

County of Lancaster

P E N N S Y L V A N I A



The Lancaster County Employees' Retirement System
Financial Statement
December 31, 2020

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



Controller's Office

150 North Queen Street
Suite #710
Lancaster, PA 17603
Phone: 717-299-8262
www.co.lancaster.pa.us

Controller
Brian K. Hurter, CPA

The following report presents a summarization of the Lancaster County Employees' Retirement System ("Fund") for the year of 2020. 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 it will continue to be a reliable source of income when the nearly 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 2020, the County contributed the required Actuarially Determined Contribution of \$4,918,872 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 strong year during 2020 and as a result the Fund posted a market value rate of return of 12.30%. This resulted in a significant increase in the value of the Fund during 2020. The Fund increased over \$31 million during 2020 from \$317,312,323 at December 31, 2019 to \$348,780,651 at December 31, 2020. During 2020, 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 19 during 2020 to 1,391. The total benefits paid during 2020 increased \$77,655, from \$17,535,471 during 2019 to \$17,613,126 during 2020.

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 2020, the Board decided to make a couple minor changes to the portfolio. The Board voted to diversify the investment in global low volatility and added MFS as a second investment manager in that investment area. The Board also voted to further diversify the fixed income investments by adding the Vanguard Short-Term Corporate Index fund. Both of these changes assist in having a more diversified portfolio and have already paid dividends by adding additional return to the Fund. During 2020 there was an increase in the total fees paid by the Fund as a result of the increased market value and there was a slight increase in the fees as a percent of market value; however, it is a very reasonable 0.39%. For 2020 the Retirement Board decided to reduce the return assumption from 7.25% to 7.00%. The Board decided to take a more conservative approach when considering future market returns. The change in return assumption will increase the County's contribution into the Fund; however, it does not have any impact on the participants in the Fund. Due to the strong market performance over the last few years, the overall funded ratio of the Fund increased from 88.1% at January 1, 2020 to 91.0% at January 1, 2021. 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 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
 Ray D'Agostino, Commissioner
 Craig Lehman, Commissioner
 Brian Hurter, Controller/Secretary
 Amber Martin, Treasurer

Fulton Financial Advisors
Custodian of Pension Assets

Marquette Associates
Consultant to Pension Fund

Korn Ferry Hay Group
Actuary of Pension Fund

Vanguard S&P 500 EFT
Mutual Fund

Vanguard Mid Cap Value Index
Mutual Fund

Dodge & Cox Global Stock
Mutual Fund

Acadian Global
Comingled Investment Trust

MFS International Value
Mutual Fund

JP Morgan
Comingled Investment Trust

CS McKee Investment Managers
Investment Manager

Fidelity Intermediate Treasury Bond Index
Mutual Fund

Fidelity 500 Index
Mutual Fund

Aristotle Sm/Mid Cap Value Index
Comingled Investment Trust

Artisan Global
Comingled Investment Trust

MFS Low Volatility Global Equity
Comingled Investment Trust

Fidelity Total International Index
Mutual Fund

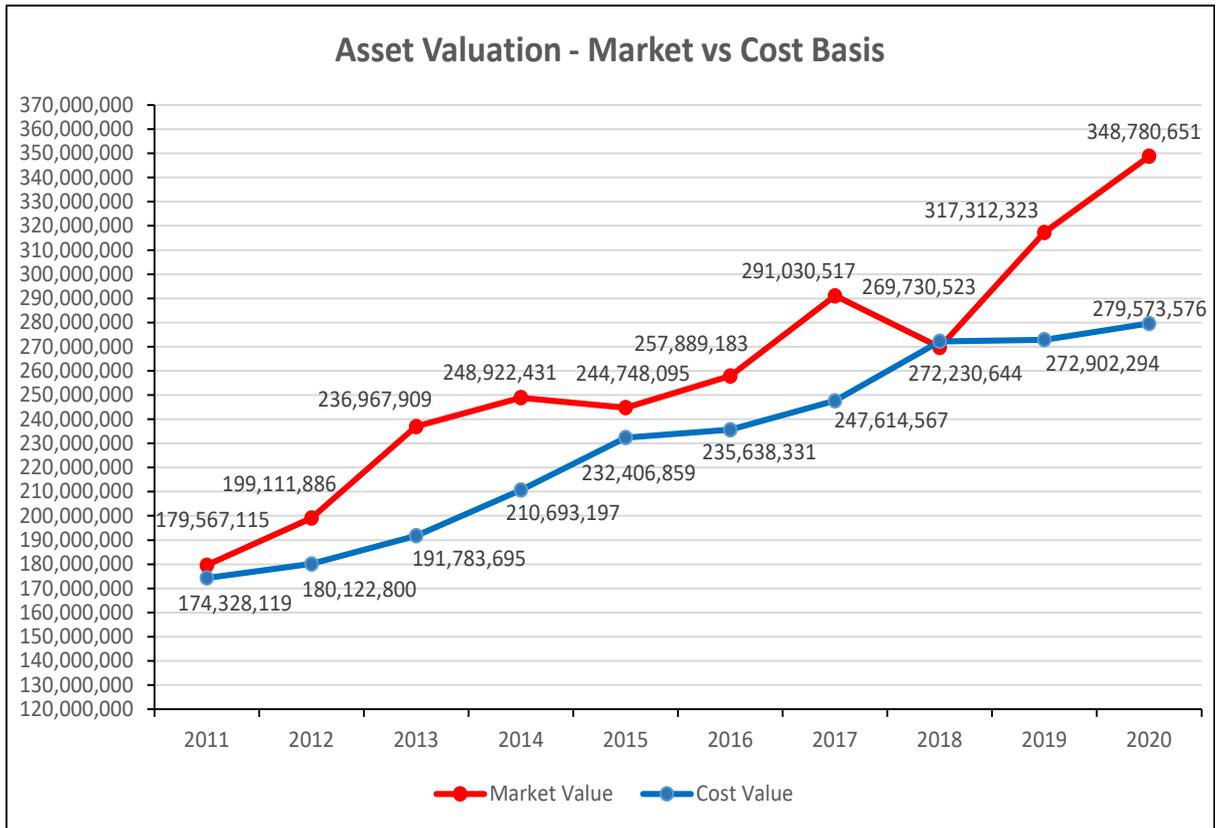
Morgan Stanley
Comingled Investment Trust

EmStone Advisers
Investment Manager

Vanguard Short-Term Corporate Bond Index
Mutual Fund

**The Lancaster County Employees' Retirement System
Statement of Plan Assets as of December 31, 2020**

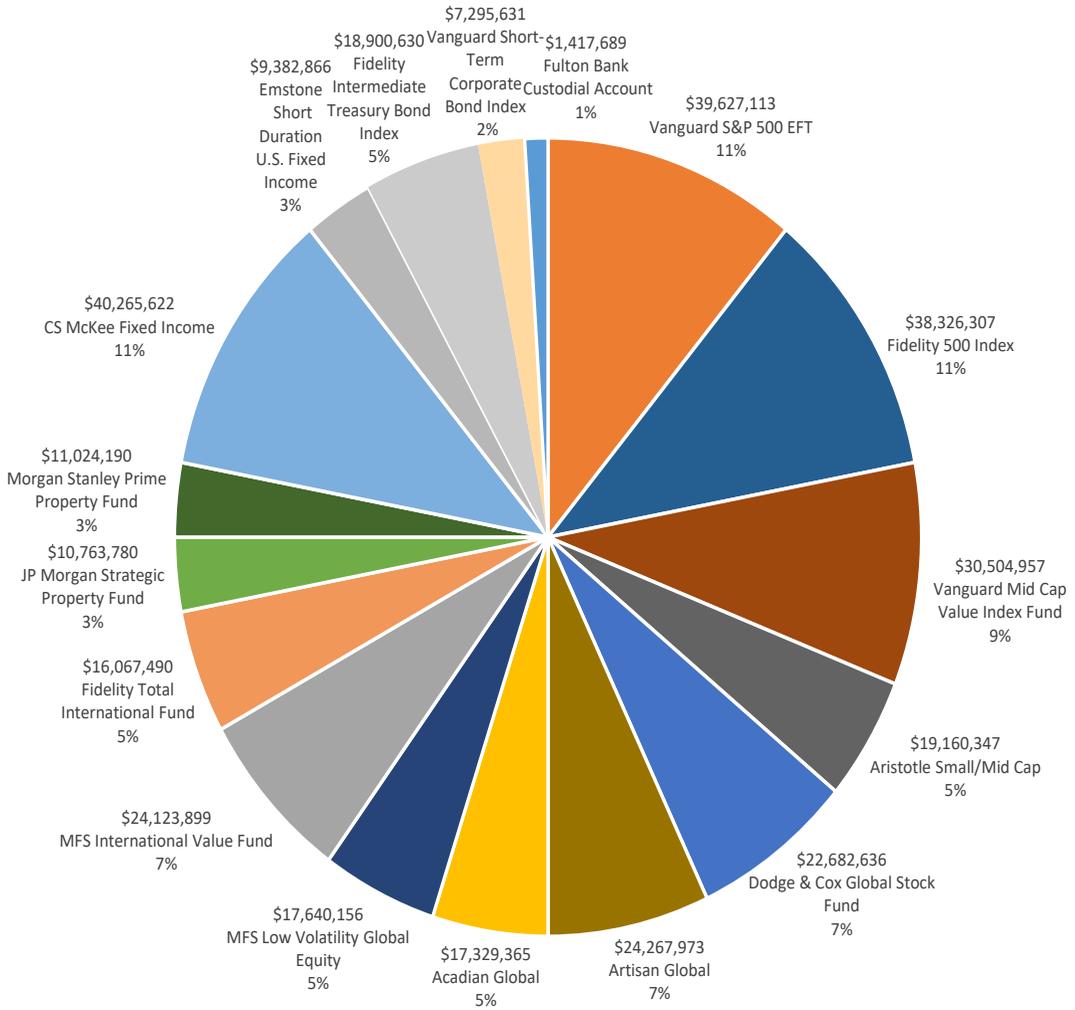
<u>Assets</u>	<u>Market Value</u>	<u>Cost Value</u>
Investments:		
Equity Mutual Funds	\$87,991,611	\$60,710,321
Exchange Traded Index Funds	39,627,113	27,066,567
Global Mutual Funds	81,920,130	63,337,698
International Equities	43,643,634	35,300,869
Real Estate Funds	21,787,970	21,212,099
Fixed Income Mutual Funds	26,177,131	25,199,115
Corporate Bonds	18,338,175	17,624,418
Government Securities	18,813,356	18,770,409
Mortgage Obligations	3,649,225	3,637,198
Certificates of Deposit	1,519,680	1,402,885
Money Market & Cash Equivalents	4,896,424	4,895,795
Receivables	416,202	416,202
Net Assets Held for Pension Benefits at December 31, 2020	<u>\$348,780,651</u>	<u>\$279,573,576</u>



The Lancaster County Employees' Retirement System

% Of Portfolio By Manager

As Of 12/31/20



- | | |
|---|--|
| ■ Vanguard S&P 500 EFT | ■ Fidelity 500 Index |
| ■ Vanguard Mid Cap Value Index Fund | ■ Aristotle Small/Mid Cap |
| ■ Dodge & Cox Global Stock Fund | ■ Artisan Global |
| ■ Acadian Global | ■ MFS Low Volatility Global Equity |
| ■ MFS International Value Fund | ■ Fidelity Total International Fund |
| ■ JP Morgan Strategic Property Fund | ■ Morgan Stanley Prime Property Fund |
| ■ CS McKee Fixed Income | ■ EmStone Short Duration U.S. Fixed Income |
| ■ Fidelity Intermediate Treasury Bond Index | ■ Vanguard Short-Term Corporate Bond Index |
| ■ Fulton Bank Custodial Account | |

Lancaster County Employees' Retirement System
Estimated Management And Administrative Fees for 2020

	12/31/20 Market Value	Estimated Annual Fees
Fulton Bank Custodial Account	\$1,417,689	\$ -
Vanguard S&P 500 EFT	39,627,113	15,851
Fidelity 500 Index	38,326,307	5,749
Vanguard Mid Cap Value Index	30,504,957	12,202
Aristotle Sm/Mid Cap Equity	19,160,347	113,046
Dodge & Cox Global Stock Fund	22,682,636	140,632
Artisan Global	24,267,973	214,079
Acadian Global	17,329,365	55,454
MFS Low Volatility Global Equity	17,640,156	84,460
MFS International Value Fund	24,123,899	151,981
Fidelity Total International	16,067,490	9,640
JP Morgan	10,763,780	109,049
Morgan Stanley	11,024,190	133,122
CS McKee Investment Managers	40,265,622	80,531
EmStone Advisers	9,382,866	29,781
Fidelity Intermediate Treasury Bond Index	18,900,630	5,670
Vanguard Short-Term Corporate Bond Index	7,295,631	3,648
Money Market Fund	-	2,454
Fulton Financial Advisors (Custodian)	-	32,976
Korn Ferry Haygroup (Actuary)	-	51,987
Marquette Associates (Consultant)	-	105,000
	<u>\$348,780,651</u>	<u>\$1,357,312</u>

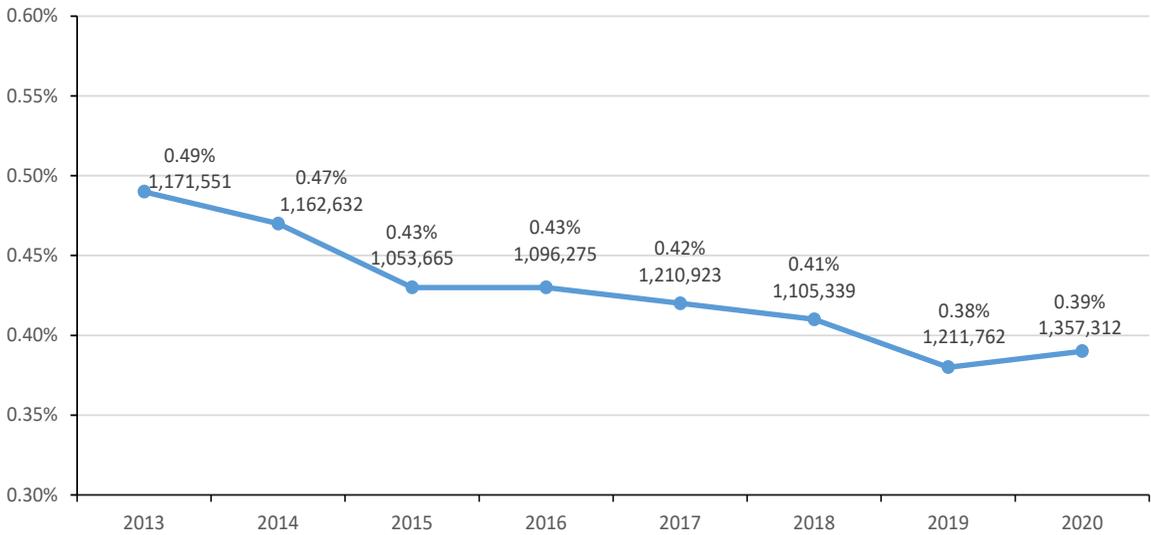
Percentage of Market Value 0.39%

Schedule Of Lancaster County Contributions and Returns

Year	Actuarially Determined Contribution*	County Contribution	Market Value Rate of Return
2020	\$4,918,872	\$4,918,872	12.30%
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

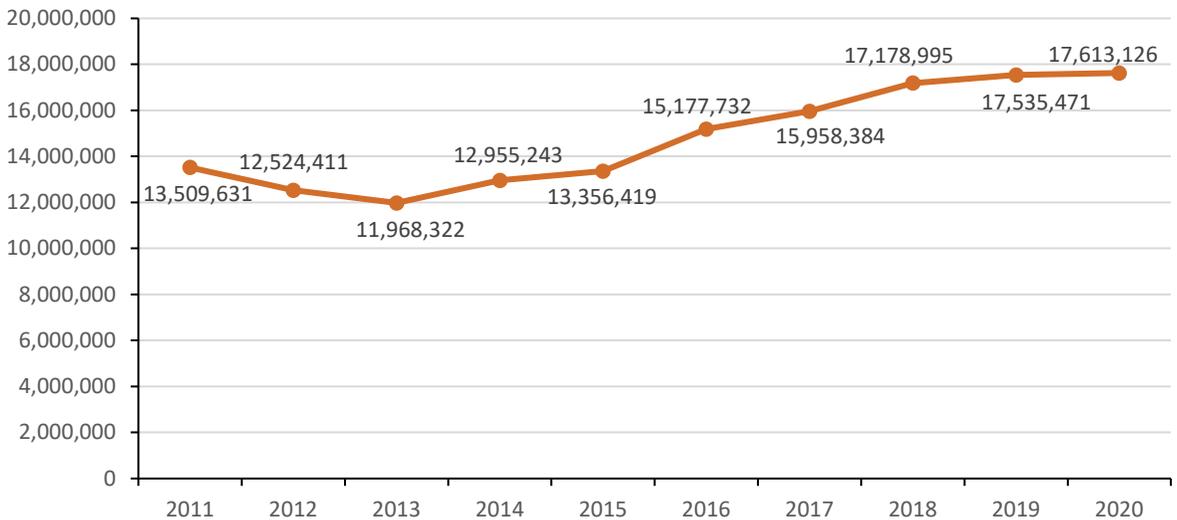
*Prior to 2014, contribution was described as Annual Required Contribution (ARC).

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, 2020**

Total Assets (Cost Value) – January 1, 2020 \$272,902,294

Additions

Member Contributions	\$6,028,129	
Member Contributions Receivable	43,494	
Member Purchase Of County Share	2,814	
County Contribution	4,918,872	
Net Investment Income:		
Interest/Dividends	6,100,886	
Realized Capital Gain/(Loss)	7,687,606	
Accrued Investment Income	<u>454</u>	
Total Additions		\$24,782,255

Deductions

Member Contributions Refunded	\$1,032,093	
Retirement Allowances Paid	16,519,313	
Death Benefits	61,721	
Administrative Expenses	61,597	
Investment Expenses	407,206	
Miscellaneous	<u>29,043</u>	
Total Deductions		<u>\$18,110,973</u>

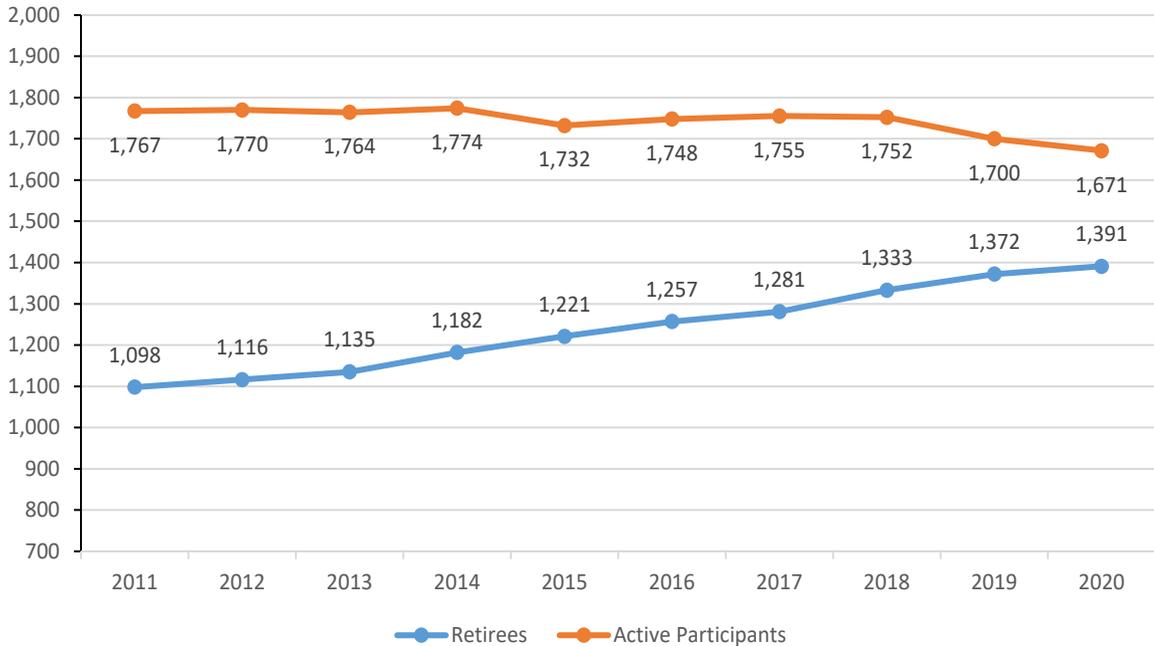
Total Increase/(Decrease) 6,671,282

Total Assets (Cost Value) December 31, 2020 279,573,576

Unrealized Appreciation/(Depreciation) 69,207,075

Total Assets (Market Value) December 31, 2020 \$348,780,651

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
1/1/2012	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
1/1/2021	323,666,104	355,614,396	31,948,292	91.0	84,337,086	37.9

Actuarial Assumptions:

Investment Rate of Return - 7% for 2020-2021, 7.25% for 2018-2019, 7.35% for 2016-2017, 7.5% from 2012-2015
 Projected Salary Increases - 4% for 2018-2021, 3.75% from 2013-2017, 4.5% for 2012
 Inflation Assumption - 3% from 2012-2021

**The Lancaster County Employees' Retirement System
Portfolio As Of 12/31/20 At Market Value**

	Cash Equivalents	Government Securities	Corporate Bonds & CDs	Mutual Funds & Equities	Real Estate	Int'l Bonds	Total
Fulton Bank Custodial Account	\$1,417,689						\$1,417,689
Vanguard S&P 500 ETF				39,627,113			39,627,113
Fidelity 500 Index				38,326,307			38,326,307
Vanguard Mid Cap Value Index				30,504,957			30,504,957
Aristotle Sm/Mid Cap				19,160,347			19,160,347
Dodge & Cox Global Stock Fund				22,682,636			22,682,636
Artisan Global				24,267,973			24,267,973
Acadian Global				17,329,365			17,329,365
MFS Low Volatility Global Equity				17,640,156			17,640,156
MFS International Value Fund				24,123,899			24,123,899
Fidelity Total International Index Fund				16,067,490			16,067,490
JP Morgan Strategic Property Fund					10,763,780		10,763,780
Morgan Stanley Prime Property Fund					11,024,190		11,024,190
CS McKee Fixed Income	416,344	18,000,302	15,844,106		3,660,757	2,344,113	40,265,622
EmStone Short Duration							
U.S. Fixed Income	3,257,443	849,745	4,148,287			1,127,391	9,382,866
Fidelity Intermediate Treasury							
Bond Index				18,900,630			18,900,630
Vanguard Short-Term Corp Bond Index				7,295,631			7,295,631
Total	\$5,091,476	\$18,850,047	\$19,992,393	\$275,926,504	\$25,448,727	\$3,471,504	\$348,780,651

The Lancaster County Employees' Retirement System Portfolio As Of 12/31/20 At Cost Value

	Cash Equivalents	Government Securities	Corporate Bonds & CDs	Mutual Funds & Equities	Real Estate	Int'l Bonds	Total
Fulton Bank Custodial Account	\$1,417,689						\$1,417,689
Vanguard S&P 500 ETF			27,066,568				27,066,568
Fidelity 500 Index			25,041,195				25,041,195
Vanguard Mid Cap Value Index			21,369,126				21,369,126
Aristotle Sm/Mid Cap			14,300,000				14,300,000
Dodge & Cox Global Stock Fund			15,983,703				15,983,703
Artisan Global			15,562,189				15,562,189
Acadian Global			15,291,805				15,291,805
MFS Low Volatility Global Equity			16,500,000				16,500,000
MFS International Value Fund			17,463,239				17,463,239
Fidelity Total International Index Fund			14,528,903				14,528,903
JP Morgan Strategic Property Fund				10,524,595			10,524,595
Morgan Stanley Prime Property Fund				10,687,504			10,687,504
CS McKee Fixed Income	416,344	17,992,928	15,072,087		3,648,730	2,268,174	39,398,263
EmStone Short Duration						1,059,810	9,220,552
U.S. Fixed Income	3,256,814	814,173	4,089,755				
Fidelity Intermediate Treasury Bond Index			17,941,838				17,941,838
Vanguard Short-Term Corp Bond Index			7,276,407				7,276,407
Total	\$5,090,847	\$18,807,101	\$19,161,842	\$208,324,973	\$24,860,829	\$3,327,984	\$279,573,576



County of Lancaster Controller's Office
150 North Queen Street • Suite #710 • Lancaster, PA 17603
717-299-8262 • www.co.lancaster.pa.us