

The Minutes of the  
Meeting of the  
Lancaster County Retirement Board  
August 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 (arrived at 9:15 a.m.), Controller Brian Hurter, and Treasurer Amber Martin (arrived at 9:08 a.m.)

Others Present: Lee Martin (Marquette Associates), Lawrence George, Diana Rivera, and Ryan Washington Jr.

Commissioner D'Agostino moved to approve the May 8, 2020 Retirement Board minutes as circulated. Controller Hurter seconded. The motion carried unanimously.

Mr. Martin presented the Retirement Fund's performance report for June 30, 2020. Due to the COVID-19 pandemic closing down the economy, GDP decreased 32.9% during the second quarter; however, it has rebounded since then and the expectation is for a stronger second half of the year assuming the economy can continue to safely open. As of June 30, 2020, the Fund was valued at \$306.2 million. The fund gained \$37.0 million during the second quarter with a net gain of 13.7%. The positive attribution compared to their benchmark for the quarter was from international equities and fixed income. The negative attribution compared to their benchmark for the quarter was from low volatility equities.

Mr. Martin noted the following portfolio returns: 5 years, gained \$86.2 million with a net return of 6.2% per year, 37<sup>th</sup> percentile and 7 years, gained \$131.9 million with a net return of 7.3% per year, 34<sup>th</sup> percentile. Mr. Martin reviewed the asset allocation summary, annualized returns by manager, and the investment managers as of June 30, 2020.

Commissioner Lehman asked Mr. Martin that as public and private sector entities move to more remote working and reevaluate the need for physical space, what kind of impact it will have on the type of real estate investments held in the Fund. Mr. Martin stated that this pandemic has had the most negative impact on office and retail sectors.

Mr. Martin presented the performance update as of July 31, 2020. He noted that the Fund was valued at \$318.1 million on July 31, 2020 and was slightly above the benchmark for the month. The return for the month was 3.9%, bringing the year-to-date return for the Fund to 1.2%, in line with the benchmark. Mr. Martin reviewed the investment managers.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He stated that the operating cash balance was a little over \$2,000,000 as of July 31, 2020. Controller Hurter stated the expectation is that the final Actuarial Determined Contribution (ADC) payment of \$918,000 will be made in August. After this payment, the County will have fully funded the ADC for the year. He stated that there are no additional cash needs for August. The Fund will have operating cash of approximately \$1,900,000 at the end of August. Controller Hurter noted the projected balance at the end of September will be a little under \$900,000. Controller Hurter stated that due to the ADC being fully funded in August, there will be no more contributions from the County for the rest of the year.

Mr. Martin gave a presentation on two proposals for rebalancing. Following discussion, Controller Hurter moved to execute the proposed rebalancing sheet option #2. This proposal pulls \$5,000,000 from the Fidelity 500 Index fund, \$2,000,000 from the Vanguard Mid Cap Index fund, and \$1,000,000 from the Artisan Global Opportunities fund. It transfers \$1,000,000 into the MFS International fund, \$3,000,000 into the Fidelity Total International Index fund, \$2,000,000 into the C.S. McKee Fixed Income fund, \$750,000 into the Fidelity Treasury Intermediate Bond Index fund, \$750,000 into a new Vanguard 1-5 Year Credit Index fund, and \$500,000 into operating cash. As a result of this rebalancing, the cash needs of the Fund will be met through the end of September. Treasurer Martin seconded. The motion carried unanimously.

Controller Hurter discussed Retirement Fund liquidity with the Board. He noted that when the Board decided to invest in Stoneridge (EmStone) in 2015, part of the consideration was to use them as a liquidity tool for the Fund with monies coming due at targeted dates. He also noted that at that time the Fund consisted primarily of active managers and now the Fund has passive managers in various asset classes. This makes the ability to transfer funds quicker and easier than it was when the Fund first invested in Stoneridge. In addition, with the Fund using Marquette's 52 Advantage Plan, there is weekly information provided on the Fund's investment balances and targets. At a future meeting, the Board will need to determine how to handle the liquidity needs of the Fund and if they want to continue using the 52 Advantage Plan.

Controller Hurter requested that Mr. Martin and Marquette Associates present an analysis of the benefits provided by the 52 Advantage Plan at an upcoming Retirement Board meeting.

Regarding overall liquidity needs, Controller Hurter stated that typically the County's ADC contributions are made from April through August, when the County is receiving real estate tax income, and the Fund's liquidity needs are met from investments September through March. EmStone (formerly Stoneridge) sets their portfolio up to meet the Fund's liquidity needs during the September through March period. The EmStone portfolio is currently setup to provide approximately \$4,560,000 from

September 2020 through March 2021 and approximately \$3,024,000 from September 2021 through March 2022. These monies will fund a large part of the Fund's liquidity needs.

Controller Hurter provided an update on the EmStone CIT investment. He noted that another disbursement of \$374,000 was completed for June 30, 2020. The current market value of the CIT is approximately \$1,284,000. The remaining portion of the CIT will come due over the next few years. He noted that the net gain from the CIT as of June 30, 2020 is approximately \$470,000. Controller Hurter stated that EmStone is looking at options for the CIT investment and the Board should have additional information for discussion by the October meeting.

Mr. Martin provided a Global Low Volatility investment manager search report. This analysis provided information and comparative data on five global low volatility investment strategies managed by: Acadian, iShares, MFS, State Street, and Vanguard. Mr. Martin provided a brief description of each manager's investment strategy. In addition, he reviewed the portfolio comparison, sector comparison relative to the MSCI ACWI minimum volatility index along with regional exposure, performance, risk/return profile, and fee comparisons. Following discussion, it was the consensus of the Board to have MFS and iShares make a presentation on their low volatility strategies at the October Board meeting. The Board also discussed the potential for the managers to provide a virtual presentation rather than attending in person. Mr. Martin stated that he would contact MFS and iShares and request they provide a summary of the presentation for the Board to review prior to the meeting.

Treasurer Martin moved to adjourn the meeting at 10:40 a.m. Controller Hurter seconded. The motion carried unanimously. The next meeting is October 9, 2020 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter  
Secretary