

Minutes of the
Monthly Meeting of the
Lancaster County Retirement Board
November 8, 2019

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 Dennis Stuckey, Commissioner Craig Lehman, Treasurer Amber Martin, and Controller Brian Hurter.

Others Present: Harry Klinger (arrived at 10:32 a.m.), Lawrence George, Ray D'Agostino, Michael Shone and Lee Martin, Marquette Associates (left at 10:26 a.m.), and Diana Rivera.

Treasurer Martin moved to approve the October 10, 2019 Retirement Board Minutes as circulated. Controller Hurter seconded. The motion carried unanimously.

Michael Shone and Lee Martin reviewed the performance update for September 30, 2019. The total Retirement Fund was valued at approximately \$302,700,000 with a third quarter net return of 0.8%. Mr. Martin reported that the year-to-date total Fund composite return was 13.9%. He noted the following portfolio returns: 1 year 3.5%, 3 years 8.2%, 5 years 6.4%, and 7 years 8.0%. Mr. Martin reviewed the individual managers' performance. He reviewed the asset allocation history and stated that our investment in global equity strategies has increased over the last two years.

Mr. Martin noted that the Fund's market value as of November 6, 2019, rose to \$308,065,917, an increase from approximately \$302,700,000 at September 30, 2019. He noted that an increase in asset valuation should positively impact the size of the Actuarially Determined Contribution (ADC) calculation for 2020. He also noted that the Fund allocation targets, based on the approved rebalancing by the Board at the October 11, 2019 meeting, may need to be reviewed due to the change in investment values.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He reported that as of the end of October 2019 the Fund had \$1.6 million in the cash operating account. Controller Hurter reported that he felt that the Fund would need at least the following additional amounts to meet the cash needs and maintain a cash operating account balance of \$1.3 million; \$600,000 in November, \$1.0 million in December, \$1.1 million in January, \$1.1 million in February, and \$1.0 million in March. This totals a minimum need remaining of \$4.8 million. Controller Hurter stated that he felt that the Fund would need between a minimum of \$4.8 million and a maximum of \$5.5 million to meet the cash needs of the Fund from November 2019 through March 2020. Controller Hurter noted that these cash needs are in addition to the amounts that were transferred in September of \$1.5 million and October of \$1.1 million. He noted his projected total cash need from September 2019 through March 2020, is \$7.4 million to

\$8.1 million. The County will begin making the 2020 Actuarially Determined Contribution (ADC) in April 2020. Controller Hurter suggested pulling these funds from the EmStone Advisers Short Duration U.S. Fixed Income fund. Following discussion, Treasurer Martin moved to authorize Controller Hurter to transfer up to \$5.5 million through March 2020 from the EmStone Advisers Short Duration U.S. Fixed Income fund to meet cash needs. Commissioner Stuckey seconded. The motion carried unanimously. Controller Hurter stated that he would work with EmStone, Fulton, and Marquette to make sure the funds are transferred and available to meet the Fund's needs.

Mr. Shone provided an update on the EmStone CIT investment. He reviewed the Portfolio Analysis that was provided by EmStone on the CIT investment and noted that he has some additional questions after receiving the analysis. Controller Hurter stated that he also had some additional questions with the analysis. Following discussion, it was the consensus of the Board that Controller Hurter work with Mr. Shone to put a list of additional questions together for EmStone. Those questions would be sent to the Board for review prior to sending to EmStone.

Controller Hurter provided an update on the ADC estimate for 2020. He stated that he received a letter from Korn Ferry Hay Group stating their estimated ADC for 2020 of \$5.85 million. He noted that this is based on the market value of the Fund at September 30, 2019 and could change depending on several factors including market returns for the 4th quarter. Controller Hurter noted that the ADC for 2019 was \$5.05 million. He stated that the Controller's Office will work with Korn Ferry Hay Group during 2020 and provide ADC information as early as possible so that the Board could review before making their decisions.

As a follow-up to the approved rebalancing at the October 11, 2019 Board meeting, Controller Hurter stated that funds have been invested in the Vanguard S&P 500 ETF fund and the MFS International Value fund. He noted that upon receipt of a cash call from Morgan Stanley, the remaining transactions of the approved rebalancing will be made, and the funds will be provided to the Morgan Stanley Prime Property fund.

Controller Hurter requested Board approval to continue providing Employee Pension Benefit Statements for County employees. He stated that the Controller's Office will again work with Korn Ferry Hay Group to provide the information necessary to issue the statements as has been done the last several years. The cost is \$1.85 per statement and is paid from the Fund. Following discussion on the benefits of providing this information to the employees, Commissioner Parsons moved to approve. Commissioner Lehman seconded. The motion carried unanimously.

Controller Hurter stated that the Board needed to approve an interest rate for the Fund to be applied for 2020 and noted that according to Act 96 the rate must be between 4% and 5.5%. Following discussion, Treasurer Martin moved to set the 2020 pension

interest rate to be paid on the members' retirement accounts at 4%, which is the same interest rate as 2019. Commissioner Lehman seconded. The motion carried unanimously.

Controller Hurter reviewed information provided by Korn Ferry Hay Group on a cost of living adjustment (COLA) for 2020. Following discussion, the consensus of the Board was to take no action. The last time the Board took an official vote was November 2017. Board action is required at least every three years.

The Board discussed the planned Retirement Board meeting dates for 2020. Commissioner Parsons moved to approve the following Retirement Board meeting dates for 2020: February 14, April 17 (April 10 is a holiday), May 8, August 14, October 9, and November 13. All meetings will be held at 9:00 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street. Commissioner Stuckey seconded. The motion carried unanimously.

Mr. Shone and Mr. Martin left the meeting at 10:26 a.m. and Harry Klinger, Purchasing, arrived at 10:32 a.m.

The Board discussed presentations held at the October Retirement Board meeting of the Request for Proposal (RFP) for Investment Consultant Services for the Employees' Retirement System for the County of Lancaster. Following discussion, it was the consensus of the Board to retain Marquette Associates. Treasurer Martin moved to approve. Commissioner Lehman seconded. The motion carried 4 to 0 with 1 abstention. Commissioner Stuckey abstained as he was not present for the in-person interviews of the respective firms at the October 11, 2019 Retirement Board meeting.

Commissioner Lehman moved to adjourn the meeting at 10:57 a.m. Commissioner Parsons seconded. The motion carried unanimously.

The next regular Retirement Board meeting is scheduled for February 14, 2020 at 9:00 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street.

Respectfully submitted,

Brian K. Hurter
Secretary