

**The Minutes of the
Meeting of the
Lancaster County Retirement Board
April 8, 2016**

The meeting was called to order by Commissioner Dennis Stuckey at 9:11 a.m. in conference room 703 at the Lancaster County Offices, 150 N. Queen Street.

Members Present: Commissioner Dennis Stuckey, Commissioner Craig Lehman (arrived at 10:10 a.m. and left at 11:50 a.m.), and Controller Brian Hurter.

Others Present: Michael Shone, Peirce Park Group (PPG), E. William Peters, and Kathy Kunkel.

Commissioner Joshua Parsons and Treasurer Amber Green were unable to attend the meeting.

As a follow-up to the discussion at the February meeting regarding the County's three deferred compensation 457 plans and whether or not the County has any fiduciary responsibility, the Board invited Doug Hill, Executive Director of the County Commissioners' Association to attend the meeting to discuss 457 plans.

Mr. Hill provided information on governmental 457(b) plans and the role of the County as a plan sponsor. He distributed the following reports and reviewed relevant sections:

Governmental 457(b) Plan Guidebook: This report states that it is the function of the plan sponsor (Commissioners) to choose the 457 plan administrator(s). He stated that the plan sponsor has the responsibility to ensure that the plan(s) is operated according to the requirements, regulations under IRC Section 457, and that it complies with federal, as well as applicable state and local laws.

Nationwide Report Non-ERISA Fiduciary Requirements for Governmental Plans: This report states that Pennsylvania 457 plans must comply with the Uniform Trust Code, the Uniform Prudent Investor Act, and the Uniform Fiduciaries Act. The report describes fiduciary duties and sovereign immunity.

Excerpt - Title 20 (Decedents, Estates, and Fiduciaries) Chapter 73 (Municipalities Investments) Sections 7301 through 7319: These sections cover a definition of fiduciary, authorized investments, obligations, and other items related to these topics.

County Commissioners Association of Pennsylvania (CCAP) - A Proven Partnership: The National Association of Counties and Nationwide Retirement Solutions. The report states that NACO is the only program that includes oversight by a Defined Contribution and Retirement Advisory Committee.

Following his presentation and discussion on the information he presented, Mr. Hill left the meeting at 10:08 a.m. The Board thanked him for his in-depth review.

The Board continued the discussion on the 457 plans and the information presented by Mr. Hill. It was the consensus of the Board that the County does have a fiduciary responsibility for the 457 plans that are offered by the County to its employees. The Commissioners' Office will work with Human Resources to ensure that the County's fiduciary responsibilities are being met. This includes ensuring that the 457 plan administrators are providing educational opportunities for the employees regarding their investments, reviewing the plan document governing the plans, meeting with the 457 plan administrators to discuss the pricing and expenses relating to the plans, and any other items discovered during the review of fiduciary responsibilities.

Controller Hurter moved to approve the February 12, 2016, Retirement Board minutes as circulated. Commissioner Lehman seconded. The motion carried unanimously.

Mr. Shone presented the Fund's investment performance report for March 31, 2016. The total Retirement Fund was valued at approximately \$244,710,543 million with a first quarter return of 1.2% compared to a benchmark of 1.1%. These returns are gross of fees including mutual funds. He reported that the first quarter investment gain was approximately \$2,813,990. He noted that the positive contribution for the quarter, compared to their benchmark, was from MFS International, Acadian Managed Volatility, Lord Abbett Value Opportunities, and American Funds International. The negative contribution to return for the quarter, compared to their benchmark, was from Dodge & Cox Global Equity and Emerald Mid Cap. Mr. Shone also noted the Fund's Asset Allocation versus target is within the acceptable range for the domestic equity, international equity, fixed income, and cash allocations.

Mr. Shone provided a booklet, "Lancaster County Market Update - 1st Quarter 2016". Mr. Shone reviewed the market environment as it pertains to regional equities and fixed income. He noted that the sharp decline of the equity markets in January and early February reversed course in mid-February. Mr. Shone stated that some of the factors playing a role in the decline and subsequent rebound were the Chinese currency, oil prices, and the Central Bank policy. He noted that first quarter S&P 500 earnings are about 7% below their 2014 peak. Mr. Shone reported that the Federal Reserve hiked short term interest rates in December 2015 and the yield curve continues to flatten, showing a sign of economic weakness and uncertainty. He stated that treasuries were a safe haven amid the volatility of the marketplace.

Controller Hurter reviewed the projected cash account balance for the Retirement Plan through July 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 additional transfers of \$500,000 from Stoneridge, were issued in February 2016 and March 2016. The ARC payments of \$1,000,000 per month will be issued April through August 2016. He noted that the cash account balance will be monitored during the summer months and funding options will be reviewed at the August Board meeting.

Mr. Shone provided a booklet "Lancaster County Portfolio Structure: A Look Ahead April 2016" to consider ways to improve portfolio allocations, value/growth splits, and market capitalization distributions. He reviewed core real estate, fixed income structure, and global equity managers as ways to modulate volatility and potentially have greater returns. Mr. Shone said the Board needs to consider how to enhance the investments and how to proceed. Controller Hurter suggested that Mr. Shone provide an overview on performance on core real estate and fixed income investments at a future meeting.

Controller Hurter stated that he electronically submitted an updated version of the Investment Policy Statement (IPS) to the Retirement Board for review. It was the consensus of the Board to approve the IPS at a future Board meeting after the Board reviews real estate and fixed income investments and the Solicitor has reviewed the document.

Mr. Shone provided a booklet "How an Asset Liability Study Can Support Your Decision Making" that discussed how a study assists in meeting the County's Retirement Fund goals, the study process, and the study components. He stated that a full study should be considered every four to five years and that 2010 was the last year of a full study. The cost of the study would be \$25,000 and could be paid from the Retirement Plan. Mr. Shone 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. He stated that it will take two months to complete.

Controller Hurter stated the contract for Fiduciary Liability Insurance with Chubb Insurance Company for \$500,000 in coverage is up for renewal in June. The policy is reviewed and presented by Murray Insurance. He stated that he will provide the policy fee premium at the next meeting. There were no other changes to the policy.

Mr. Shone distributed a one page summary of ADV material changes for Federated Investors and Acadian. The ADV form is required submission to the Securities and Exchange Commission (SEC) that specifies the investment style, assets under management, and key officers of the firm. The form must be updated annually and be made available as public record for companies managing assets in excess of \$25 million.

Retirement Board Minutes
April 8, 2016
Page 4

The HayGroup will be on the agenda for the May meeting to present the 2016 Actuarial Valuation, including determination of the County's Annual Required Contribution (ARC), which is now called the Actuarially Determined Contribution (ADC).

Controller Hurter moved to adjourn the meeting at 11:57 a.m. Commissioner Stuckey seconded. The motion carried unanimously. The next meeting is May 13, 2016, at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary