

The Minutes of the
Meeting of the
Lancaster County Retirement Board
May 12, 2023

The meeting was called to order by Commissioner Ray D'Agostino at 9:00 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street.

Members Present: Commissioner Ray D'Agostino, Commissioner Joshua Parsons, Commissioner John Trescot, and Controller Lisa Colón.

Others Present: Lee Martin and Samuel Frymier (Marquette Associates), David Reichert (Korn Ferry) and Sabrina Huss.

Not Present: Treasurer Amber Martin

Commissioner Parsons moved to approve the February 10, 2022, Retirement Board minutes as circulated. Commissioner Trescot seconded. The motion carried unanimously.

David Reichert reviewed the 2023 Actuarial Valuation and County Actuarially Determined Contribution Report which he distributed to the Board. Mr. Reichert noted the plan is in good shape and discussed the Asset Smoothing method which reduces the market volatility. The Asset Smoothing methods smooth gains and losses over 5 years with each valuation reflecting 20% of the annual gain or loss. There are two points to the smoothing method, one is to dampen the volatility in the markets, and secondly it reflects what is happening with the assets. The ADC from 2022 was \$3,903,385.00 and in 2023 increased to \$5,159,368.00 due to higher salaries. The Funded Ratio in 2022 was 94.6% and 93% in 2023 which are both excellent numbers and goes back to having a good plan.

Commissioner Trescot moved to accept the ADC report. Controller Lisa Colón seconded. The motion carried unanimously. Mr. Reichert left the meeting at 9:23 a.m.

Lee Martin reviewed the current market environment, the U.S. economy, U.S. markets, and the global economy.

Mr. Martin reported performance for Q1 2023. GDP did slow a little bit but was still positive in the first quarter on the back of strong consumer spending. However, when looking at leading indicators and economic data, there still is a high probability that we will go into a mild recession later in 2023 or early 2024.

Mr. Martin reported manufacturing PMI continues to decline. PMI's above 50 means countries are in expansion mode, PMI's below 50 means countries are in contraction mode. It is continuing to decline below 50, as we are now at 46. In the past when we have seen that number, we have gone into recession. Mr. Martin pointed out that when

looking at jobless claims, which are more of a leading indicator, they are starting to increase slightly as we begin to see some layoffs.

Mr. Martin presented the Retirement Fund's Performance Update through March 31, 2023. The Fund was valued at approximately \$348 million, with a 4th quarter return at 4.1% (net). The positive attribution for the quarter was from growth equities, real estate, infrastructure, and treasuries. The negative attribution for the quarter was from value equities, emerging markets, and defensive equity. Mr. Martin noted the following portfolio returns: 5 years 6.6% (net) and 10 years 7.4% (net). The fund has a lower volatility and downside capture beta of 0.95. He noted some changes during the quarter: Sigular Guff private equity and Carlyle private equity credit funded during the quarter. Mr. Martin reviewed the individual managers' performance and cash flow summary. Mr. Martin reported the Investment Return Assumption is at 7% and seemed reasonable relative to other public funds. Mr. Martin suggested making no changes to the assumption. The Low Investment Management fees are at 0.42% which is more than 10 basis points below the average US public fund. Mr. Martin doesn't recommend any changes on asset classes at this point.

Mr. Frymier reviewed the updated Investment Policy Statement (IPS) Addendum to the Board for their approval. The Addendum was circulated for the Board Member signatures.

Controller Lisa Colón moved to approve the proposal. Commissioner Trescot seconded. The motion carried unanimously.

Controller Colón reviewed the Retirement Plan cash position. Controller Colón stated the county began making its payments for the County's 2023 ADC, which will continue until the ADC total of \$5,159,368 is met.

Controller Colón presented the Qualified Domestic Relations Order (QDRO) for employee Neal Mitten vs. Beth Ann Mitten dated as ordered March 21, 2023, by the Court of Common Pleas, Judge David Workman. Commissioner Parsons moved to approve. Controller Colón seconded. The motion carried unanimously.

Under new business, Controller Colón reported a pension forfeiture for John Burkhart. After some calculation, Mr. Burkhart owes the County \$726.11. It will take effect from the date he plead guilty.

Controller Colón reported Employee Pension Statements from Korn Ferry were received and should be distributed this week to all the department heads. As in prior years, the cost was \$1.85 per statement, with the total cost to the plan at \$2,963.70.

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Controller Colón gave an update on the Actuarial Request for proposal (RFP). Seven bids were opened on Wednesday, May 10, 2023, and one of them was a no bid, claiming they weren't given enough time after the answers were provided, for them to provide a proposal. Two were disqualified because they didn't have a current county as a client, which leaves four bids for review.

Commissioner Parsons moved to adjourn the meeting at 10:09 a.m. Controller Colón seconded. The motion carried unanimously. The next meeting is August 11, 2023, at 9:00 a.m.

Respectfully submitted,

Lisa K. Colón
Secretary