

The Minutes of the  
Meeting of the  
Lancaster County Retirement Board  
April 9, 2021

The meeting was called to order by Controller Brian Hurter at 9:05 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street.

Members Present: Commissioner Ray D'Agostino, Commissioner Craig Lehman, Controller Brian Hurter, and Treasurer Amber Martin (left at 11:03 a.m.)

Not Present: Commissioner Joshua Parsons

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

Treasurer Martin moved to approve the February 12, 2021 Retirement Board minutes as circulated. Commissioner Lehman seconded. The motion carried unanimously.

Mr. Martin presented the Retirement Fund's Performance Update through March 31, 2021. As of March 31, 2021, the Fund was valued at approximately \$357.6 million. The Fund is up approximately 3.0%, about 40 basis points behind the policy index, for the 1<sup>st</sup> quarter of 2021. 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 \$1.3 million as of March 31, 2021. Controller Hurter stated that he will work with the Treasurer's Office to pull funds for the County's ADC through the summer and will revisit the cash needs at the meeting in August.

As a follow up to the February meeting, Controller Hurter discussed updating the language to the Liquidity Policy in the Investment Policy Statement (IPS). The update to the IPS would allow for additional flexibility to meet the liquidity needs of the Fund. Mr. Martin presented the updated Liquidity Policy. Following discussion, Commissioner D'Agostino moved to approve. Treasurer Martin seconded. The motion carried unanimously. Mr. Martin will bring an updated copy of the IPS to the May meeting.

As a follow up to the February meeting, Controller Hurter stated that he reached out to Jonathan Davidson, who formerly worked for a security litigation firm, to discuss security litigation firms. Controller Hurter stated that Mr. Davidson felt that Kessler Topaz could handle all the security needs of our Plan and noted that they have good attorneys and resources. Controller Hurter stated that Mr. Davidson did not know as much about Chimicles. He stated that Mr. Davidson noted that there is one attorney that he thinks highly of at Chimicles and he did not know the rest as well, but felt they were probably fine. Controller Hurter noted that Mr. Davidson stated most of the security litigation

firms have stepped up their game. Controller Hurter stated that when he asked Mr. Davidson if there was anything that he did not feel was covered by the two firms, there was nothing major noted. Controller Hurter stated that Mr. Davidson noted that there may be some firms that are willing to take on more aggressive cases than the two firms we currently use. Controller Hurter noted that he does not think that is the type of litigation Lancaster County would be interested in pursuing, which Mr. Davidson agreed based on his experience. Controller Hurter stated that Mr. Davidson said that he would be happy to review a list of firms and attributes that the Board is looking for, but felt that the Plan's needs are being met by the two firms the Plan currently has. Mr. Davidson also mentioned it is never a bad idea to see what other firms are out there and review the services they are offering. Controller Hurter stated that there is no fee for these services and there is no limit to the number of firms the Plan can have. He also noted that the need for security litigation firms has decreased with the Plan's current investments. Following discussion, the Board will not add another security litigation firm at this time; however, they agreed for Controller Hurter to review all the security litigation firm contracts, along with the other contracts of the Plan, to determine the last time any action was taken. Controller Hurter will report this information at a future Board meeting.

Controller Hurter discussed Retirement Fund liquidity with the Board. Currently, the EmStone fund has approximately \$5.5 million of investments, with approximately \$3 million having maturities between July and October 2021. The other \$2.5 million in the EmStone fund has maturities beginning November 2022 and into the future. The Board agreed to transition away from using the EmStone fund to meet liquidity needs. Mr. Martin will review the investments in the EmStone fund prior to the May meeting and let the Board know the options for moving forward.

Controller Hurter stated that the County has been into the new contract with Marquette for over a year and noted that the addition of the 52 Advantage Plan has been successful in adding to the positive return recognized by the Fund. Controller Hurter stated that Mr. Martin made some comments at the previous Board meeting, noting Marquette was able to add additional positive return to their Outsourced Chief Investment Officer (OCIO) clients over the past year due to some opportunities in the markets. Controller Hurter felt that the opportunity to be more nimble in the markets, which would be achieved by having Marquette as OCIO for the Fund, may outweigh the additional costs and was wondering if the Board was interested in reviewing the opportunity. Mr. Martin discussed the OCIO model with the Board. The advantages of using the OCIO model are to reduce the burden of day-to-day administrative tasks, allow more time and resources to focus on core organization goals, transfer risk of certain fiduciary responsibilities, and improve investment performance. Controller Hurter noted that the cost proposed during the RFP process was 6.5 basis points based on the asset value of the Fund, which is approximately \$227,500 annually based on the current asset value of the Fund. Controller Hurter noted that the current annual fee with

the 52 Advantage Plan is \$131,500. Mr. Martin noted if the Board is interested in the OCIO model, he would review the pricing to see if the administrative fees could be reduced from what was presented in the RFP. He also noted that there would be some additional savings due to how the manager fees are setup with Marquette's OCIO clients. Mr. Martin noted that they were able to recognize an additional return of about 25 basis points on the total asset value of the fund by investing in high-yield bonds last year for their OCIO clients. That would have been a return of almost \$1 million based on the Fund's asset value. Controller Hurter stated that the Board would continue to monitor and manage how the fund operates; however, Marquette would make the investment decisions based on the Fund's IPS, which is approved by the Board. Following discussion, the Board requested a copy of a proposed contract for the OCIO model for their review. Controller Hurter and Treasurer Martin offered to contact other counties' controllers and treasurers to get their opinion on the OCIO model. The Board will discuss at a future meeting.

As a follow up to the February meeting, Mr. Martin discussed the changes to the Asset Allocation Review & Education booklet and rebalancing proposals with the Board. He stated that he adjusted the first section of the booklet, pages 7-11, as it relates to the current targets, as requested by the Board at the February meeting. Mr. Martin reviewed the estimated return, the assumed risk, and the return / risk ratio for five portfolio proposals based on diversifying the Fund into other asset classes. The asset classes include emerging market equity, global infrastructure, private equity and private debt, and defensive equity. Mr. Martin also reviewed charts of the portfolio proposals that reflect expected annual return distributions, distribution of year 10 market values, the average return to downside risk, and scenario analysis of performance of portfolios during three financial crises, the 1994 Interest rate spike, the 2008 Financial Crisis, and the 2011 US Debt Crisis. Following discussion, the Board chose to move forward with step B, a reduction in US Equity by 3% while adding 3% to Emerging Market Equity. This reallocation will bring the investments in line with the IPS.

Following discussion on where to pull the funds from and where to invest the funds, Controller Hurter moved to invest 3% into the Fidelity Emerging Markets Index fund and pull 1.5% from the Acadian Global Managed Volatility fund and 1.5% from the MFS International Value fund. Treasurer Martin seconded. The motion carried unanimously. The discussion to add an active manager for the emerging market fund will be discussed at a future Board meeting.

The Board agreed to consider moving forward with step C in the Asset Allocation Review & Education presentation and to interview the two infrastructure investment firms, IFM Investors and J.P. Morgan Infrastructure Investment Group. The Board will interview the firms virtually at the May meeting.

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Controller Hurter noted that Korn Ferry would be at the May meeting to present the actuarial report.

Commissioner Lehman moved to adjourn the meeting at 11:07 a.m. Commissioner D'Agostino seconded. The motion carried unanimously. The next meeting is May 14, 2021 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter  
Secretary