

**The Minutes of the
Meeting of the
Lancaster County Retirement Board
May 13, 2016**

The meeting was called to order by Commissioner Dennis Stuckey at 9:08 a.m. in conference room 703 at the Lancaster County Offices, 150 North Queen Street.

Members Present: Commissioner Dennis Stuckey, Commissioner Joshua Parsons (left at 11:35 a.m.), Commissioner Craig Lehman, Controller Brian Hurter, and Treasurer Amber Green.

Others Present: Michael Shone (Peirce Park Group), Hank Steihl (The HayGroup) (left at 10:03 a.m.), and Kathy Kunkel.

Controller Hurter moved to approve the April 8, 2016 Retirement Board minutes as circulated. Treasurer Green seconded. Commissioner Parsons abstained as he was unable to attend the April meeting. The motion carried 4 to 0 with one abstention.

Hank Steihl presented the Lancaster County Employees' Retirement System Report on the 2016 Actuarial Valuation Including Determination of the County's Actuarially Determined Contribution for 2016. Mr. Stiehl reported that the calculated actuarially determined contribution to be funded for 2016 is \$4,580,199. This is a decrease from the 2015 contribution which was \$5,228,813. In addition, the Board discussed various actuarial assumptions and their effect on the actuarially determined contribution.

Mr. Stiehl noted that the Unfunded Actuarial Liability is trending downward and the funded ratio for the Lancaster County Retirement Plan is 89.9% on the actuarial value of assets and 87.8% on the market value of assets. He stated that Lancaster County has done a good job of investing funds as well as containing costs.

The Board discussed lowering the actuarial assumption investment rate of return from the current rate of 7.5% and the impact it would have on the County's actuarially determined contribution.

Mr. Stiehl stated that The HayGroup would be providing the Board with the Financial Accounting Report on Governmental Accounting Standards Board (GASB) Statement No. 67 & 68 for the 2015 Measurement Period. The purpose of this report is to separate the accounting for the Plan from the funding requirements for the Plan. This report will be used for the County's Comprehensive Annual Financial Report (CAFR). The report will be sent out during May 2016 in a draft format to be reviewed by the Controller's Office and independent auditors.

The Board thanked Mr. Stiehl for his presentation on the 2016 Actuarial Valuation and his other updates. Mr. Stiehl left the meeting at 10:03 a.m.

Mr. Shone presented the fund's investment performance report for March 31, 2016. The total fund was valued at approximately \$244,738,619 million with a quarter return of 1.3% and a gain in investment earnings of \$2,841,900. These returns are gross of fees including mutual funds. He noted that the total fund investments outperformed benchmark by 20 basis points for the 1st quarter of 2016. Mr. Shone noted that Emerald Mid Cap Growth and Dodge & Cox Global Stock both underperformed their benchmarks while Acadian U.S. Managed Volatility and MFS International both outperformed their benchmarks.

Controller Hurter reviewed the projected retirement plan cash account balance and stated that the first \$1,000,000 ARC payment was issued in April 2016. Payments of \$1,000,000 per month will continue through July with the final actuarially determined contribution of \$580,199 being made in August. At that time the Board can discuss a transfer of funds from another investment in addition to the last ARC payment of \$580,199 if it is needed. The County's 2016 ARC of \$4,580,199 is expected to be fully funded in August. Controller Hurter will coordinate the monthly payments with his staff.

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

Mr. Shone reviewed the report "How an Asset-Liability Study Can Support Your Decision Making" and discussed the process for a strategic planning study. He noted that a full study should be considered every four to five years and that 2010 was the last year of a full study. This study helps to provide insight into the range of answers of "what if" questions under different scenarios as they relate to interest rates, return assumptions, contributions, and inflation. In addition it provides a baseline case for projected annual contributions and funded ratio using current assumptions. The cost of the study is \$25,000 and can be paid from the Retirement Plan.

Treasurer Green asked what changes were made to the Retirement Plan as a result of the 2010 pension liability study. She wanted to know if the findings adopted (if any) from the 2010 pension liability study provided returns to the plan greater than the 2010 pension liability study's cost. Following discussion on the need for the study and items to be reviewed, Commissioner Stuckey moved to approve. Controller Hurter seconded.

Voting Yes: Commissioner Stuckey, Commissioner Parsons,
Commissioner Lehman, Controller Hurter

Voting No: Treasurer Green

The motion carries 4 to 1.

Treasurer Green voted no because she feels an additional expense of \$25,000 for an updated pension liability study should not be a cost the County should incur. Treasurer Green agrees our advisors should conduct such a study in order for them to be best equipped to perform their duties for the fund. However, she feels our advisors receive a contractual fee to advise the Board and a pension liability study should not be an additional expense to the County.

Mr. Shone reviewed the report "Core Real Estate - 1st Quarter 2016", and gave an overview of the potential benefits of private core property investments. In addition, he discussed the current market environment and Core Real Estate as part of the total portfolio.

Following discussion, the Board requested that Mr. Shone select 2 or 3 managers to attend the August meeting to make presentations.

Controller Hurter requested approval of the one year contract for fiduciary liability insurance with Chubb Insurance Company for \$500,000 in coverage that is up for renewal in June. He stated the policy fee premium increased from \$8,062 to \$8,129. There were no other changes to the policy. Commissioner Stuckey moved to approve. Commissioner Lehman seconded. The motion carried unanimously.

Mr. Shone reviewed the report "Fixed Income Structure", and gave an overview of the roles of fixed income to provide such benefits as portfolio protection, liquidity, diversification, and maximization of total return. In addition he reviewed fixed income structure changes and barbell options with various fixed income funds.

Following discussion, the Board requested that Mr. Shone provide a sector breakout at the next meeting for review.

Controller Hurter brought up for discussion the ADV change letters for C.S. McKee and StoneRidge. 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. No issues were noticed.

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Commissioner Lehman moved to adjourn the meeting at 12:10 p.m. Treasurer Green seconded. The motion carried unanimously. The next meeting is August 19, 2016 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary