

The Minutes of the  
Meeting of the  
Lancaster County Retirement Board  
April 13, 2018

The meeting was called to order by Commissioner Joshua Parsons at 9:15 a.m. in Conference Room 703 at the Lancaster County Offices, 150 N. Queen Street.

Members Present: Commissioner Joshua Parsons, Commissioner Dennis Stuckey, Commissioner Craig Lehman (arrived at 9:08 a.m.), Controller Brian Hurter, and Treasurer Amber Martin (left at 11:25 a.m.).

Others Present: Michael Shone and Lee Martin, Marquette Associates (MA), and Kathy Kunkel.

Commissioner Parsons moved to approve the February 9, 2018 Retirement Board minutes as circulated. Commissioner Stuckey seconded. The motion carried unanimously.

Mr. Shone presented the Fund's performance update report for March 31, 2018. The total Retirement Fund was valued at approximately \$286,846,819 with a first quarter net return of -0.5%. He reported that the first quarter net investment change was negative \$1,253,735.

Mr. Shone noted that even though there was a negative return of -0.5% during a down market environment, the Policy Index was -0.7%. He noted that the portfolio returns for 1 year were 10%, 3 years 6.6%, and 5 years 8.1%. He reviewed the Fund's asset allocation vs. target and reported that all asset classes were within the policy range.

David Volpe, Deputy CIO, Stephen Amsterdam, Associate Portfolio Manager/Senior Research Analyst, and Joseph Hovorka, Associate Portfolio Manager/Senior Research Analyst, from Emerald Advisers, attended the meeting at 9:30 a.m. to give a presentation on the Emerald Mid Cap Growth fund. They discussed investment philosophy, portfolio holdings, performance, and expectations of the fund.

Following their presentation, Mr. Volpe, Mr. Amsterdam, and Mr. Hovorka left the meeting at 10:10 a.m. The Board thanked them for their in-depth review.

The Board discussed Emerald's presentation and the Board's expectations moving forward with small cap and mid cap investments. It was the consensus of the Board to continue to closely monitor Emerald's performance, as well as the performance of Lord Abbett throughout 2018. The Board discussed other options including moving these assets to index funds.

Mr. Shone presented a booklet, U.S. Equity Portfolio Structure of the Lancaster County Pension Fund. He reviewed Emerald Advisers and Lord Abbett information as of

December 31, 2017. Mr. Shone reviewed Emerald Advisors and Lord Abbett's return summary, the ten year up/down market participation, and risk statistics compared to their benchmark.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He noted that at the February 9, 2018 meeting, the Board approved the transfer of \$4.1 million from the mutual fund (cash) account to the operating account, \$1.6 million, and the C.S. McKee Fixed Income fund, \$2.5 million. Controller Hurter noted that these transfers have been completed. In addition, \$1.3 million was transferred to the operating account from the EmStone fund during March to meet cash needs. In April 2018, the County will begin making the Actuarially Determined Contribution (ADC) to the Fund. The ADC is preliminarily estimated at \$4.5 million. He noted that these contributions will get us through the next few months and we will maintain a balance of approximately \$1.3 million dollars in the operating account. Controller Hurter noted that he will work with the Treasurer's Office to make sure the funds are available and funded.

Mr. Martin provided a booklet on Inflation Sensitive Assets. He stated that real assets, such as real estate and infrastructure, can help protect against inflation. He discussed the risk/return characteristics and diversification benefits of infrastructure assets. He discussed the infrastructure sectors and the projected global investment needs through 2030. Mr. Martin reviewed real estate portfolio characteristics. Mr. Martin reviewed timberland investing and stated it is a long-term investment typically 10-15 years. He noted that the long-term value of land and timber should increase with inflation. Mr. Martin noted that there are inherent market risks with valuation estimates, regulatory changes, and physical risks. Mr. Martin also discussed a farmland/timberland fund that some of their clients are already invested in but noted the fund is currently closed to new investors. Mr. Martin reviewed some investment options including increasing the percent invested in real estate, investing in infrastructure, and looking at farmland/timberland fund information.

Following discussion, the Board requested additional information on increasing the real estate investment from 5% to 7% and taking the funds from fixed income. Mr. Shone will present a report at the next Board meeting. Controller Hurter requested that Marquette Associates provide the Board with information on specific investments in infrastructure and farmland/timberland for their review.

Controller Hurter noted that Korn Ferry HayGroup will be on the agenda for the May meeting to present a draft of the 2018 Actuarial Valuation Including Determination of County Actuarially Determined Contribution. The draft report will include a calculation for the ADC based on the current return assumption at 7.35%. Korn Ferry HayGroup will also provide information on the impact of changes to the return and salary assumptions for the Board's review and consideration.

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Controller Hurter stated the contract for fiduciary liability insurance with Chubb Insurance Company for \$500,000 in coverage is up for renewal in June. The policy is reviewed and presented by Murray Securus. Controller Hurter asked the Board if they wanted him to move forward with getting a quote to continue the coverage. The consensus of the Board was to move forward and consider continuing the coverage. Controller Hurter stated that he will provide the policy fee premium at the next Board meeting after it has been provided by Murray Securus.

Commissioner Stuckey moved to adjourn the meeting at 11:35 a.m. Commissioner Parsons seconded. The motion carried unanimously. The next meeting is May 11, 2018 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter  
Secretary