Treasurer Amber Martin

Others Present: Lee Martin (Marquette Associates), Lisa Colon, and Diana Rivera

Controller Hurter moved to approve the November 13, 2020 Retirement Board minutes as circulated. Commissioner D'Agostino seconded. The motion carried unanimously.

Mr. Martin presented the Retirement Fund's Performance Update through December 31, 2020. As of December 31, 2020, the Fund was valued at approximately \$350.5 million, with a 4th quarter return at 10.2% (net). The positive attribution for the quarter were from SMID cap equities, real estate, and fixed income. Mr. Martin reported that the year-to-date total fund composite return was 12.9% (net). He noted the following portfolio returns: 5 years 10.0% (net) and 10 years 8.5% (net). Mr. Martin reviewed the individual managers' performance.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He stated that the operating cash balance was approximately \$800,000 as of January 31, 2021. Controller Hurter stated that there were several significant option 4 payouts at the end of 2020 which is why the Fund is down to \$800,000 compared to the \$1.3 million balance the Board likes to keep as operating cash. As a follow up to the discussion at the November 2020 meeting where the Board approved the transfer of up to \$5 million from the EmStone Short Duration Fixed Income fund to meet the Fund's liquidity needs, Controller Hurter requested approval to transfer an additional \$600,000 from the EmStone Short Duration Fixed Income fund to meet the liquidity needs of the Fund through March 2021. Following discussion, Commissioner Lehman moved to approve. Treasurer Martin seconded. The motion carried unanimously. Controller Hurter stated that the County's ADC contributions would begin in April 2021 when the County is receiving a significant portion of their real estate tax revenue.

Controller Hurter provided an update on information requested from Korn Ferry at a previous meeting. He noted that the pension calculator was used about 600 times in 2020, which is an average of 50 times per month. Controller Hurter stated that the mortality tables have been changed at the plan level, but not at the individual level. He noted that he had a conversation with Korn Ferry about using different mortality tables at the individual and plan level. Controller Hurter stated that Korn Ferry wanted to do some additional research before recommending the change also be implemented at the

individual level. Korn Ferry would also confirm that there are no additional planned changes to the mortality tables before recommending changing the mortality tables at the individual level. Controller Hurter noted that Korn Ferry suggested having additional discussion with the Board prior to making any changes to the mortality tables. Following discussion, the Board noted that Korn Ferry would be attending the May meeting to review the actuarial report and there could be a discussion about the mortality tables.

As a follow up to the November meeting, Controller Hurter discussed updating the Investment Policy Statement (IPS) with the Board. The update to the IPS would allow for additional flexibility when meeting the liquidity needs of the Fund. Controller Hurter presented the current Rebalancing Policy along with two options. The first option is to make some minor changes to the Rebalancing Policy and the second option is to add a Liquidity Policy in addition to the Rebalancing Policy. Following discussion, the consensus of the Board was for Controller Hurter and Mr. Martin to make some additional changes to the second option and bring it to the next meeting for discussion.

Controller Hurter discussed security litigation firms with the Board. This discussion was due to several Board Members recently being contacted by various firms. Controller Hurter stated that the Board currently has two security litigation firms under contract, Kessler Topaz Meltzer & Check and Chimicles Schwartz Kriner & Donaldson-Smith. He noted that he recently reached out to the two existing firms regarding some class action lawsuits and was very pleased with the information provided by both firms. Controller Hurter stated that there is no fee for these services and there is no limit to the number of firms the Board can have. He also noted that separately managed funds would be the main investments the firms would review, and the Fund currently has very few separately managed funds. Controller Hurter stated that he is comfortable with the two firms the Board currently uses for this service but noted that he would be open to adding one additional firm if that was the desire of the Board. Following discussion, the Board requested that Controller Hurter reach out to Jonathan Davidson, who formerly worked for a security litigation firm, to get an objective perspective on areas that may be overlooked by the current firms or benefits an additional firm may bring to the Board. Controller Hurter will report back to the Board at a future meeting.

Mr. Martin presented an education piece "Asset Allocation Review & Education" to the Board. Mr. Martin reviewed the first section of the information which included charts and graphs presenting assumptions, allocations, and estimates of future portfolio returns and risk. He presented various scenarios looking at diversifying the Fund into other asset classes. The additional asset classes included infrastructure, private equity, private debt, and defensive equity. The charts showed the impact of each option on the estimated return, assumed risk, and return risk. Included in the educational piece was additional information on each of the asset classes. Mr. Martin suggested the

Board review the remaining information on asset classes and have further discussion at the April meeting.

Controller Hurter stated that Aristotle sent him an email that provided additional information on their Fund. The email asked the Board to reach out to them if they had any questions or were looking for any additional updates. Controller Hurter informed Aristotle that the Board receives updates at the Board meetings from Marquette Associates but noted that he would follow up if there were any additional questions. Controller Hurter asked the Board to let him know if they felt they needed additional information on any of the funds or are interested in having any investment managers attend a future meeting to provide a presentation on their fund.

Commissioner Parsons moved to adjourn the meeting at 10:55 a.m. Commissioner D'Agostino seconded. The motion carried unanimously. The next meeting is April 9, 2021 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary