

The Minutes of the
Meeting of the
Lancaster County Retirement Board
February 12, 2016

The meeting was called to order by Commissioner Dennis Stuckey at 9:03 a.m. in conference room 703 at the Lancaster County Offices, 150 N. Queen Street.

Members Present: Commissioner Dennis Stuckey, Commissioner Joshua Parsons, Commissioner Craig Lehman, Controller Brian Hurter, and Treasurer Amber Green.

Others Present: Lee Martin, Peirce Park Group (PPG), and Kathy Kunkel.

Commissioner Lehman moved to approve the January 5, 2016, Retirement Board minutes as circulated. Commissioner Parsons seconded. The motion carried unanimously.

Robert Rossi, Senior Vice President - Client Service, Robert McGee, Senior Vice President - Equity Portfolio Manager, and Harish Aiyar PhD, Vice President - Equity Portfolio Manager, from CS McKee, Inc., attended the meeting to give a presentation on their Large Cap Core Fund. They discussed investment philosophy, attribution analysis, and investment performance of this fund.

Following their presentation, Mr. Rossi, Mr. McGee, and Mr. Aiyar left the meeting at 9:55 a.m. The Board thanked them for their in-depth review.

Mr. Martin presented the Fund's investment performance report for December 31, 2015. The total Retirement Fund was valued at approximately \$244,693,736 million with a fourth quarter return of 3.0% and a year-to-date return of -0.3%. These returns are gross of fees including mutual funds. He reported that the fourth quarter investment gain was approximately \$7.1 million. He noted that the positive contribution for the quarter, compared to their benchmark, was from MFS International, C.S. McKee Fixed Income, and StoneRidge Fixed Income. The negative contribution to return for the quarter, compared to their benchmark, was from C.S. McKee Equity, Lord Abbett, Dodge & Cox, and American Funds. Mr. Martin also provided an update to the Fund as of January 31, 2016.

Mr. Martin reviewed the market environment as it pertains to equities, fixed income, and inflation-sensitive assets. He reviewed the five year summary of cash flows and growth of the portfolio, the asset allocation vs. target, and the total fund ranking vs. the policy index. Mr. Martin reviewed Peirce Park's accomplishments during 2015. In looking at the future of the Lancaster County Retirement Fund, Mr. Martin reviewed some of Peirce Park's goals for 2016: global equity manager search and implementation; public fund clients preparation for GASB Statements 74 & 75, and a review of the rebalancing policy.

Mr. Martin reported on some of the accomplishments for Lancaster County during 2015:

- Reviewed asset class valuation data and allocation options and increased domestic equity by 2%.
- Terminated Emerald Large Core Fund.
- Added Acadian Managed Volatility and S&P 500 Index.
- Increased scope of StoneRidge Fixed Income to include managed yield plus CIT.
- Approved Funding Policy.

Following discussion regarding the Board's consensus to terminate the C.S. McKee Large Cap Core Fund, Commissioner Stuckey moved to liquidate the C.S. McKee Large Cap Core Fund and use the proceeds to purchase the Vanguard S&P 500 ETF. Commissioner Lehman seconded. The motion carried unanimously.

Controller Hurter reviewed the projected cash account balance for the Retirement Plan through May 2016. Controller Hurter stated that transfers were made from the StoneRidge Short Duration U.S. Fixed Income Fund to the Plan's cash account in the amount of \$1,000,000 in November 2015, December 2015, and January 2016. He noted that there was a transfer of \$500,000 scheduled for February 2016. Based on the Plan's current cash account balance Controller Hurter suggested that instead of transferring \$1,000,000 in March 2016, as originally proposed at the November 2015 meeting, the transfer only be made in the amount of \$500,000. This would still leave the Plan's cash account balance at approximately \$1.2 million as of March 31, 2016. Controller Hurter moved to transfer \$500,000, instead of the original \$1,000,000, from StoneRidge's Short Duration U.S. Fixed Income Fund in March 2016 to the Plan's operating account and begin making the ARC payments of \$1,000,000 per month in April 2016. Treasurer Green seconded. The motion carried unanimously. Controller Hurter noted that he would contact both StoneRidge and Fulton Bank.

Controller Hurter stated he had discussed an updated Investment Policy Statement (IPS) with Michael Shone. Mr. Martin provided a booklet "Lancaster County Investment Policy Statement Comparison" that compares the key differences between Lancaster's existing IPS and the updated IPS. Mr. Martin noted that Peirce Park would provide an electronic version of the updated version of the IPS to Controller Hurter for distribution to the Board and Solicitor's Office. It was the consensus of the Board to discuss changes to the IPS at a future Board meeting.

Mr. Martin distributed information on an Asset-Liability Study that included a description of the study, a copy of the last Study issued in to the County in 2010, and the updated Study issued to the County in 2013. He stated that a study should be issued every five years and updated on a more regular basis. The cost of the study could be paid from the Retirement Plan. Treasurer Green asked about the benefits of getting the Asset-

Liability Study. Mr. Martin explained that the study is a planning tool to enable the Retirement Board to examine pension risks and set policies for funding, benefit design, and asset allocation. Mr. Martin stated that he will discuss with Mr. Shone and provide the Board with a preliminary cost proposal. The Board agreed to continue the discussion with Mr. Shone at a future Board meeting.

Mr. Martin asked the Board to think about their plan goals for 2016. The consensus of the Board was for Mr. Martin to request that Mr. Shone present an education piece at the April meeting regarding asset mix options and other items to enhance the plan.

Mr. Martin distributed a manager update report on Acadian and stated that he did not feel that the departure of Matthew Rotham, Director of Quantitative Global Macro Research, was a negative, as his replacement and the firm's remaining management team members have extensive experience.

Controller Hurter moved to accept the Qualified Domestic Relations Order (QDRO) Susan M. Dearolf (Yuska) v. Richard A. Yuska, dated 11/9/2015 as ordered by the Court of Common Pleas, Judge David R. Workman. Commissioner Stuckey seconded. The motion carried unanimously.

Controller Hurter stated that the Controller's Office is working with the Hay Group to provide the information necessary to issue the Employee Pension Benefit Statements as was done last year. The cost is \$1.85 per statement and is paid from the Plan. Following discussion on the benefits of providing this information to the employees, Controller Hurter moved to approve. Commissioner Stuckey seconded. The motion carried unanimously.

Controller Hurter reported that the ConvergeX Group's litigation has been settled and the amount ordered by the SEC to pay penalties and fines to the County is approximately \$79,000. He stated that the appropriate paperwork has been completed and the request was made for the monies to be wired directly to the Retirement Plan.

Controller Hurter gave an update on the Security Monitoring Firms engaged by the Plan, Kessler Topez Meltzer & Check, LLP and Chimicles & Tikellis, LLP. He reported that both firms had requested potential litigation claims be reviewed by the Board to determine if there was any interest on behalf of the Board in pursuing the claims. Kessler Topez offered potential litigation services regarding Fitbit Incorporated. Chimicles & Tikellis offered potential litigation services regarding NYCB stock. Following discussion, it was the consensus of the Board to take no action to advance litigation from either firm. Controller Hurter agreed to contact both firms and make them aware of the Board's position.

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Controller Hurter discussed the County's three Deferred Compensation 457 plans and asked if the County has any fiduciary responsibility for these plans. In addition, he asked if the County is doing what needs to be done and if there is anything else that the County should be doing. Following a lengthy discussion, it was the consensus of the Board to further review and determine the County's responsibility for the 457 plans.

Commissioner Lehman moved to adjourn the meeting at 12:00 noon. Commissioner Stuckey seconded. The motion carried unanimously. The next meeting is April 8, 2016, at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary