

The Minutes of the
Meeting of the
Lancaster County Retirement Board
May 14, 2021

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, Controller Brian Hurter, and Treasurer Amber Martin

Others Present: Lee Martin (Marquette Associates), Kris Seets and David Reichert (Korn Ferry) (left at 9:55 a.m.), Pat Mulligan (left at 9:55 a.m.), Lisa Colon, and Diana Rivera

Treasurer Martin moved to approve the April 9, 2021 Retirement Board minutes as circulated. Controller Hurter seconded. The motion carried unanimously.

Kris Seets and David Reichert, Korn Ferry, presented a draft of the Lancaster County Employees' Retirement System Report on the 2021 Actuarial Valuation Including Determination of the County's Actuarially Determined Contribution (ADC) for 2021. Mr. Seets reviewed the report and noted certain highlights, including the funded ratio increasing from 88.1% to 91.0%. Mr. Seets also reviewed the actuarial smoothing of assets and the amortization policy. He stated under the current amortization policy, the County's ADC for 2021 would be \$4.025 million and noted this amount is projected to decrease over the next couple of years. However, he noted under the current amortization policy, the ADC would begin to increase in 2026 which could cause budget challenges for the County. Mr. Seets discussed the "Fresh Start" amortization option which would smooth out the amortization and be used to create a more stable contribution pattern. He noted the Fresh Start amortization option would accelerate plan funding in the near term, but eliminate the expected increase in future years. This would eliminate the potential budget concern the current amortization policy would present. Mr. Seets noted the ADC for 2021 with the Fresh Start amortization option would be \$5.143 million. Controller Hurter noted the current County budget includes \$5.4 million for the ADC, so the implementation of the Fresh Start amortization would not have an impact on the 2021 County budget. Following discussion, Treasurer Martin moved to approve the Fresh Start amortization resulting in an ADC of \$5,142,723 for 2021. Commissioner D'Agostino seconded. The motion carried unanimously.

Mr. Seets and Mr. Reichert left the meeting at 9:55 a.m. and the Board thanked them for their presentation.

IFM Investors and J.P. Morgan Asset Management each attended the meeting virtually to present their strategies on infrastructure investments.

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Christopher Falzon, IFM Investors, attended the meeting virtually to give a presentation and answer the Board's questions on their IFM Global Infrastructure Fund. Mr. Falzon discussed targeted investments, investment strategy, and their asset management approach. Following his review, Mr. Martin thanked him for his presentation. Mr. Falzon left the meeting at 10:30 a.m.

Mina Zorrilla and Nicholas Moller, J.P. Morgan Asset Management, attended the meeting virtually to give a presentation and answer the Board's questions on their J.P. Morgan Infrastructure Investments Fund. They discussed investment strategy, investment performance, and asset classes. Following their review, Mr. Martin thanked them for their presentation. Ms. Zorrilla and Mr. Moller left the meeting at 11:00 a.m.

Mr. Martin presented the Retirement Fund's Performance Update through March 31, 2021. As of March 31, 2021, the Fund was valued at approximately \$357.9 million. Mr. Martin stated the fund gained \$10.9 million, returning 3.1% (net), for the first quarter of 2021. Positive attributions for the quarter were from both domestic and value equities. Negative attributions for the quarter were from international and low volatility equities. Mr. Martin reviewed the individual managers' performance as of April 30, 2021.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He stated the operating cash balance was approximately \$1.7 million as of May 1, 2021. Controller Hurter noted the reason for the increase was the County had three pay weeks in April. Controller Hurter stated they will continue to pull funds for the County's ADC through the summer and will revisit the cash needs at the meeting in August.

As a follow up to the April meeting, Controller Hurter provided the updated Investment Policy Statement (IPS) to the Board for approval. He noted the IPS being presented contains the updates discussed at the April meeting. Following discussion, Commissioner Lehman moved to approve. Treasurer Martin seconded. The motion carried unanimously. Members of the Board signed the updated IPS. See the IPS attached.

Mr. Martin discussed the Manager Allocation Targets with the Board. It was noted these targets have never been formally approved by the Board; however, given the rebalancing which occurs through the 52 Advantage option being utilized by the Fund, it was suggested the targets be formally approved. Following discussion, Treasurer Martin moved to approve. Commissioner Lehman seconded. The motion carried unanimously. See approved Manager Allocation targets attached.

As a follow up to previous discussions on the EmStone Advisors Short Duration U.S. Fixed Income fund, Mr. Martin and Controller Hurter reviewed the options for the remaining investments in the fund. The Board approved closing the fund at a previous

meeting. The options included holding the remaining investments until maturity, transferring the remaining investments to the C.S. McKee fund, or selling the remaining investments and reinvesting the proceeds in a different fund. Following discussion, Controller Hurter moved to transfer the remaining investments to the C.S. McKee fund. Treasurer Martin seconded. The motion carried unanimously.

Due to time constraints, continued discussion on the asset allocation and asset class review, including further discussion on an infrastructure manager; the OCIO discussion; and the Retirement Board contract review listed on the agenda, will be covered at a future meeting.

In new business, Controller Hurter discussed renewing the Murray Securus fiduciary liability coverage with the Board. He noted this coverage is renewed annually and is paid from the Retirement Fund. Previously the coverage was renewed annually in June. Controller Hurter suggested moving the policy to renew on a calendar year basis so that it could be reviewed at the November meeting with the other items that need to be reviewed annually. Controller Hurter presented coverage effective June 13, 2021 through December 31, 2021 with a cost of \$5,833. This would be an annual premium of \$10,539. The current annual premium for June 2020 through June 2021 is \$9,610. Controller Hurter noted there were no other changes to the policy. Following discussion, Treasurer Martin moved to approve. Commissioner D'Agostino seconded. The motion carried unanimously.

Commissioner D'Agostino moved to adjourn the meeting at 11:58 a.m. Commissioner Parsons seconded. The motion carried unanimously. The next meeting is August 20, 2021 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary