



Lehigh County Retirement Board Meeting

PUBLIC MEETING

MINUTES

May 11th, 2021

1. CALL TO ORDER: 9:30 AM

ATTENDEES:

Lehigh County Executive Phillips Armstrong (**Chairman**)
Director of Administration, Ed Hozza (**Executive Appointee**)
Commissioner, Geoff Brace (**President Board of Commissioners**)- **Absent**
Commissioner, Bob Elbich (**Commissioner Appointee**)
Lehigh County Controller Mark Pinsley (**Secretary**)
Director of Corrections (Ret.) Ed Sweeny (**Retiree Representative**)- **Absent**
Fiscal Director, Tim Reeves (**Employee Representative**)

Principal & Senior Consultant Cornerstone, Chris Lakatosh

2. OLD BUSINESS

Approval of Old Minutes

County Executive Armstrong asked for a motion to approve the minutes from the February 9th, 2021 Pension Board meeting. Director of Administration Ed Hozza made the motion, Fiscal Director and employee representative Tim Reeves seconded the motion.

Bob Elbich, made a note of that the international equity weighting were not mentioned in the market analysis of the February 9th meeting minutes. Bob Elbich made a motion to amend the minutes to reflect that change, County Executive Armstrong seconded the motion.

The motion passed 5-0. The motion to pass the amended minutes passed 5-0. The minutes were approved.

NEW BUSINESS

Presentation of Quarterly Finances

Chris Lakatosh gave his presentation for the quarter.

The county had an extraordinarily strong quarter with markets responding well to policy intervention especially that of central banks. The county's domestic equity portfolio is up 7.6%, international lagged slightly but had a return of 2.07%, and domestic fixed income is seeing interest rates normalize and interest rates rise. This had led to a softer performance in fixed income, but the county is underweighting in fixed income which has helped the county.

Chris noted that the county has diversified out of fixed income. He noted that the county pension fund started with a March 2021 value of \$589 million and ended the first quarter at \$601 million. At the time of this current meeting, Mr. Lakatosh indicated that the pension board had a current value of \$617,423,000. The portfolio added \$16 million through April and May.

Mr. Lakatosh noted that there was discussion about shifting the board's target weights. At present the portfolio sits at 42% domestic equities, 18% international equities, 20% fixed income, 15% alternatives and 4% cash.

At present the county is overweight in equities, underweight in fixed income and overweight in alternatives. Mr. Lakatosh that he proposed keeping the fixed income weight around 20% based on predictions that interest rates would rise.

During the quarter there was portfolio maintenance, \$9 million was taken out of domestic equities, almost \$4 million was taken out of alternatives, cash was replenished to pay pension beneficiaries and some money was added to fixed income. This was done as a result of policy mandate and the money was added to short-term fixed income.

Contributions and income made up \$231 million flowing into the portfolio and benefit payments and withdrawals made up \$253 million. There was \$290 million in market appreciation for the portfolio.

Mr. Lakatosh indicated that based on the manager matrix the portfolio has experienced strong performances. The plan saw strong returns everywhere except for fixed income which was addressed previously.

Mr. Lakatosh referenced Emerald Midcap Growth as having some of the strongest returns within the portfolio with over 4% in returns. In April, they outperformed by 200 basis points. In alternatives, multiple managers outperformed their benchmark.

Mr. Lakatosh said for the month of April, the fund outperformed the bench by three basis points with a return of 3.38% vs. the 3.35% benchmark. Year to date the fund is up over 7%. Mr. Lakatosh indicated he is pleased with the performance of the fund and believes they're in a strong position moving forward.

County Executive Armstrong asked if there were any questions from the Board or public about the report. There were no questions.

Additional Motions

Executive Armstrong shifted discussion to motions about the 2016 pension board recommendations. Fiscal Director and Employee Representative Tim Reeves indicated that there had been previous discussion about making these recommendations policy based on Commissioner Elbich motions.

Mr. Reeves indicated that two of the recommendations are an annual vote on setting the interest rates and voting every three years on the cost of living. Mr. Reeves recommended following ACT 96 and continuing to follow the recommendations as guidelines for the Pension Board.

Mr. Reeves made a motion to follow the original 2016 pension board recommendations. Director of Administration seconded the motion.

Lehigh County Controller asked how Retiree Representative Sweeney felt about following the 2016 guidelines. Mr. Reeves indicated that he believed Mr. Sweeney was supportive of the provisions. Controller Pinsley made a motion to table the discussion until Mr. Sweeney is able to provide his feedback.

Commissioner Elbich commented that he believed it would be best to document these proceedings and make it a matter of official policy where the public and future boards could identify the operating practices of the board.

Commissioner Elbich seconded Controller Pinsley's motion. Executive Armstrong requested for a roll call vote. Controller Pinsley, Commissioner Elbich and Fiscal Director Tim Reeves voted yes, and Executive Armstrong and Director of Administration Hozza voted no.

The motion carried 3-2 and the discussion was tabled.

3. Citizen's Input

Executive Armstrong opened the forum for citizen input and discussion. Carol Barrett, retiree, asked how the tabling of the motion regarding the 2016 recommendations effected the provision stating the county's contribution to the retiree pension would never be zero.

Mr. Reeves, indicated that these recommendations are still in effect and that the county would continue to make contributions even in instances where the contribution required would be zero as per the policy. Mr. Reeves also indicated that pension board elections would continue to occur as they have in the past and handled by Human Resources.

4. Adjourn

The meeting was adjourned.