

The Minutes of the
Meeting of the
Lancaster County Retirement Board
October 9, 2020

The meeting was called to order by Commissioner Joshua Parsons at 9:00 a.m. in Public Meeting Room at the Lancaster County Administrative Office Building.

Members Present: Commissioner Joshua Parsons (left at 9:43 a.m.), Commissioner Ray D'Agostino, Commissioner Craig Lehman, Controller Brian Hurter, and Treasurer Amber Martin

Others Present: Lee Martin (Marquette Associates), Lawrence George, and Diana Rivera

Controller Hurter moved to approve the August 14, 2020 Retirement Board minutes as circulated. Commissioner D'Agostino seconded. The motion carried unanimously.

Two global low volatility investment managers attended the meeting virtually to present their strategies on low volatility investments.

Paul Garbe and Jim Fallon attended the meeting virtually to give a presentation and answer the Board's questions on the MFS Low Volatility Global Equity fund. Following their presentation, Mr. Martin thanked them for their presentation. Mr. Garbe and Mr. Fallon left the meeting at 9:45 a.m.

Scott Williamson and Kieran Mukerjee attended the meeting virtually to give a presentation and answer the Board's questions on the Blackrock iShares Edge MSCI Min Vol Global ETF fund. Following their presentation, Mr. Martin thanked them for their presentation. Mr. Williamson and Mr. Mukerjee left the meeting at 10:15 a.m.

Mr. Martin provided a Global Low Volatility Comparison Report. This analysis provided comparative data on three global low volatility investment strategies: Acadian Global Low Vol (the current investment), iShares MSCI Edge Global Min Vol, and MFS Global Low Vol. Mr. Martin provided a brief description of each manager's fund information, expense ratio, and investment strategy. In addition, he reviewed the following comparisons: holdings overlap, market cap distribution, historical returns, sector allocations, upside/downside capture percentages, and risk statistics over the past ten years.

The Board and Mr. Martin discussed the low volatility manager interviews and the Global Low Volatility Comparison Report. Following the discussion, it was the consensus of the Board that investing in the MFS Low Volatility Global Equity fund was the best option for further diversifying the portfolio. The MFS investment process is a combination quantitative screen with an added active fundamental investment approach. The MFS fund appeared to be a better fit with the current approach as it had

fewer common holdings than the Blackrock iShares fund with the Acadian Global Managed Volatility Equity fund. The MFS Low Volatility Global Equity fund also has a slightly higher annualized return and better upside / downside capture than the iShares fund. The expense ratio for the MFS fund is 46 basis points which was slightly higher than the iShares fund, but the Board felt the investment approach and diversification benefits outweighed the additional expense. Controller Hurter moved to transfer 50% of the investment balance on the day of the transaction from the Acadian Global Managed Volatility Equity fund to the MFS Low Volatility Global Equity fund. Treasurer Martin seconded. The motion carried unanimously. Controller Hurter stated that he will work with Mr. Martin on the paperwork for the transition of the funds and report back to the Board on the final amount of the transaction.

Mr. Martin presented the Retirement Fund's performance update report for September 30, 2020. As of September 30, 2020, the Fund was valued at \$320,972,599. The return for the month was -2.0%, bringing the year-to-date return for the Fund to 2.4%. Mr. Martin reviewed the investment managers.

Controller Hurter provided an update on the EmStone CIT investment. He noted that EmStone has fully distributed the remaining investment in the CIT. Those funds are now included in the EmStone fixed income investment and will be used to meet liquidity needs of the Fund. He stated that the County gained approximately \$400,000 from the investment in the CIT.

Controller Hurter reviewed the projected operating cash balance for the Retirement Fund. He stated that the operating cash balance was just under \$1.6 million as of September 30, 2020. Controller Hurter noted that the projected balance at the end of October will be approximately \$780,000. He suggested moving \$600,000 during October from EmStone into the operating cash balance. He noted that this would satisfy the cash needs of the Fund through the end of October and the Board could discuss the cash needs of the Fund through March at the November meeting. He noted that the estimated cash needs of the Fund from now through March is approximately \$5.7 million. Controller Hurter moved to transfer \$600,000 from EmStone into operating cash during October. Commissioner D'Agostino seconded. The motion carried unanimously.

Controller Hurter discussed Retirement Fund liquidity with the Board. Controller Hurter noted that if the Board decides not to use the EmStone investment to provide for the liquidity needs of the Fund, the weekly report provided from Marquette's 52 Advantage Plan can be used to help guide the rebalancing decisions. This is especially important on months where there are no Retirement Board meetings. Mr. Martin provided a schedule of the rebalancing trades year-to-date through August 31, 2020, which resulted in an effective dollar return to the Fund of approximately \$850,000. Controller Hurter stated that as part of the contract, there was no cost for Marquette's 52

Advantage Plan for 2020. He stated that if the Board decides to keep the 52 Advantage Plan in place, the annual cost would be \$24,000. Controller Hurter noted that the return provided during 2020 significantly outweighed the proposed cost. Controller Hurter also noted if we retained the Emstone investment at \$20,000,000, coincidentally the fees would be at approximately the same cost. He suggested that the Board consider Retirement Fund liquidity options for discussion at the November Board meeting. He also stated that the Board may need to change the Investment Policy Statement (IPS) to provide more flexibility if the decision is made to manage the liquidity needs of the Fund through the 52 Advantage Plan.

Controller Hurter discussed a past due invoice received from Murray Securus for the pension plan fiduciary insurance policy. He noted that the invoices were only presented by Murray Securus in October, even though the policy runs from June to June. Controller Hurter stated due to the invoice being past due, it left the Board with few options and expressed his frustration that it was not presented prior to the renewal date. He noted that very little has changed in the policy and stated that it needed to be presented to the Board since it is paid out of the Retirement Fund. Following discussion, Controller Hurter moved to renew the policy and pay the premium out of the Retirement Fund. Commissioner D'Agostino seconded. The motion carried unanimously.

Commissioner D'Agostino moved to adjourn the meeting at 11:41 a.m. Treasurer Martin seconded. The motion carried unanimously. The next meeting is November 13, 2020 at 9:00 a.m.

Respectfully submitted,

Brian K. Hurter
Secretary