

# County of Lancaster

PENNSYLVANIA



The Lancaster County Employees' Retirement System  
Financial Statement  
December 31, 2015

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 2015. 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 1,200 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 2015, the County contributed the required Actuarially Determined Contribution of \$5,228,813 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 \$5,962,997 that was made during 2014 and annual contributions of over \$7 million made from 2009 through 2013.

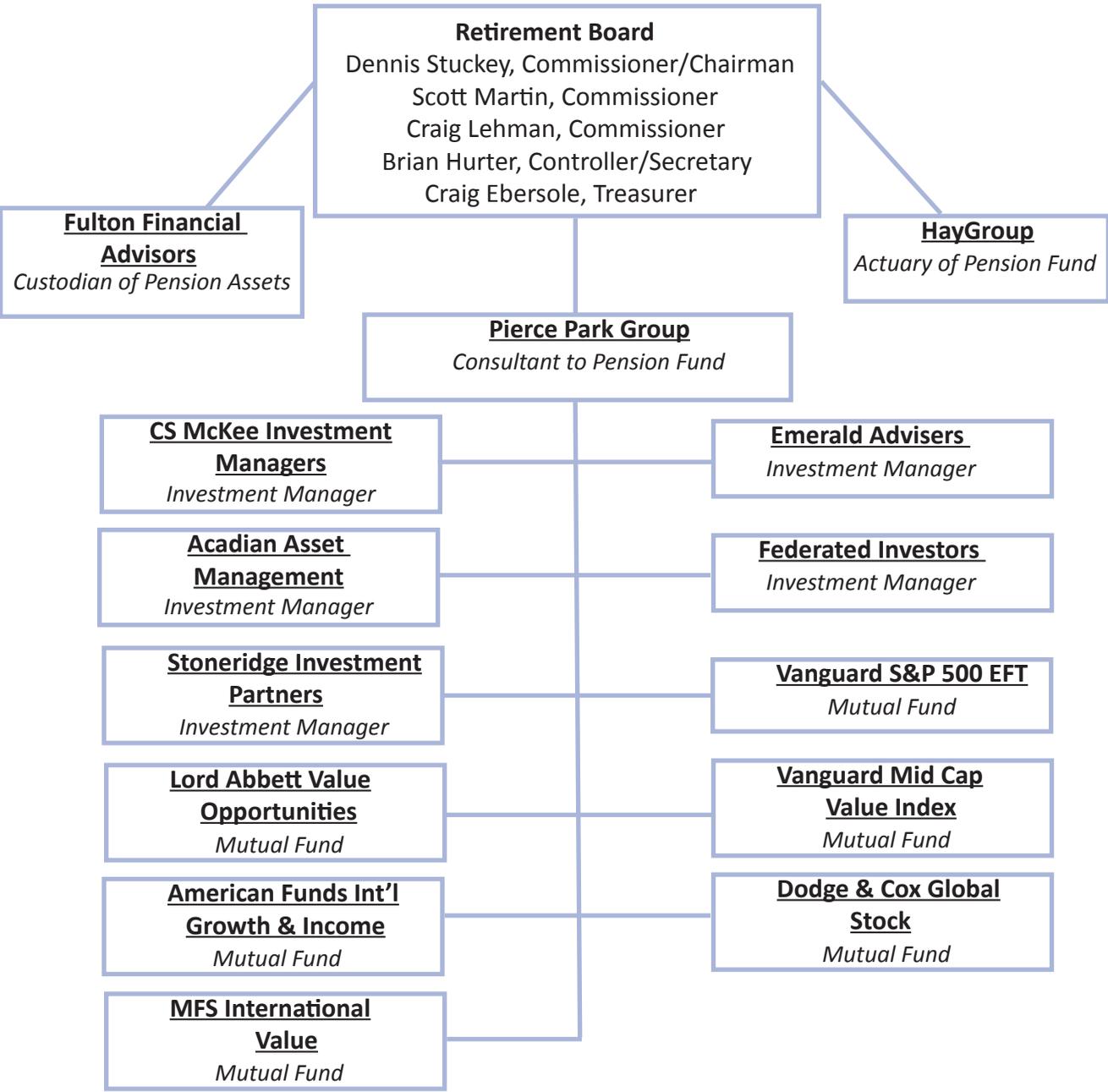
During 2015, there was an increase in the number of retirees and the total benefits paid to them from the Fund. The number of retirees increased by 39 during 2015 to 1,221. The member benefit payments and refunds increased approximately \$400,000 during 2015. The total benefits paid during 2015 were \$13,356,419, up from \$12,955,243 during 2014. The markets remained relatively flat during 2014 and as a result the market value of the Fund decreased \$4,174,336 during 2015 from \$248,922,431 at December 31, 2014 to \$244,748,095 at December 31, 2015. The Retirement Board, along with the Consultant, constantly reviews 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. During 2015 we were able to reduce the fees of the Fund by over \$100,000 by selecting several new investments. The new investments help with the diversification of the Fund, fit into the investment policy, and are expected to be a nice addition to the Fund. The total expenses of the Fund decreased by \$108,967 from \$1,162,632 for 2014 to \$1,053,665 for 2015. Overall the funded ratio of the Fund increased during 2015 from 89.0% at December 31, 2014 to 89.9% at December 31, 2015.

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

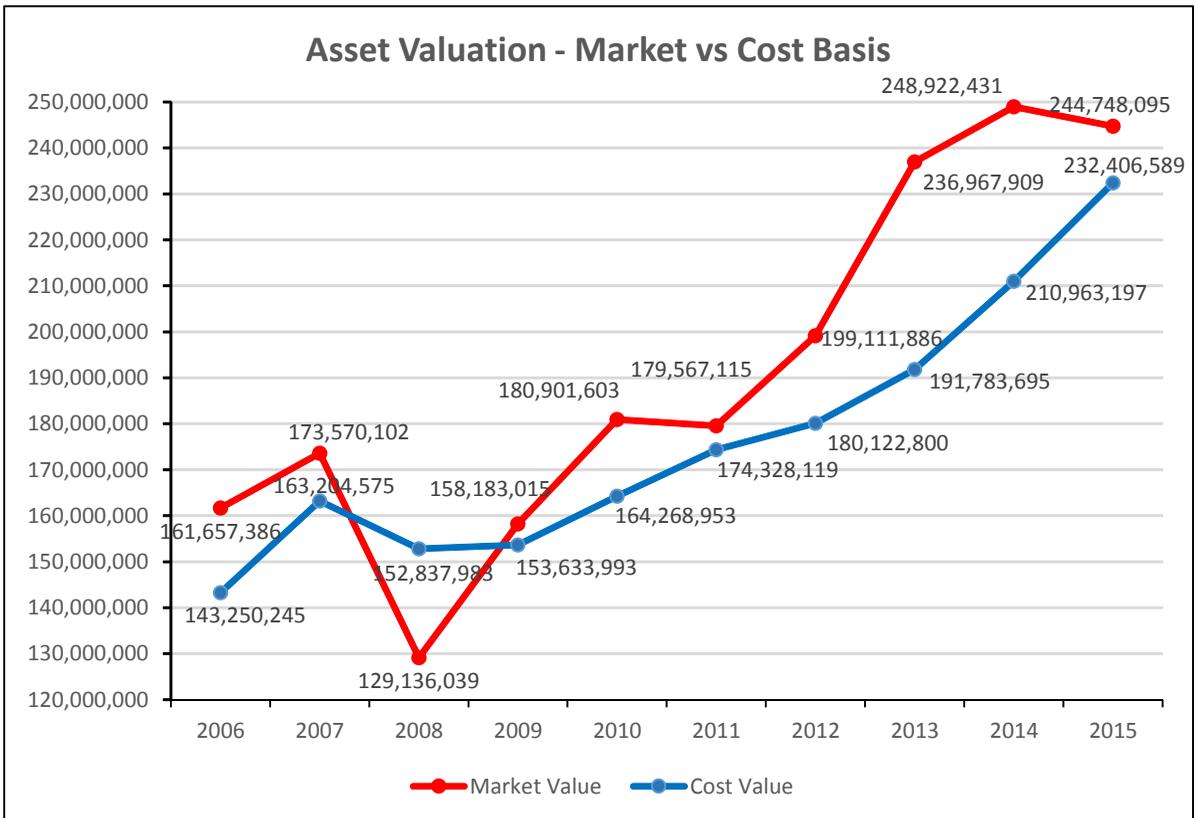


The Lancaster County Employees' Retirement System  
Structure of the Plan Management

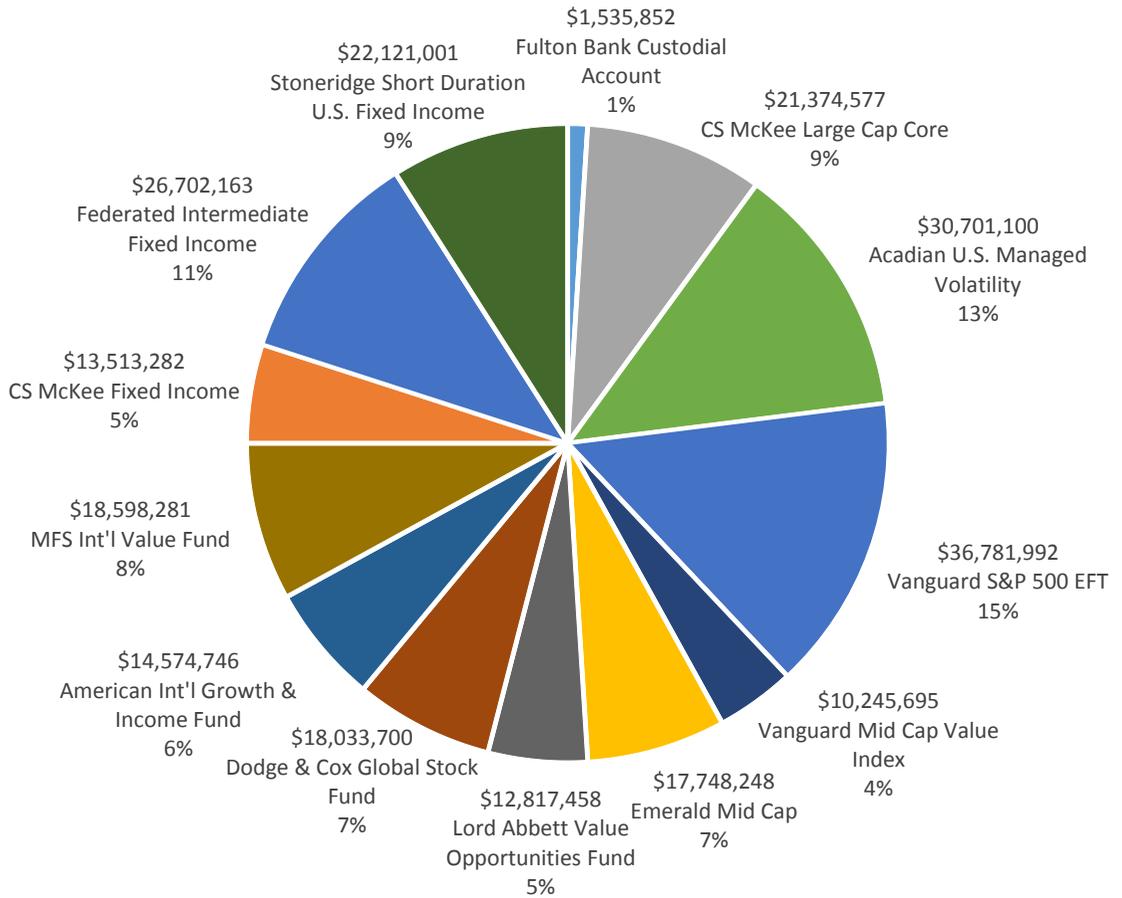


**The Lancaster County Employees' Retirement System  
Statement of Plan Assets as of December 31, 2015**

<u>Assets</u>	<u>Market Value</u>	<u>Cost Value</u>
Investments:		
Common Stock	\$84,119,428	\$73,853,502
International Equities	53,235,781	49,301,754
Real Estate	2,135,323	2,160,224
Corporate Bonds	30,075,874	30,504,895
Exchange Traded Index Funds	36,568,368	37,464,197
Fixed Income Mutual Funds	5,505,260	5,700,000
Government Securities	23,204,547	23,533,172
Certificates of Deposit	4,005,105	3,990,094
Money Market & Cash Equivalents	5,540,004	5,540,346
Receivables	358,405	358,405
<b>Net Assets Held for Pension Benefits at December 31, 2015</b>	<b><u>\$244,748,095</u></b>	<b><u>\$232,406,589</u></b>



**The Lancaster County Employees' Retirement System**  
**% Of Portfolio By Manager**  
**As Of 12/31/15**



- Fulton Bank Custodial Account
- Acadian U.S. Managed Volatility
- Vanguard Mid Cap Value Index
- Lord Abbett Value Opportunities Fund
- American Int'l Growth & Income Fund
- CS McKee Fixed Income
- Stoneridge Short Duration U.S. Fixed Income
- CS McKee Large Cap Core
- Vanguard S&P 500 EFT
- Emerald Mid Cap
- Dodge & Cox Global Stock Fund
- MFS Int'l Value Fund
- Federated Intermediate Fixed Income

**Lancaster County Employees' Retirement System  
Estimated Management And Administrative Fees for 2015**

	<b>12/31/15 Market Value</b>	<b>Estimated Annual Fees</b>
Fulton Bank Custodial Account	\$1,535,852	\$ -
CS McKee Investment Managers	34,887,859	107,664
Emerald Advisers	17,748,248	105,115
Acadian Asset Management	30,701,100	91,103
Federated Investors	26,702,163	66,755
Stoneridge Investment Partners	22,121,001	33,182
Vanguard S&P 500 EFT	36,781,992	18,284
Vanguard Mid Cap Value Index	10,245,695	9,221
Lord Abbett Value Opportunity Fund	12,817,458	117,921
Dodge & Cox Global Stock Fund	18,033,700	117,219
American Int'l Growth & Income Fund	14,574,746	84,534
MFS International Value Fund	18,598,281	128,328
Fulton Financial Advisors (Custodian)	-	47,343
Haygroup (Actuary)	-	33,996
Peirce Park Group (Consultant)	-	92,000
	<u>\$244,748,095</u>	<u>\$1,053,665</u>

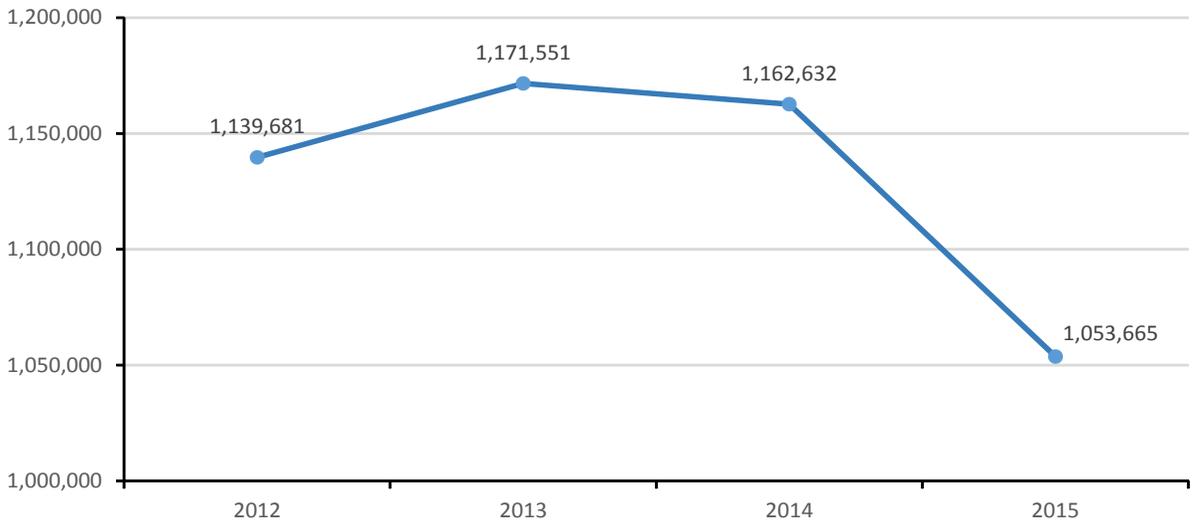
Percentage of Market Value    0.43%

**Schedule Of Lancaster County Contributions and Returns**

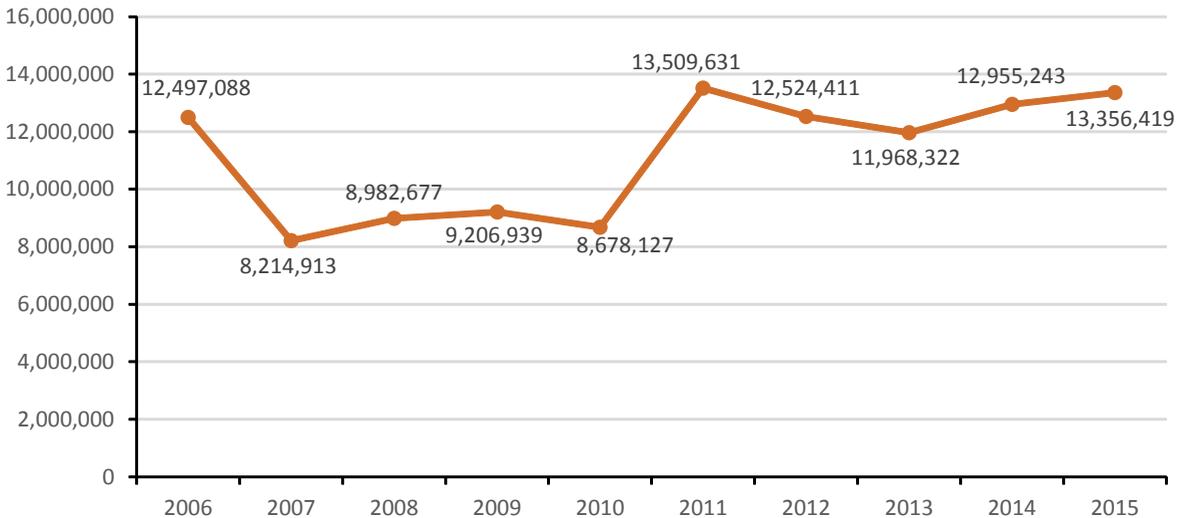
<b>Year</b>	<b>Actuarially Determined Contribution*</b>	<b>County Contribution</b>	<b>Market Value Rate of Return</b>
2015	\$5,228,813	\$5,228,813	(0.12%)
2014	5,962,997	5,962,997	6.22
2013	7,001,128	7,001,128	19.50
2012	7,142,834	7,142,834	11.68
2011	7,304,873	7,554,873	0.54
2010	7,216,063	8,000,000	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

\*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, 2015**

**Total Assets (Cost Value) – January 1, 2015** \$210,963,197

**Additions**

Member Contributions	\$4,928,916	
Member Contributions Receivable	12,692	
Member Purchase Of County Share	32,256	
County Contribution	5,228,813	
Net Investment Income:		
Interest/Dividends	6,919,773	
Realized Capital Gain/(Loss)	18,404,687	
Miscellaneous	<u>3,098</u>	
Total Additions		\$35,530,235

**Deductions**

Member Contributions Refunded	\$1,187,981	
Member Contributions Payable	-	
Retirement Allowances Paid	12,089,318	
Death Benefits	79,120	
Accrued Investment Expense	41,597	
Administrative Expenses	44,558	
Investment Expenses	619,144	
Miscellaneous	<u>25,125</u>	
Total Deductions		<u>\$14,086,843</u>

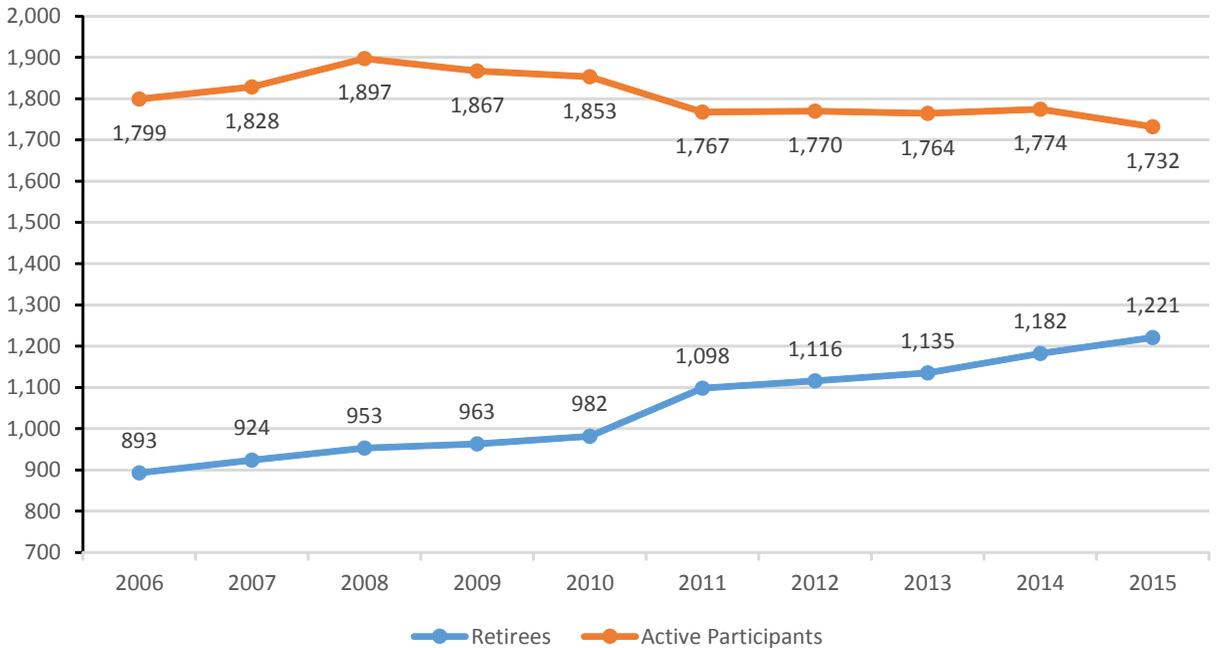
Total Increase/(Decrease) 21,443,392

Total Assets (Cost Value) December 31, 2015 232,406,589

Unrealized Appreciation/(Depreciation) 12,341,506

Total Assets (Market Value) December 31, 2015 \$244,748,095

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



### Schedule Of Funding Progress

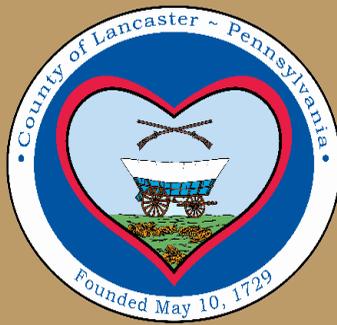
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2007	\$175,412,278	\$185,818,519	\$10,406,241	94.4%	\$73,915,189	14.1%
12/31/2008	159,134,908	199,653,516	40,518,608	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
12/31/2015	250,584,482	278,638,967	28,054,485	89.9	81,355,686	34.5

**The Lancaster County Employees' Retirement System  
Portfolio As Of 12/31/15 At Market Value**

	<b>Cash Equivalents</b>	<b>Government &amp; Agencies</b>	<b>Corporate</b>	<b>Mutual Funds</b>	<b>Equities</b>	<b>Real Estate</b>	<b>Int'l</b>	<b>Total</b>
Fulton Bank Custodial Account	\$1,535,852							\$1,535,852
CS McKee Large Cap Core	263,118	7,699,801	12,625,403			642,823	143,432	21,374,577
Acadian U.S. Managed Volatility	134,655				30,566,446			30,701,101
Vanguard S&P 500 ETF	213,624			36,568,368				36,781,992
Vanguard Mid Cap Value Index				10,245,695				10,245,695
Emerald Mid Cap	567,456				17,180,792			17,748,248
Lord Abbett Value Opportunities Fund				12,817,458				12,817,458
Dodge & Cox Global Stock Fund				18,033,700				18,033,700
American Int'l Growth & Income Fund				14,574,746				14,574,746
MFS Int'l Value Fund				18,598,282				18,598,282
CS McKee Fixed Income	304,034				13,209,248			13,513,282
Federated Intermediate Fixed Income	1,512,753	10,427,588	11,248,670	1,692,781		1,514,366	306,005	26,702,163
Stoneridge Short Duration U.S. Fixed Income	1,063,258	5,175,336	10,470,568	3,822,485			1,589,354	22,121,001
<b>Total</b>	\$5,594,750	\$23,302,725	\$34,344,641	\$116,353,515	\$60,956,486	\$2,157,189	\$2,038,791	\$244,748,097

**The Lancaster County Employees' Retirement System  
Portfolio As Of 12/31/15 At Cost Value**

	Cash Equivalents	Government & Agencies	Corporate	Mutual Funds	Equities	Real Estate	Int'l	Total
Fulton Bank Custodial Account	\$1,535,852							\$1,535,852
CS McKee Large Cap Core	263,118	7,718,628	12,754,955			682,514	143,943	21,563,158
Acadian U.S. Managed Volatility	134,655				27,739,501			27,874,156
Vanguard S&P 500 ETF	213,624			37,464,196				37,677,820
Vanguard Mid Cap Value Index				10,475,149				10,475,149
Emerald Mid Cap	567,456				15,583,154			16,150,610
Lord Abbett Value Opportunities Fund				10,184,463				10,184,463
Dodge & Cox Global Stock Fund				14,470,546				14,470,546
American Int'l Growth & Income Fund				14,668,902				14,668,902
MFS Int'l Value Fund				18,138,285				18,138,285
CS McKee Fixed Income	304,034				9,771,446			10,075,480
Federated Intermediate Fixed Income	1,512,753	10,727,518	11,420,692	1,910,006		1,499,576	283,042	27,353,587
Stoneridge Short Duration U.S. Fixed Income	1,063,600	5,185,203	10,583,005	3,800,000			1,606,773	22,238,581
<b>Total</b>	\$5,595,092	\$23,631,349	\$34,758,652	\$111,111,547	\$53,094,101	\$2,182,090	\$2,033,758	\$232,406,589



**County of Lancaster Controller's Office**  
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