

County of Lancaster

PENNSYLVANIA



The Lancaster County Employees' Retirement System
Financial Statement
December 31, 2014

Prepared by the Office of the Controller
Brian K. Hurter, Controller



Controller's Office

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Controller
Brian K. Hurter, CPA

The following report presents a summarization of the Lancaster County Employees' Retirement System ("Fund") for the year of 2014. This report provides a glimpse of the Lancaster County Employees' Retirement System as a whole. The Retirement Board is continually on watch to ensure the Fund is a solid and dependable source of income for the over 1,100 retirees of the County of Lancaster, and will continue to be a reliable source of income when the 1,700 active participants of the Fund decide to retire. Along with a professional group of Investment Managers, an Actuary, and a Consultant, the Retirement Board is constantly working to keep the cost of the Fund manageable for the County's budget. During 2014, the County contributed the required Actuarially Determined Contribution of \$5,962,997 to the Fund. Due to the diligence of the Retirement Board and the performance of the Fund, this is down from the calculated contribution of \$7,004,248 that was made during 2013.

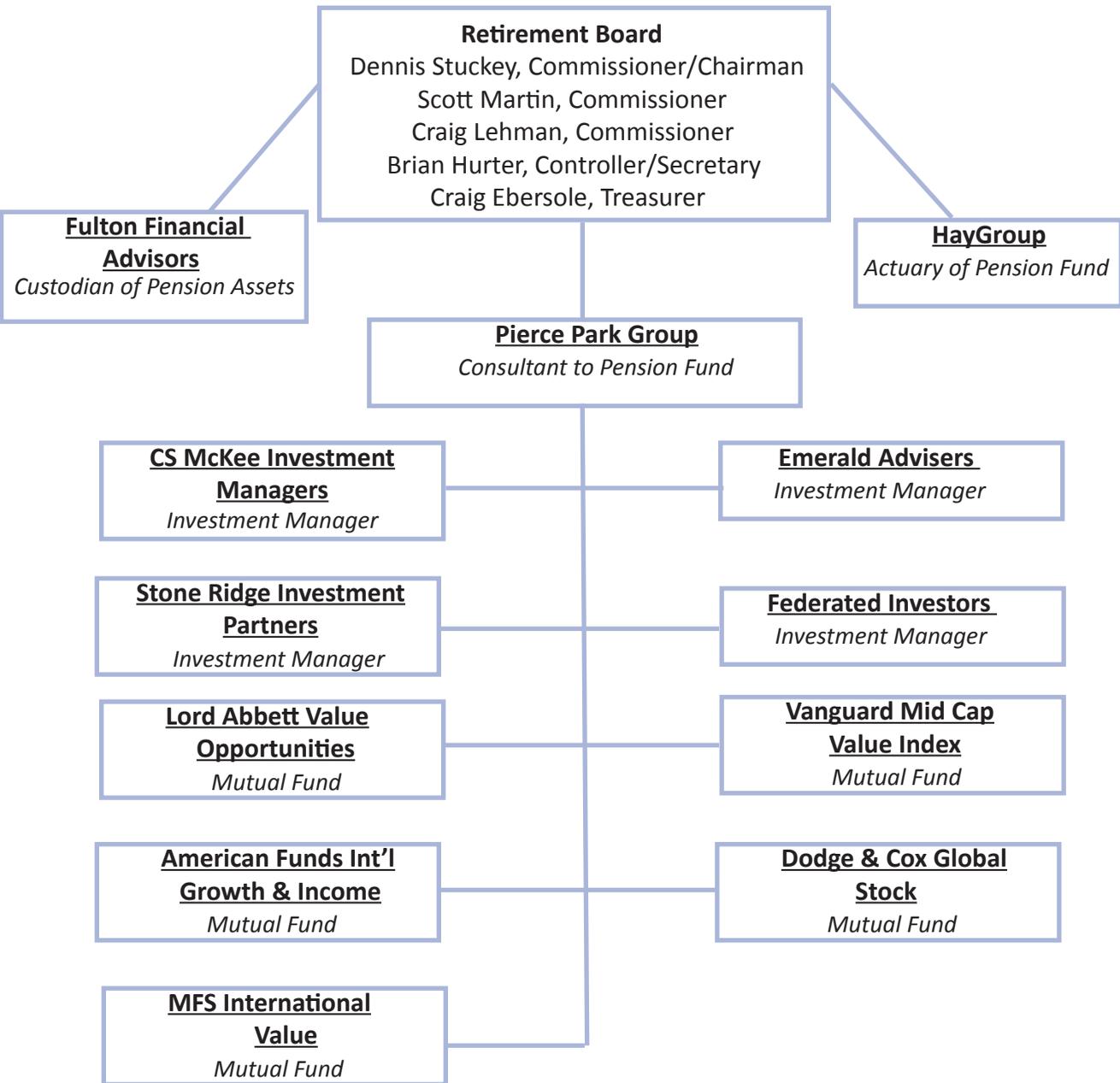
During 2014, there was an increase in the number of retirees and the total benefits paid to them from the Lancaster County Employees' Retirement System. The number of retirees increased by 47 during 2014 to 1,182. The member benefit payments and refunds increased almost \$1 million dollars during 2014. The total benefits paid during 2014 were \$12,955,243, up from \$11,968,322 during 2013. Even with the increase in benefits paid during 2014 and a decrease in the contribution required by the County, the Fund saw a significant increase in market value. The market value of the Fund increased \$11,954,522 during 2014 from \$236,967,909 at December 31, 2013 to \$248,922,431 at December 31, 2014. This increase was due to the strong performance of the markets, the investments selected, and a reduction in the total expenses of the Fund. Even with the increase in assets of the Fund, which usually causes an increase in expenses, the total estimated expenses of the fund decreased by \$8,919 from \$1,171,551 for 2013 to \$1,162,632 for 2014. This is due to the Retirement Board, along with the Consultant, constantly reviewing the asset allocation, performance, and expenses of the investments to ensure that we have a well-diversified Fund available for the benefit of Lancaster County retirees. Due to a positive year the Fund increased from 85.6% funded at December 31, 2013 to 89.0% funded at December 31, 2014.

As a result of the devoted work of the Retirement Board, Consultants, Investment Managers, Actuary, and Custodian, the Lancaster County Employees' Retirement System continues to be a consistent source of income for the retirees of Lancaster County. I would like to acknowledge the dedicated efforts of my staff who process all of the payments, handle your daily inquiries, and review all transactions of the Fund. Should you have any questions, please direct them to the Controller's Office at (717) 299-8262 and we will be glad to assist you.

Brian K. Hurter, CPA
Retirement Fund Secretary

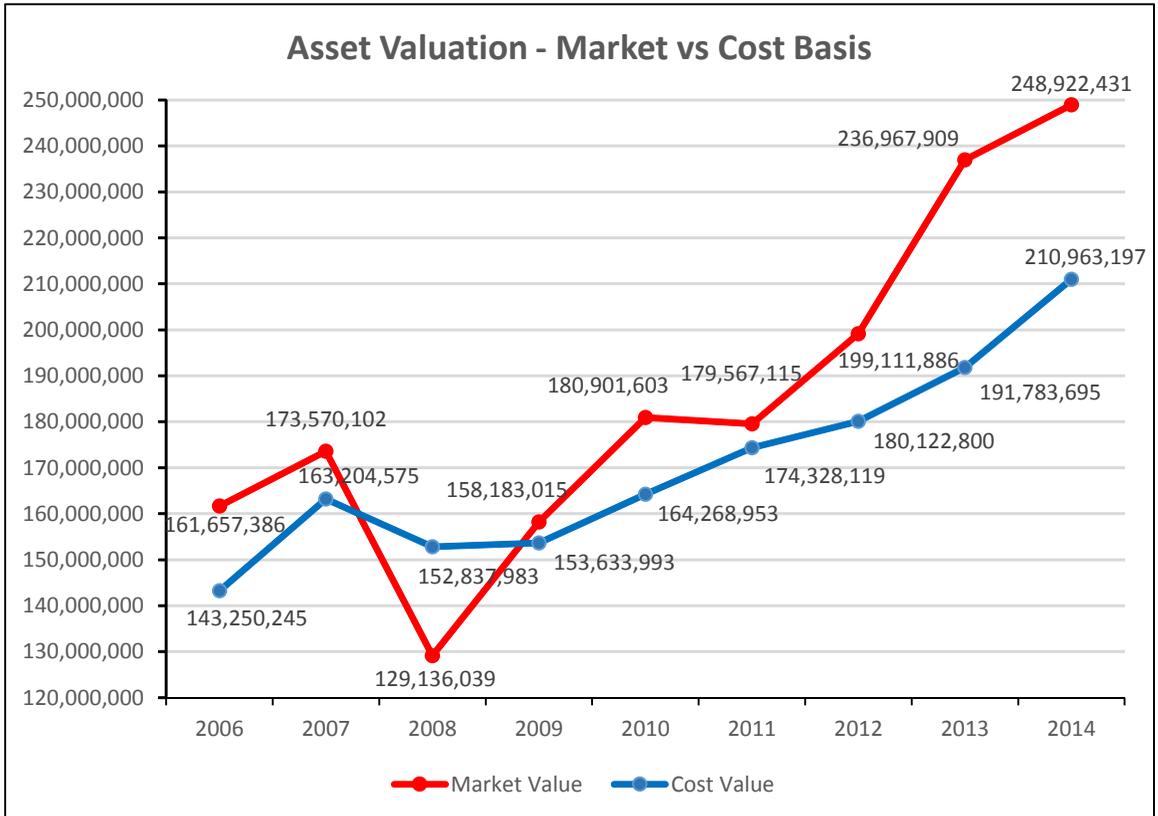


The Lancaster County Employees' Retirement System Structure of the Plan Management

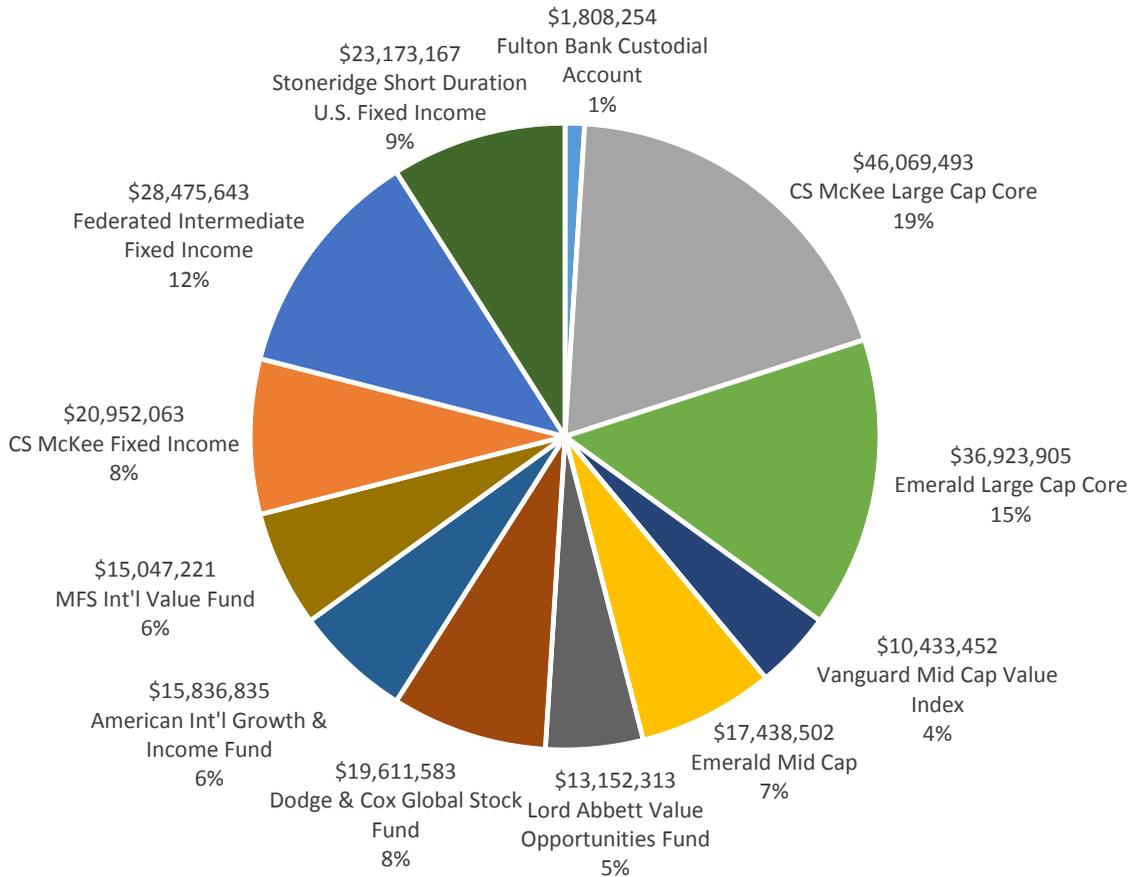


**The Lancaster County Employees' Retirement System
Statement of Plan Assets as of December 31, 2014**

<u>Assets</u>	<u>Market Value</u>	<u>Cost Value</u>
Investments:		
Common Stock	\$123,443,771	\$92,900,297
International Equities	52,259,753	44,692,077
Real Estate	2,038,312	2,013,333
Corporate Bonds	33,626,591	33,722,454
Municipal Bonds	95,513	95,000
Government Securities	22,491,158	22,606,904
Certificates of Deposit	4,810,671	4,776,679
Money Market & Cash Equivalents	10,789,073	10,788,864
Liabilities		
Accounts Payable	(632,411)	(632,411)
Net Assets Held for Pension Benefits at December 31, 2014	<u>\$248,922,431</u>	<u>\$210,963,197</u>



The Lancaster County Employees' Retirement System
% Of Portfolio By Manager
As Of 12/31/14



■ Fulton Bank Custodial Account	■ CS McKee Large Cap Core
■ Emerald Large Cap Core	■ Vanguard Mid Cap Value Index
■ Emerald Mid Cap	■ Lord Abbett Value Opportunities Fund
■ Dodge & Cox Global Stock Fund	■ American Int'l Growth & Income Fund
■ MFS Int'l Value Fund	■ CS McKee Fixed Income
■ Federated Intermediate Fixed Income	■ Stoneridge Short Duration U.S. Fixed Income

**Lancaster County Employees' Retirement System
Estimated Management And Administrative Fees for 2014**

	12/31/14 Market Value	Estimated Annual Fees
Fulton Bank Custodial Account	\$1,808,254	\$ -
CS McKee Investment Managers	67,021,555	205,019
Emerald Advisers	54,362,407	214,734
Federated Investors	28,475,643	71,189
Stoneridge Investment Partners	23,173,168	34,760
Vanguard Mid Cap Value Index	10,433,452	10,433
Lord Abbett Value Opportunity Fund	13,152,313	122,317
Dodge & Cox Global Stock Fund	19,611,583	127,475
American Int'l Growth & Income Fund	15,836,835	93,437
MFS International Value Fund	15,047,221	111,349
Fulton Financial Advisors (Custodian)	-	45,647
Haygroup (Actuary)	-	34,272
Peirce Park Group (Consultant)	-	92,000
	<u>\$248,922,431</u>	<u>\$1,162,632</u>

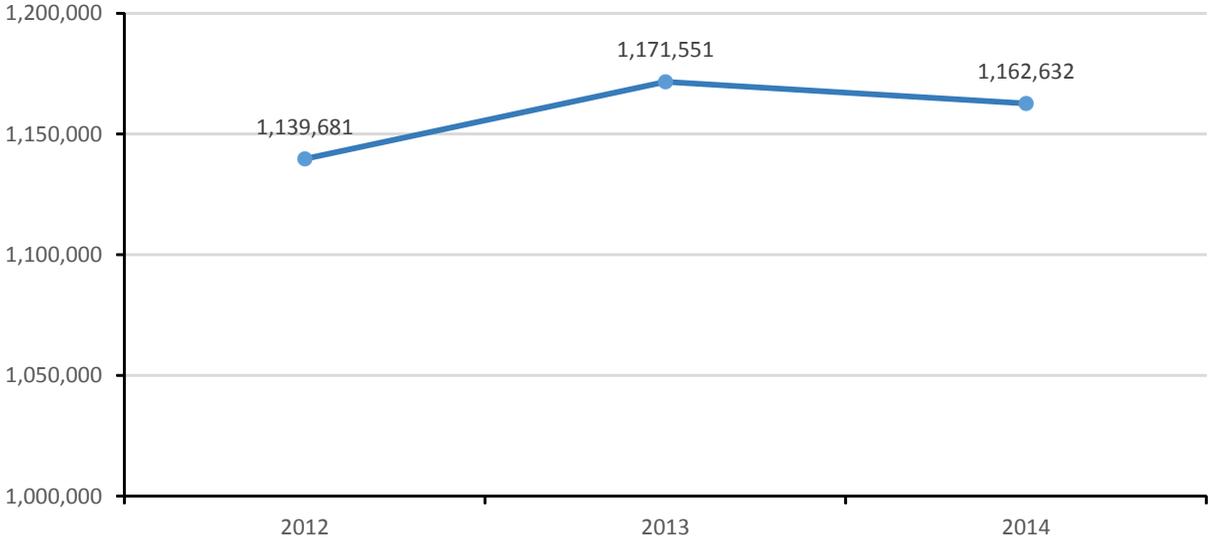
Percentage of Market Value 0.47%

Schedule Of Lancaster County Contributions and Returns

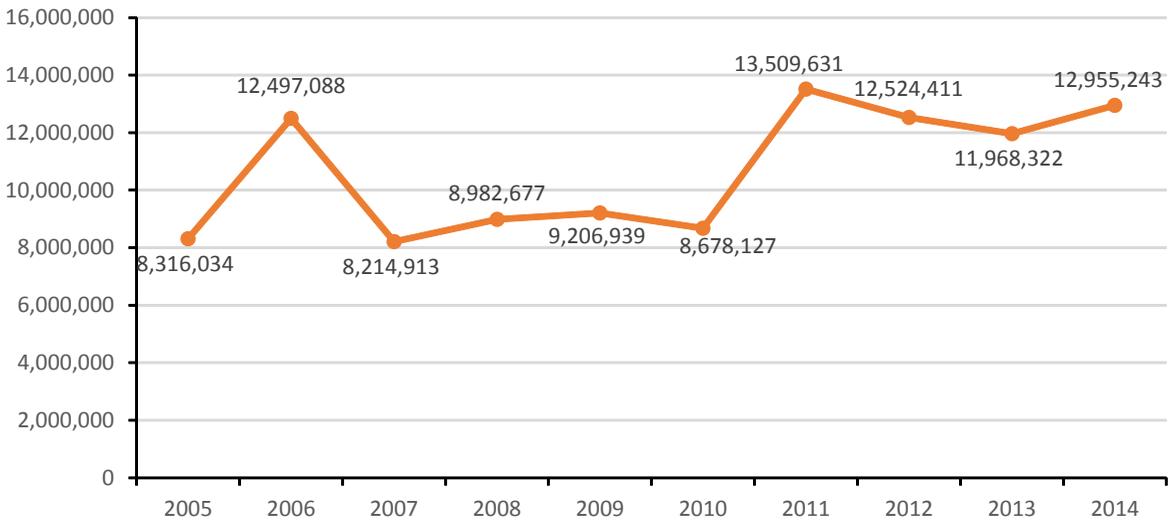
Year	Actuarially Determined Contribution*	County Contribution	Market Value Rate of Return
2014	\$5,962,997	\$5,962,997	6.22%
2013	7,001,128	7,001,128	19.50
2012	7,142,834	7,142,834	11.68
2011	7,304,873	7,554,873	0.54
2010	7,216,063	8,000,000	12.17
2009	7,171,189	7,421,189	20.56
2008	3,333,575	4,000,000	(25.02)
2007	4,859,915	4,859,915	7.01
2006	5,578,535	5,578,535	12.09
2005	7,534,558	7,400,000	6.51

*Prior to 2014, contribution was described as Annual Required Contribution (ARC).

The Lancaster County Employees' Retirement System Estimated Management and Investment Fees



Member Benefit Payments & Refunds



**The Lancaster County Employees' Retirement System
Statement Of Change In Plan Net Assets For The Year Ended December 31, 2014**

Total Assets (Cost Value) – January 1, 2014 \$191,783,695

Additions

Member Contributions	\$5,011,047	
Member Purchase Of County Share	23,048	
County Contribution	5,962,997	
Net Investment Income:		
Interest/Dividends	7,676,338	
Realized Capital Gain/(Loss)	14,196,171	
Miscellaneous	<u>4,345</u>	
Total Additions		\$32,873,946

Deductions

Member Contributions Refunded	\$1,002,746	
Member Contributions Payable	160,415	
Retirement Allowances Paid	11,233,365	
Death Benefits	558,718	
Accrued Investment Expense	17,836	
Administrative Expenses	657,052	
Investment Expenses	42,755	
Miscellaneous	<u>21,557</u>	
Total Deductions		\$13,694,444

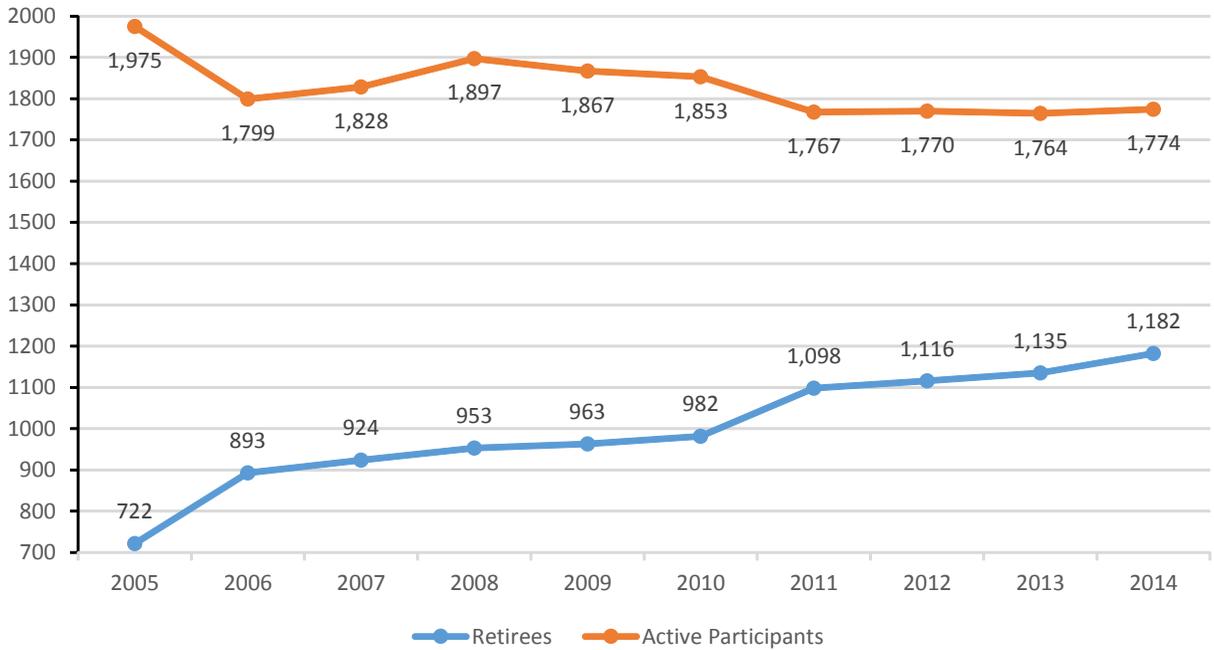
Total Increase/(Decrease) 19,179,502

Total Assets (Cost Value) December 31, 2014 210,963,197

Unrealized Appreciation/(Depreciation) 37,959,234

Total Assets (Market Value) December 31, 2014 \$248,922,431

The Lancaster County Employees' Retirement System Number of Retirees vs Active Participants at Year End



Schedule Of Funding Progress

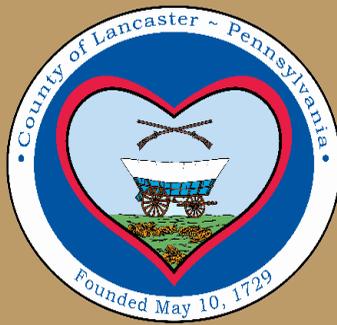
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$175,412,278	\$185,818,519	\$10,406,241	94.4%	\$73,915,189	14.1%
12/31/2008	159,134,908	199,653,516	40,518,608	79.7	78,717,769	51.5
12/31/2009	158,074,015	213,374,965	55,300,950	74.1	79,444,845	69.6
12/31/2010	169,788,390	221,658,694	51,870,304	76.6	78,838,153	65.8
12/31/2011	189,541,657	239,432,154	49,890,497	79.2	76,433,494	65.3
12/31/2012	194,240,337	241,101,765	46,861,428	80.6	76,305,642	61.4
12/31/2013	216,918,969	253,533,460	36,614,491	85.6	77,867,605	47.0
12/31/2014	236,547,831	265,716,928	29,169,097	89.0	79,478,159	36.7

The Lancaster County Employees' Retirement System Portfolio As Of 12/31/14 At Market Value

	Cash Equivalents	Government & Agencies	Corporate	Mutual Funds	Equities	Real Estate	Int'l	Total
Fulton Bank Custodial Account	\$1,808,254							\$1,808,254
CS McKee Large Cap Core	253,139				45,816,354			46,069,493
Emerald Large Cap Core	195,193				36,728,712			36,923,905
Vanguard Mid Cap Value Index				10,433,452				10,433,452
Emerald Mid Cap	419,749				17,018,753			17,438,502
Lord Abbett Value Opportunities Fund				13,152,313				13,152,313
Dodge & Cox Global Stock Fund				19,611,583				19,611,583
American Int'l Growth & Income Fund				15,836,835				15,836,835
MFS Int'l Value Fund				15,047,221				15,047,221
CS McKee Fixed Income	592,679	5,796,457	13,652,258			479,748	430,921	20,952,063
Federated Intermediate Fixed Income	2,029,759	10,641,271	13,472,241		314,954	1,575,523	441,895	28,475,643
Stoneridge Short Duration U.S. Fixed Income	5,534,254	5,026,902	11,707,099				904,912	23,173,167
Total	\$10,833,027	\$21,464,630	\$38,831,598	\$74,081,404	\$99,878,773	\$2,055,271	\$1,777,728	\$248,922,431

**The Lancaster County Employees' Retirement System
Portfolio As Of 12/31/14 At Cost Value**

	Cash Equivalents	Government & Agencies	Corporate	Mutual Funds	Equities	Real Estate	Int'l	Total
Fulton Bank Custodial Account	\$1,808,254							\$1,808,254
CS McKee Large Cap Core	253,139				31,764,956			32,018,095
Emerald Large Cap Core	195,193				27,158,375			27,353,568
Vanguard Mid Cap Value Index				10,269,368				10,269,368
Emerald Mid Cap	419,749				14,144,523			14,564,272
Lord Abbett Value Opportunities Fund				9,268,704				9,268,704
Dodge & Cox Global Stock Fund				13,785,881				13,785,881
American Int'l Growth & Income Fund				14,153,898				14,153,898
MFS Int'l Value Fund				15,020,987				15,020,987
CS McKee Fixed Income	592,679	5,778,580	13,673,750			501,086	423,150	20,969,245
Federated Intermediate Fixed Income	2,029,759	10,771,453	13,396,071		315,138	1,529,206	415,267	28,456,894
Stoneridge Short Duration U.S. Fixed Income	5,534,045	5,030,333	11,823,144				906,509	23,294,031
Total	\$10,832,818	\$21,580,366	\$38,892,965	\$62,498,838	\$73,382,992	\$2,030,292	\$1,744,926	\$210,963,197



County of Lancaster Controller's Office
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