Minutes of the
Monthly Meeting of the
Lancaster County Retirement Board
February 14, 2020

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

Members Present: Commissioner Joshua Parsons, Commissioner Ray D’Agostino, Commissioner Craig Lehman, Treasurer Amber Martin (left at 10:47 a.m.), and Controller Brian Hurter.

Others Present: Lee Martin, Marquette Associates; Mark Gensheimer, C.S. McKee (arrived at 9:06 a.m. and left at 9:30 a.m.); Lawrence George; and Diana Rivera.

Treasurer Martin moved to approve the November 8, 2019 Retirement Board Minutes as circulated. Controller Hurter seconded. The motion carried unanimously.

Controller Hurter presented the Qualified Domestic Relations Order (QDRO) John Ator vs. Carole Ator, dated as ordered January 22, 2020, by the Court of Common Pleas, Judge David R. Workman. Treasurer Martin moved to approve. Commissioner Lehman seconded. The motion carried unanimously.

Controller Hurter presented the Qualified Domestic Relations Order (QDRO) Jason Dietz vs. Sherie Tynes-Dietz, dated as ordered January 30, 2020, by the Court of Common Pleas, Judge David R. Workman. Treasurer Martin moved to approve. Commissioner Lehman seconded. The motion carried unanimously.

Mark Gensheimer, C.S. McKee, reported that C.S. McKee is selling substantially all of their assets to CSM Advisors, LLC, an affiliate of North Square Investments, LLC. He noted that they will maintain the C.S. McKee name. Mr. Gensheimer stated that this is a good opportunity for C.S. McKee and their employees. He noted that there will not be any difference as far as the management of the fixed income portfolio. He stated that they are in the consent process and the transaction should close by March. Mr. Gensheimer stated that this transaction will give them the opportunity to create mutual funds and offer them for defined contribution plans.

Mr. Gensheimer provided the Board with an update on the C.S. McKee Fixed Income portfolio. He stated that the portfolio was up 7% for the year ended December 31, 2019. He noted that investment grade fixed income had its best annual performance in over a decade. Mr. Gensheimer stated that he does not expect to have another year like we did in 2019; however, he sees some opportunity due to a fair amount of volatility coming into the markets in 2020.

Mr. Gensheimer left the meeting at 9:30 a.m. and the Board thanked him for the update.
Lee Martin reviewed the performance update for December 31, 2019. The total Retirement Fund was valued at approximately $317 million, with a fourth quarter net return of 5.8%. Mr. Martin reported that the year-to-date total fund composite return was 20.4%. He noted the following portfolio returns: 5 years 7.2%, and 7 years 8.7%. Mr. Martin reviewed the individual managers’ performance.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He reported that the Fund had approximately $1.4 million in the cash operating account as of January 31, 2020. Controller Hurter noted that he felt the fund is on target with the cash needs based on the projections. He noted that he will transfer $1.1 million in February and $1.1 million in March from the EmStone account to the cash operating account as was previously approved. Controller Hurter noted that those two transfers should meet the current cash needs and the County’s ADC contributions would begin in April 2020 when the County is receiving real estate tax revenue. Controller Hurter stated that the County’s ADC contributions should meet the cash needs of the Fund until August and the Board can review the balance at the August Board meeting and determine if any action needs to be taken at that time.

Controller Hurter provided an update on the EmStone CIT investment. He noted that a second distribution of approximately $500,000 was completed for December 31, 2019. This brings the total received from the CIT to almost $1.5 million out of approximately $3.5 million that was in the CIT when the Board voted to terminate the CIT. The current market value of the CIT is approximately $2.1 million. Controller Hurter stated that a memo was received from EmStone on December 2, 2019 answering the Board’s questions about the Portfolio Analysis that were asked at the November Board meeting. Controller Hurter noted that EmStone’s memo did not answer all his questions. He noted that he did not see the value in continuing to go back and forth with EmStone and stated he would continue to watch the CIT investment as distributions continue to be made. Mr. Martin agreed that there was not much that could be done with the CIT at this point and stated that Marquette would continue to watch the CIT investment.

Controller Hurter noted that a piece of the rebalancing approved at the October 11, 2019 Board meeting has been completed. He noted that the remaining transactions involve the Morgan Stanley Prime Property fund and they are waiting for the cash call from Morgan Stanley. Controller Hurter stated that he received notification from Morgan Stanley that there will likely be a cash call on April 1, 2020 for at least part of the commitment. The Board previously approved $8,650,000 to be invested in the Morgan Stanley Prime Property fund.

As a follow-up to the review of the C.S. McKee sale to CSM Advisors, Controller Hurter requested Board approval for C.S. McKee assignment and for them to continue managing the fixed income fund. Commissioner Lehman moved to approve. Commissioner Parsons seconded. The motion carried unanimously.
Controller Hurter shared a request that he received to consent to the election of four independent directors for the Morgan Stanley Prime Property fund. Following discussion, Controller Hurter requested Board approval for him to sign the consent. Treasurer Martin moved to approve Controller Hurter to sign the consent documentation. Commissioner D'Agostino seconded. The motion carried unanimously.

Mr. Martin discussed four rebalancing proposals. Following discussion, Commissioner Parsons moved to execute the proposed rebalancing sheet option #4. This proposal moves $6,000,000 from the Fidelity 500 Index fund and $3,750,000 from the Fidelity Total International Index fund and invests $4,750,000 into the C.S. McKee Fixed Income fund and $5,000,000 into the Fidelity Intermediate Treasury Bond Index fund. Commissioner D'Agostino seconded. The motion carried unanimously.

Following discussion on the rebalancing that was approved at the October 11, 2019 Retirement Board meeting, Controller Hurter moved to replace the approved rebalancing from the October meeting with a new rebalancing and to move $1,000,000 from the Fidelity 500 Index fund, $1,650,000 from the Vanguard Mid Cap Index fund, $1,000,000 from MFS International fund, and $5,000,000 from the Fidelity Treasury Bond Index fund, which will fund the cash call of $8,650,000 for the Morgan Stanley Prime Property fund. If the Morgan Stanley cash call is not for the full $8,650,000, the funds would be pulled proportionately. Commissioner D'Agostino seconded. The motion carried unanimously. Controller Hurter stated that once the cash call is received in March, he will work with Mr. Martin on the paperwork for the transition of the funds.

The Board discussed various options for rebalancing when receiving the weekly update for the 52 Advantage Plan. After discussion on what percentages may be appropriate, the Board agreed that Mr. Martin make a presentation on various options at the April Retirement Board meeting. In addition, Controller Hurter stated that Korn Ferry will be on the agenda for the April Board meeting.

In reviewing the goals for 2020, Mr. Martin suggested that the Board review the Fund's overall asset allocation and consider strategies that may protect investments in the current environment. He listed the following items to the Board for consideration: further diversification; investment targets; infrastructure investments; volatility risk premia; and review private equity and private credit. The Board will review these options at future Board meetings. In addition, Mr. Martin will provide liquidity options for the Fund.

Controller Hurter noted that the full Other Post Employee Benefits (OPEB) report is issued every other year and the full report will be issued this year.

In response to the question of when the Employee Pension Benefit Statements will be available, Controller Hurter stated that his staff is reconciling the fourth quarter 2019 employee active data and is working with Korn Ferry Group to provide the information for the statements. He stated that the statements are typically issued by May.
Controller Hurter noted that the statements should be issued by May again this year.

Commissioner Lehman handed out a letter to the Board from Kathi Cozzone who is with a security litigation firm, Rigrodky & Long P.A. The firm is interested in monitoring investments that are within the Fund. Commissioner Lehman stated that he would share the information with the Board and if there is any interest in adding another firm it can be discussed at the next meeting. Controller Hurter stated that the Board currently uses two firms for this service and noted that there is no limit to the number of the firms that could be engaged. Controller Hurter stated that he does want to expand the number of firms being used but noted that he would be open to reviewing the firms that are being used. Controller Hurter also noted that due to the current investments of the Fund, there are limited investments for the security litigation firms to review. After discussion, Controller Hurter stated that he would put it on the next Retirement Board agenda for any further discussion.

Commissioner Parsons moved to adjourn the meeting at 11:24 a.m. Commissioner Lehman seconded. The motion carried unanimously.

The next regular Retirement Board meeting is scheduled for April 17, 2020 at 9:00 a.m. in Conference Room 703 at the Lancaster County Offices, 150 North Queen Street.

Respectfully submitted,

[Signature]

Brian K. Hurter
Secretary