

# County of Lancaster

PENNSYLVANIA



The Lancaster County Employees' Retirement System  
Financial Statement  
December 31, 2019

Prepared by the Office of the Controller  
Brian K. Hurter, Controller



## Controller's Office

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**Controller**  
Brian K. Hurter, CPA

The following report presents a summarization of the Lancaster County Employees' Retirement System ("Fund") for the year of 2019. The Retirement Board continually monitors the Fund to ensure it is a solid and dependable source of income for the almost 1,400 retirees of the County, and will continue to be a reliable source of income when the 1,700 active participants of the Fund decide to retire. Along with a professional group of Investment Managers, an Actuary, and a Consultant, the Retirement Board is constantly working to keep the cost of the Fund manageable for the County's budget. During 2019, the County contributed the required Actuarially Determined Contribution of \$5,048,537 to the Fund. Due to the diligence of the Retirement Board and the performance of the Fund, this is down from a contribution of over \$7 million made in 2013.

The markets had a very strong year during 2019 and as a result the Fund posted a market value rate of return of 20.61%. This resulted in a significant increase in the value of the Fund during 2019. The Fund increased \$47,581,800 during 2019 from \$269,730,523 at December 31, 2018 to \$317,312,323 at December 31, 2019. During 2019, there was an increase in the number of retirees and the total benefits paid to them from the Fund. The number of retirees increased by 39 during 2019 to 1,372. The total benefits paid during 2019 increased \$356,476, from \$17,178,995 during 2018 to \$17,535,471 during 2019.

The Retirement Board, along with the Consultant, constantly reviews the asset allocation, performance, and expenses of the investments to ensure that we have a well-diversified Fund available for the benefit of Lancaster County retirees. During 2019, there was one minor change to the portfolio. The Board replaced the Federated Investors fixed income fund with the Fidelity Intermediate Treasury Bond Index fund. This change resulted in a more conservative approach in the fixed income investments with a lower expense ratio. During 2019 there was an increase in the total fees paid by the Fund as a result of the increased market value. However, the percentage of fees paid compared to the ending market value of the Fund decreased from 0.41% to a very reasonable 0.38%. For 2019 the Retirement Board decided not to make any changes to the projected salary increase assumption or the rate of return assumption. The projected salary increase assumption is currently 4.00% and the rate of return assumption was 7.25% for 2019. The Board has decided to reduce the return assumption to 7.00% beginning in 2020. Due to the change in the return assumption, the overall funded ratio of the Fund decreased from 89.9% at January 1, 2019 to 88.1% at January 1, 2020. The actuary for the Fund considers the Fund to be well funded and in good financial standing.

As a result of the devoted work of the Retirement Board, Consultants, Investment Managers, Actuary, and Custodian, the Lancaster County Employees' Retirement System continues to be a consistent source of income for the retirees of Lancaster County. I would like to acknowledge the dedicated efforts of my staff who process all of the payments, handle your daily inquiries, and review all transactions of the Fund. Should you have any questions, please direct them to the Controller's Office at (717) 299-8262 and we will be glad to assist you.

  
Brian K. Hurter, CPA  
Retirement Fund Secretary



# The Lancaster County Employees' Retirement System Structure of the Plan Management

**Retirement Board**  
 Joshua Parsons, Commissioner/Chairman  
 Dennis Stuckey, Commissioner  
 Craig Lehman, Commissioner  
 Brian Hurter, Controller/Secretary  
 Amber Martin, Treasurer

**Fulton Financial Advisors**  
*Custodian of Pension Assets*

**Korn Ferry Hay Group**  
*Actuary of Pension Fund*

**Marquette Associates**  
*Consultant to Pension Fund*

**Vanguard S&P 500 EFT**  
*Mutual Fund*

**Fidelity 500 Index**  
*Mutual Fund*

**Vanguard Mid Cap Value Index**  
*Mutual Fund*

**Aristotle Sm/Mid Cap Value Index**  
*Comingled Investment Trust*

**Dodge & Cox Global Stock**  
*Mutual Fund*

**Artisan Global**  
*Comingled Investment Trust*

**Acadian Global**  
*Comingled Investment Trust*

**MFS International Value**  
*Mutual Fund*

**Fidelity Total International Index**  
*Mutual Fund*

**JP Morgan**  
*Comingled Investment Trust*

**Morgan Stanley**  
*Comingled Investment Trust*

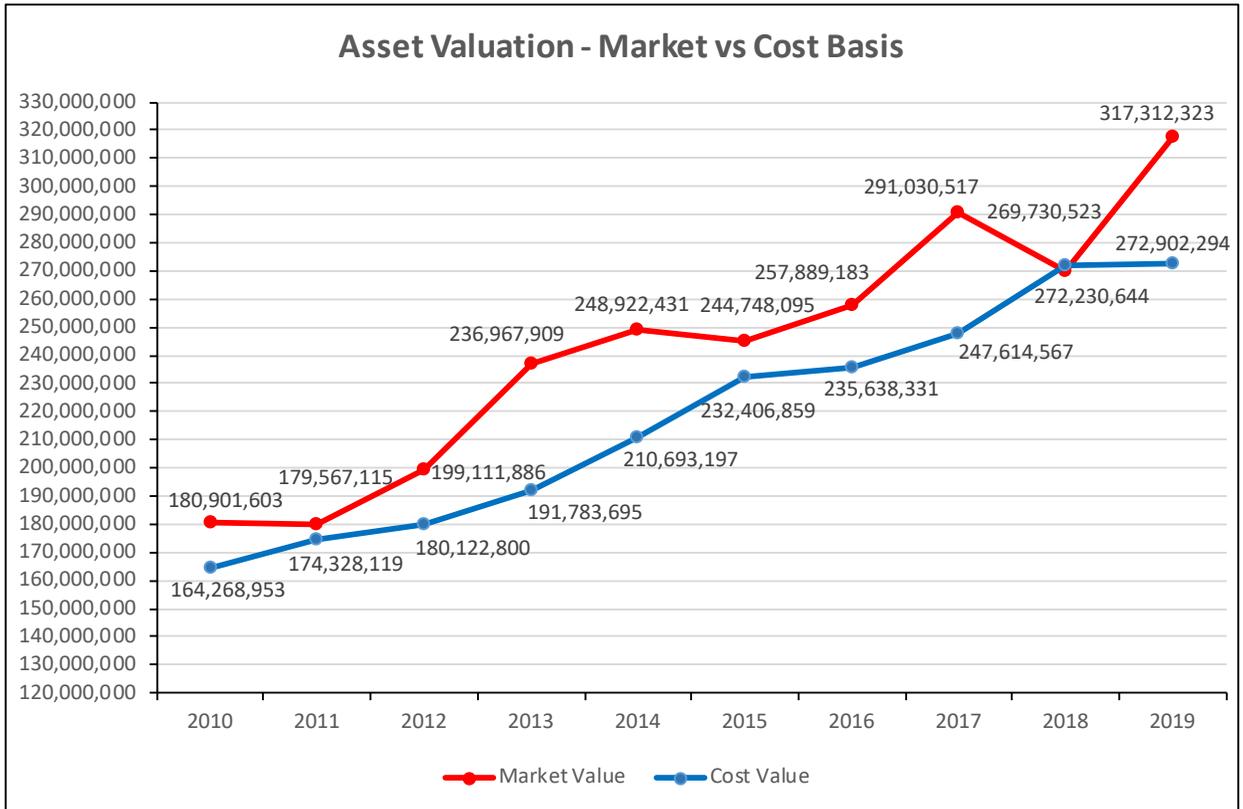
**CS McKee Investment Managers**  
*Investment Manager*

**EmStone Advisers**  
*Investment Manager*

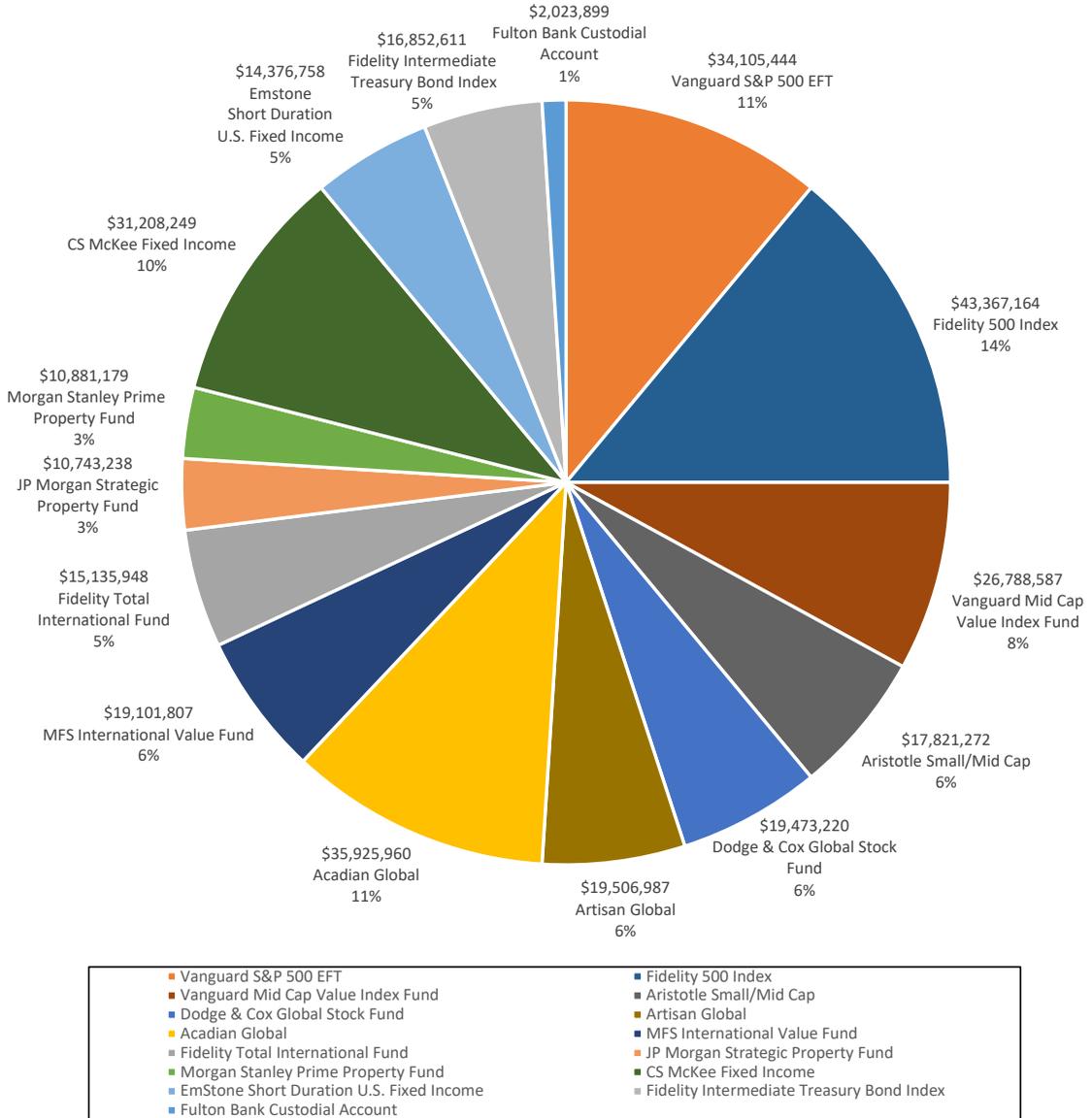
**Fidelity Intermediate Treasury Bond Index**  
*Mutual Fund*

**The Lancaster County Employees' Retirement System  
Statement of Plan Assets as of December 31, 2019**

<u>Assets</u>	<u>Market Value</u>	<u>Cost Value</u>
Investments:		
Equity Mutual Funds	\$87,977,022	\$69,173,607
International Equities	37,764,975	33,695,414
Mortgage Obligations	3,988,033	4,007,047
Corporate Bonds	15,613,972	15,302,988
Exchange Traded Index Funds	34,105,444	27,066,568
Fixed Income Mutual Funds	18,955,740	18,525,727
Government Securities	13,417,423	13,261,511
Certificates of Deposit	2,792,772	2,706,312
Real Estate Funds	21,624,417	20,477,783
Global Mutual Funds	74,906,167	62,506,790
Money Market & Cash Equivalents	5,242,111	5,254,300
Receivables	924,247	924,247
<b>Net Assets Held for Pension Benefits at December 31, 2019</b>	<b><u>\$317,312,323</u></b>	<b><u>\$272,902,294</u></b>



## The Lancaster County Employees' Retirement System % Of Portfolio By Manager As Of 12/31/19



**Lancaster County Employees' Retirement System  
Estimated Management And Administrative Fees for 2019**

	12/31/19 Market Value	Estimated Annual Fees
Fulton Bank Custodial Account	\$2,023,899	\$ -
Vanguard S&P 500 EFT	34,105,444	13,642
Fidelity 500 Index	43,367,164	6,505
Vanguard Mid Cap Value Index	26,788,587	10,715
Aristotle Sm/Mid Cap Equity	17,821,272	105,146
Dodge & Cox Global Stock Fund	19,473,220	122,681
Artisan Global	19,506,987	165,809
Acadian Global	35,925,960	114,963
MFS International Value Fund	19,101,807	131,802
Fidelity Total International	15,135,948	9,082
JP Morgan	10,743,238	108,596
Morgan Stanley	10,881,179	131,464
CS McKee Investment Managers	31,208,249	62,416
EmStone Advisers	14,376,758	45,632
Fidelity Intermediate Treasury Bond Index Money Market Fund	16,852,611	-
		3,694
Fulton Financial Advisors (Custodian)	-	36,200
Korn Ferry Haygroup (Actuary)	-	46,415
Marquette Associates (Consultant)	-	97,000
	<u>\$317,312,323</u>	<u>\$1,211,762</u>

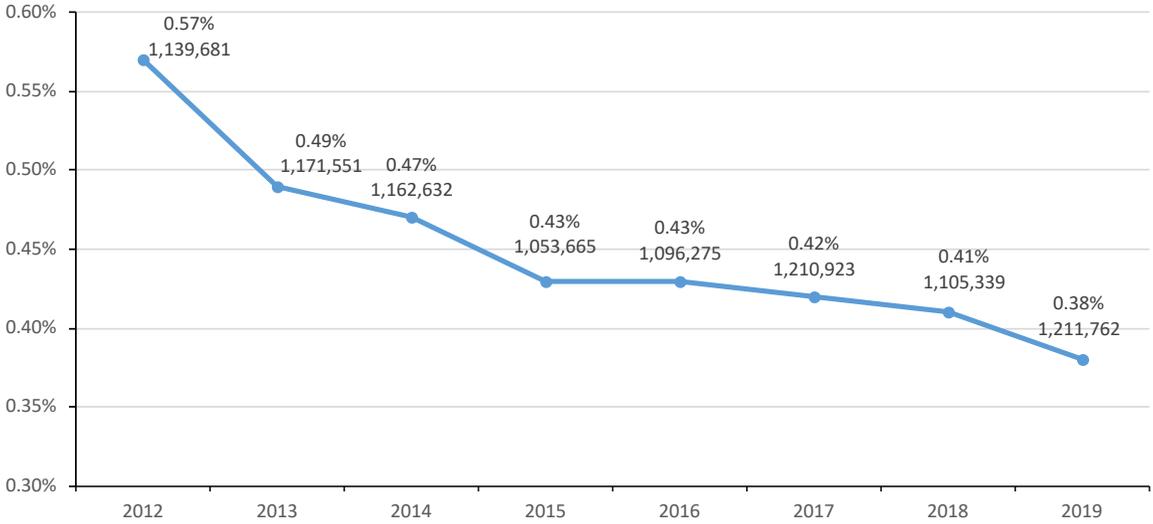
Percentage of Market Value    0.38%

**Schedule Of Lancaster County Contributions and Returns**

Year	Actuarially Determined Contribution*	County Contribution	Market Value Rate of Return
2019	\$5,048,537	\$5,048,537	20.61%
2018	4,399,055	4,399,055	(4.70)
2017	4,424,334	4,424,334	15.62
2016	4,580,199	4,580,199	7.95
2015	5,228,813	5,228,813	(0.12)
2014	5,962,997	5,962,997	6.22
2013	7,001,128	7,001,128	19.50
2012	7,142,834	7,142,834	11.68
2011	7,304,873	7,554,873	0.54
2010	7,216,063	8,000,000	12.17

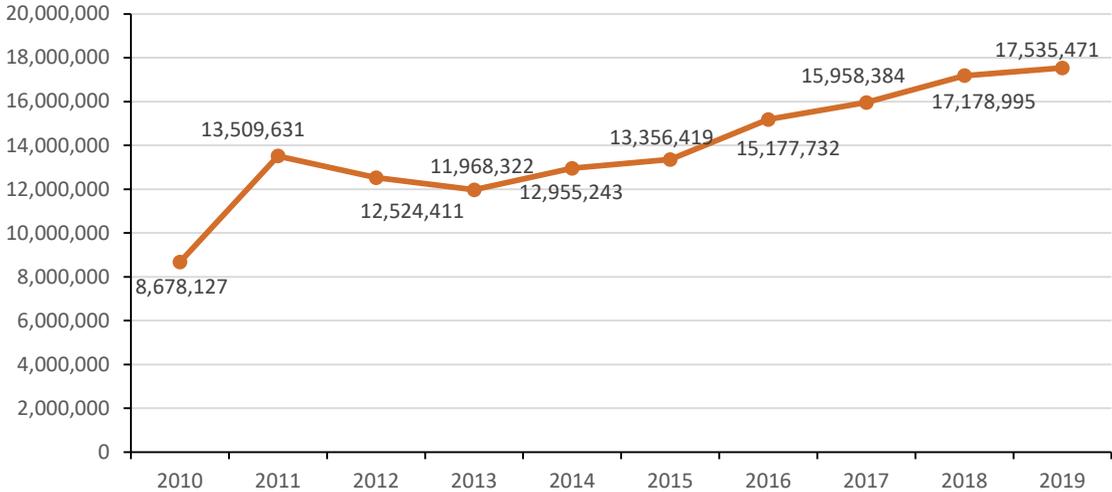
\*Prior to 2014, contribution was described as Annual Required Contribution (ARC).

## The Lancaster County Employees' Retirement System Estimated Management and Investment Fees



Note: The percentage shown is the estimated annual fees compared to that year's ending market value.

## Member Benefit Payments & Refunds



**The Lancaster County Employees' Retirement System  
Statement Of Change In Plan Net Assets For The Year Ended December 31, 2019**

**Total Assets (Cost Value) – January 1, 2019** \$272,230,644

**Additions**

Member Contributions	\$5,745,747	
Member Contributions Receivable	17,126	
Member Purchase Of County Share	-	
County Contribution	5,048,537	
Net Investment Income:		
Interest/Dividends	6,879,822	
Realized Capital Gain/(Loss)	1,036,120	
Accrued Investment Income	21,119	
Miscellaneous	-	
Total Additions	-	\$18,748,471

**Deductions**

Member Contributions Refunded	\$1,179,411	
Member Contributions Payable	-	
Retirement Allowances Paid	15,991,691	
Death Benefits	364,369	
Accrued Investment Expense	-	
Administrative Expenses	56,025	
Investment Expenses	454,416	
Miscellaneous	<u>30,909</u>	
Total Deductions	-	<u>\$18,076,821</u>

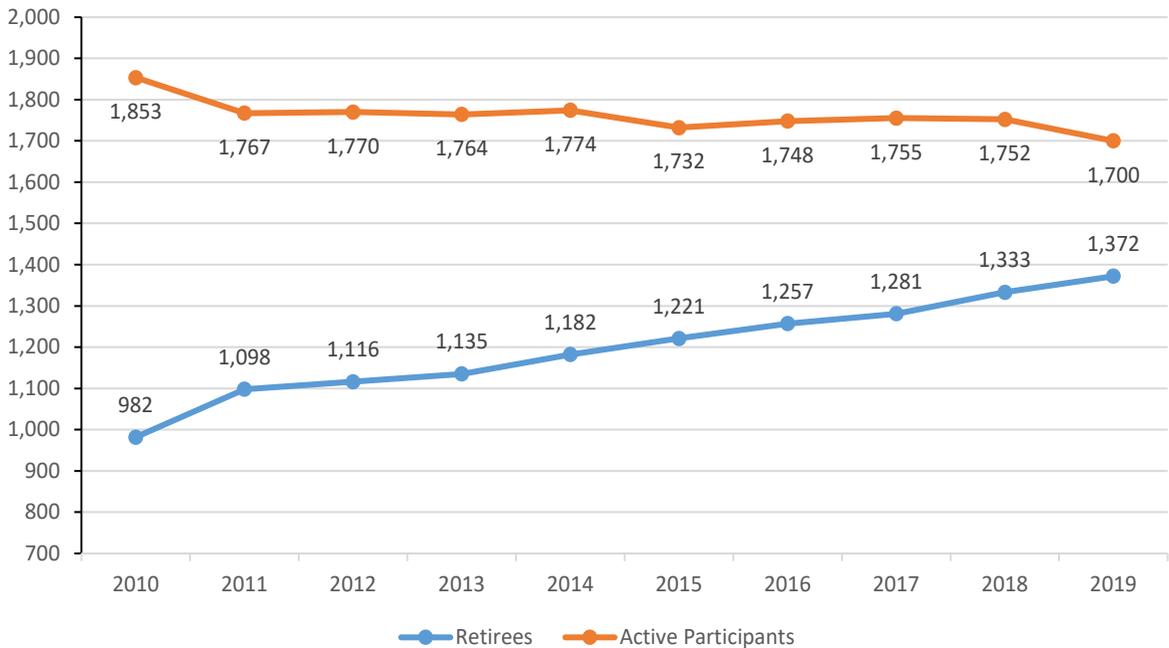
Total Increase/(Decrease) 671,650

Total Assets (Cost Value) December 31, 2019 272,902,294

Unrealized Appreciation/(Depreciation) 44,410,029

Total Assets (Market Value) December 31, 2019 \$317,312,323

## The Lancaster County Employees' Retirement System Number of Retirees vs Active Participants at Year End



### Schedule Of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2011	169,788,390	221,658,694	51,870,304	76.6%	78,838,153	65.8%
1/1/2012	189,541,657	239,432,154	49,890,497	79.2	76,433,494	65.3
1/1/2013	194,240,337	241,101,765	46,861,428	80.6	76,305,642	61.4
1/1/2014	216,918,969	253,533,460	36,614,491	85.6	77,867,605	47.0
1/1/2015	236,547,831	265,716,928	29,169,097	89.0	79,478,159	36.7
1/1/2016	250,584,482	278,638,967	28,054,485	89.9	81,355,686	34.5
1/1/2017	264,742,298	292,274,553	27,532,264	90.6	80,039,687	34.4
1/1/2018	281,656,365	308,081,325	26,424,960	91.4	82,059,110	32.2
1/1/2019	287,876,891	320,067,540	32,190,649	89.9	83,892,412	38.4
1/1/2020	300,818,281	341,362,445	40,544,164	88.1	83,386,323	48.6

#### Actuarial Assumptions:

Investment Rate of Return - 7% for 2020, 7.25% for 2018-2019, 7.35% for 2016-2017, 7.5% from 2011-2015

Projected Salary Increases - 4% for 2018-2020, 3.75% from 2013-2017, 4.5% for 2011-2012

Inflation Assumption - 3% from 2011-2020

**The Lancaster County Employees' Retirement System  
Portfolio As Of 12/31/19 At Market Value**

	<b>Cash Equivalents</b>	<b>Government Securities</b>	<b>Corporate Bonds &amp; CDs</b>	<b>Mutual Funds &amp; Equities</b>	<b>Real Estate</b>	<b>Int'l Bonds</b>	<b>Total</b>
Fulton Bank Custodial Account	\$2,023,899						\$2,023,899
Vanguard S&P 500 ETF				34,105,444			34,105,444
Fidelity 500 Index				43,367,164			43,367,164
Vanguard Mid Cap Value Index				26,788,587			26,788,587
Aristotle Sm/Mid Cap				17,821,272			17,821,272
Dodge & Cox Global Stock Fund				19,473,220			19,473,220
Artisan Global				19,506,987			19,506,987
Acadian Global				35,925,960			35,925,960
MFS International Value Fund				19,101,807			19,101,807
Fidelity Total International Index Fund				15,135,948			15,135,948
JP Morgan Strategic Property Fund					10,743,238		10,743,238
Morgan Stanley Prime Property Fund					10,881,179		10,881,179
CS McKee Fixed Income	228,332	12,225,058	14,061,598		4,005,176	688,085	31,208,249
EmStone Short Duration U.S. Fixed Income	3,694,218	1,248,929	4,468,202	2,103,129		2,862,280	14,376,758
Fidelity Intermediate Treasury Bond Index				16,852,611			16,852,611
<b>Total</b>	<b>\$5,946,449</b>	<b>\$13,473,987</b>	<b>\$18,529,800</b>	<b>\$250,182,129</b>	<b>\$25,629,593</b>	<b>\$3,550,365</b>	<b>\$317,312,323</b>

**The Lancaster County Employees' Retirement System  
Portfolio As Of 12/31/19 At Cost Value**

	Cash Equivalents	Government Securities	Corporate Bonds & CDs	Mutual Funds & Equities	Real Estate	Int'l Bonds	Total
Fulton Bank Custodial Account	\$2,023,899						\$2,023,899
Vanguard S&P 500 ETF			27,066,568				27,066,568
Fidelity 500 Index			32,748,156				32,748,156
Vanguard Mid Cap Value Index			22,125,452				22,125,452
Aristotle Sm/Mid Cap			14,300,000				14,300,000
Dodge & Cox Global Stock Fund			14,290,807				14,290,807
Artisan Global			16,915,983				16,915,983
Acadian Global			31,300,000				31,300,000
MFS International Value Fund			15,181,379				15,181,379
Fidelity Total International Index Fund			15,041,626				15,041,626
JP Morgan Strategic Property Fund					10,224,036		10,224,036
Morgan Stanley Prime Property Fund					10,253,747		10,253,747
CS McKee Fixed Income	228,332	12,102,306	13,676,395		4,024,190	672,347	30,703,570
EmStone Short Duration U.S. Fixed Income	3,706,407	1,215,769	4,455,962	1,852,156		2,823,206	14,053,500
Fidelity Intermediate Treasury Bond Index				16,673,571			16,673,571
<b>Total</b>	<b>\$5,958,638</b>	<b>\$13,318,075</b>	<b>\$18,132,357</b>	<b>\$207,495,698</b>	<b>\$24,501,973</b>	<b>\$3,495,553</b>	<b>\$272,902,294</b>



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