

County of Lancaster

PENNSYLVANIA



The Lancaster County Employees' Retirement System
Financial Statement
December 31, 2022

Prepared by the Office of the Controller
Lisa K. Colón, Controller



Controller
Lisa K. Colón

Controller's Office

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The following report presents a summarization of the Lancaster County Employees' Retirement System ("Fund") for the year of 2022. The Retirement Board continually monitors the Fund to ensure it is a solid and dependable source of income for the almost 1,500 retirees of the County, and it will continue to be a reliable source of income when the nearly 1,600 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 2022, the County contributed the required Actuarially Determined Contribution of \$3,903,385 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 weak year during 2022 and as a result, the Fund posted a market value rate of return of (10.58)%. This resulted in a decrease in the value of the Fund during 2022. The Fund decreased by \$51.9 million during 2022 from \$389,968,672 at December 31, 2021, to \$338,023,275 at December 31, 2022. During 2022, 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 13 during 2022 to 1,467. The total benefits paid increased \$1,110,155 from \$20,641,081 during 2021 to \$21,751,236 during 2022.

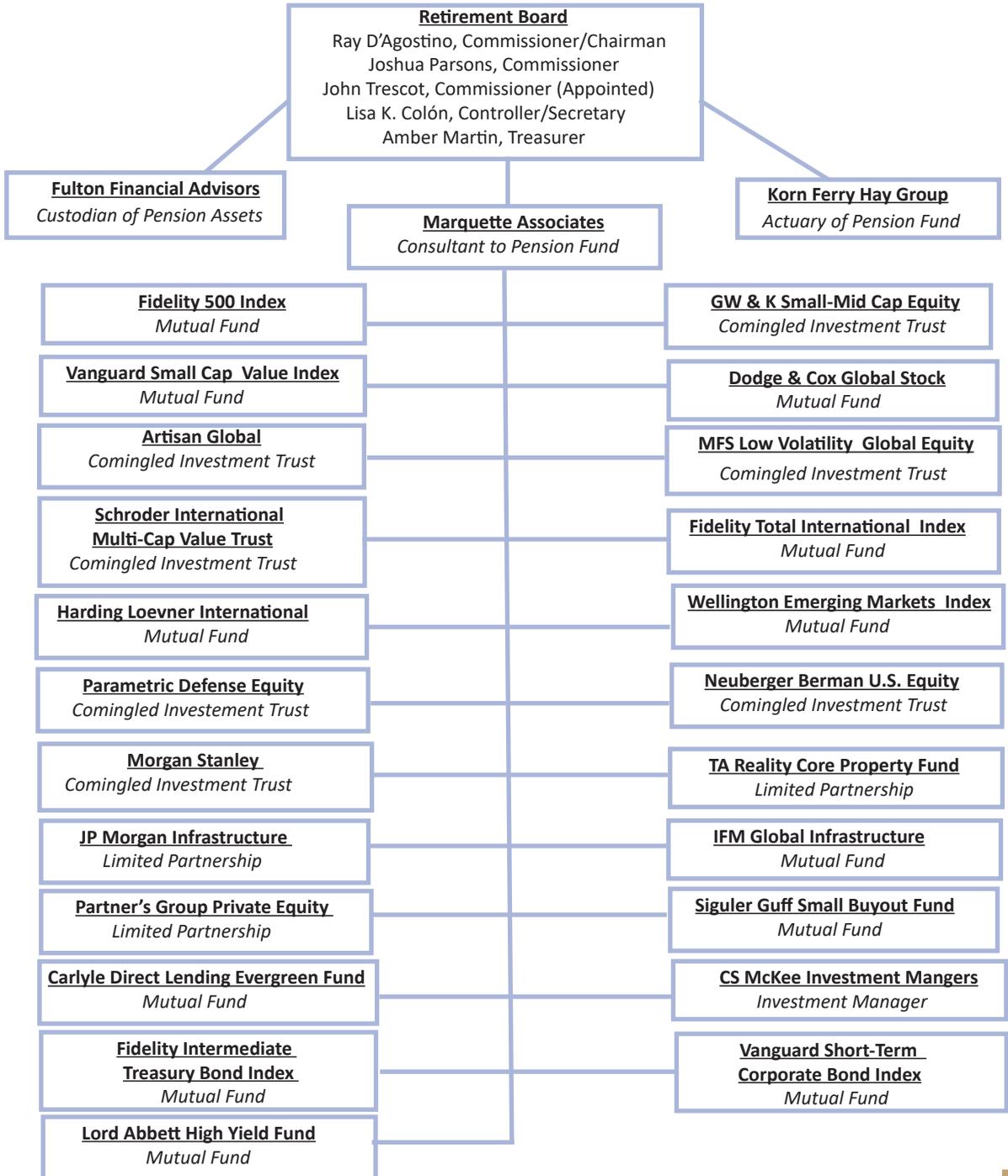
The Retirement Board, along with the Consultant, constantly reviews the asset allocation, performance, and expenses of the investments to ensure that we have a well-diversified Fund available for the benefit of Lancaster County retirees. During 2022, fees as a percent of the market value remained steady at 0.50%. For 2022, the Retirement Board maintained the return assumption at 7.00%. The Board decided to take a more conservative approach when considering future market returns. Due to the weak market performance during 2022, the overall funded ratio of the Fund decreased from 94.6% at January 1, 2022, to 93.0% at January 1, 2023. Despite this slight decrease, 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 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.

Lisa K. Colón
Retirement Fund Secretary

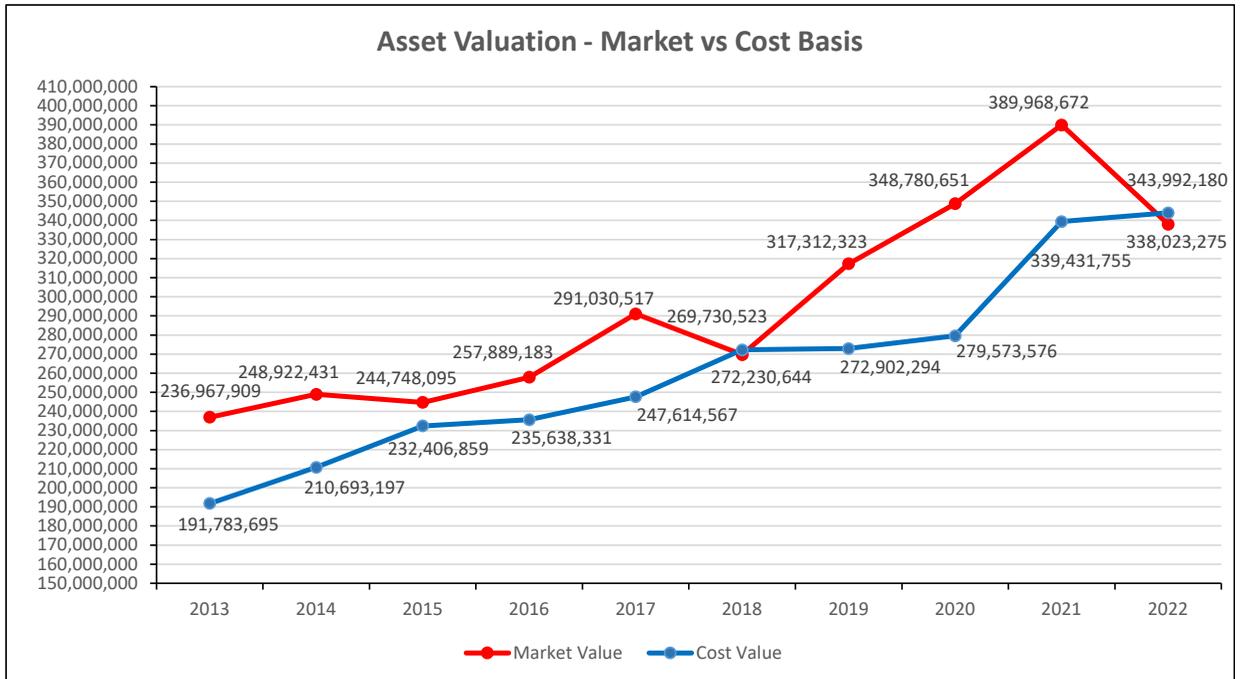


The Lancaster County Employees' Retirement System Structure of the Plan Management



**The Lancaster County Employees' Retirement System
Statement of Plan Assets as of December 31, 2022**

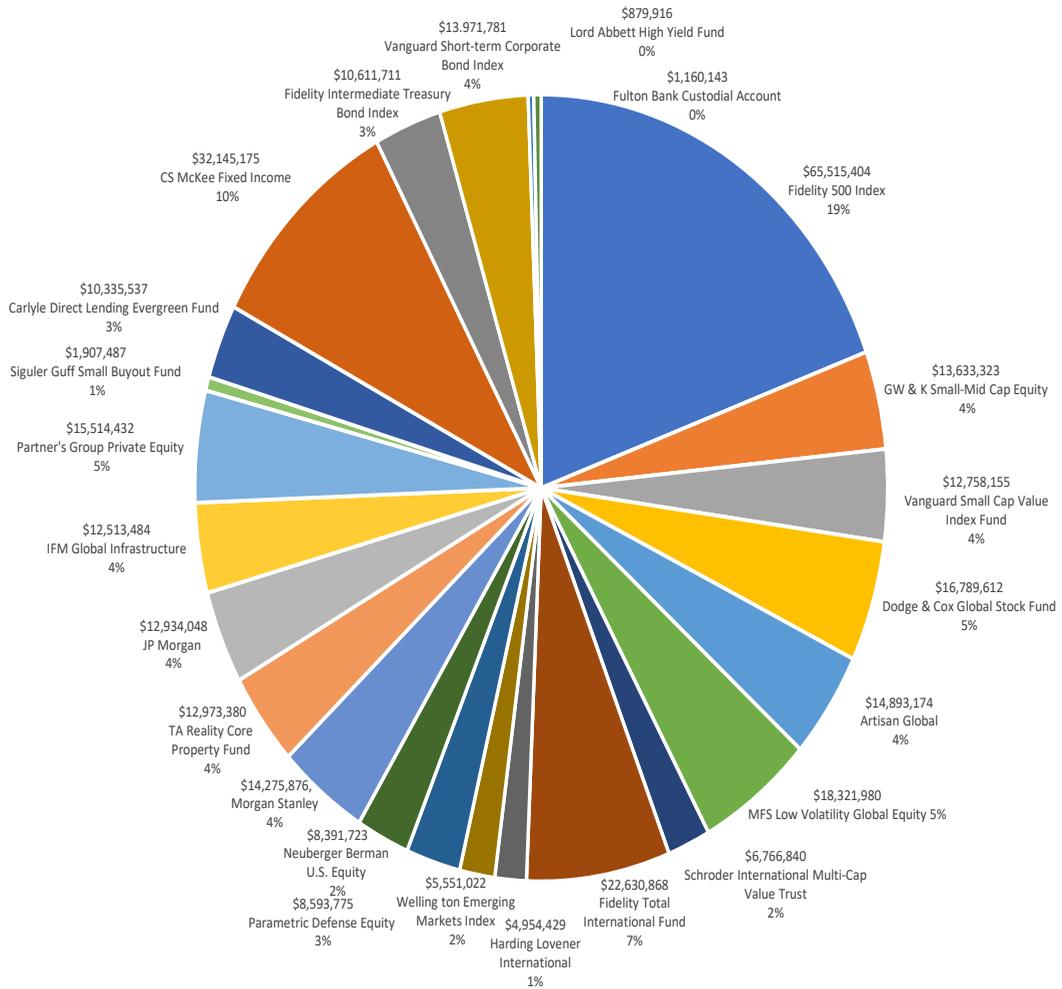
<u>Assets</u>	<u>Market Value</u>	<u>Cost Value</u>
Investments:		
Equity Mutual Funds	\$ 97,457,904	\$102,461,611
Global Mutual Funds	50,004,765	45,193,917
International Equities	35,850,369	40,464,661
Real Estate Funds	27,249,256	24,804,181
Fixed Income Mutual Funds	25,441,943	27,840,232
Corporate Bonds	9,585,986	10,504,449
Government Securities	15,658,611	16,734,417
Mortgage Obligations	3,067,996	3,268,783
Certificates of Deposit	2,053,515	2,071,420
Defensive Equity	16,985,498	18,000,000
Private Equity	15,514,432	15,000,000
Private Credit	12,243,024	12,186,065
Infrastructure	25,447,532	24,000,000
Money Market & Cash Equivalents	946,021	946,021
Receivables	516,423	516,423
Net Assets Held for Pension Benefits at December 31, 2022	<u>\$338,023,275</u>	<u>\$343,992,180</u>



The Lancaster County Employees' Retirement System

% of Portfolio by Manager

As of 12/31/22



- | | | |
|--|-------------------------------------|---|
| ■ Fidelity 500 Index | ■ GW & K Small-Mid Cap Equity | ■ Vanguard Small Cap Value Index Fund |
| ■ Dodge & Cox Global Stock Fund | ■ Artisan Global | ■ MFS Low Volatility Global Equity |
| ■ Schroder International Multi-Cap Value Trust | ■ Fidelity Total International Fund | ■ Harding Loevner International |
| ■ Wellington Emerging Markets Index | ■ Parametric Defense Equity | ■ Neuberger Berman U.S. Equity |
| ■ Morgan Stanley | ■ TA Reality Core Property Fund | ■ JP Morgan |
| ■ IFM Global Infrastructure | ■ Partner's Group Private Equity | ■ Siguler Guff Small Buyout Fund |
| ■ Carlyle Direct Lending Evergreen Fund | ■ CS McKee Fixed Income | ■ Fidelity Intermediate Treasury Bond Index |
| ■ Vanguard Short-term Corporate Bond Index | ■ Lord Abbett High Yield Fund | ■ Fulton Bank Custodial Account |

Lancaster County Employees' Retirement System
Estimated Management And Administrative Fees for 2022

	12/31/22 Market Value	Estimated Annual Fees
Fulton Bank Custodial Account	\$1,160,143	\$ -
Fidelity 500 Index	65,515,404	9,827
GW & K Small-Mid Cap Equity	13,633,323	88,617
Vanguard Small Cap Value Index	12,758,155	7,655
Dodge & Cox Global Stock Fund	16,789,612	104,096
Artisan Global	14,893,174	134,038
MFS Low Volatility Global Equity	18,321,980	59,090
Schroder Int'l Multi-Cap Value Trust	6,766,840	37,218
Fidelity Total International	22,630,868	13,579
Harding Loevner International	4,954,429	55,490
Wellington Emerging Markets Index	5,551,022	48,849
Parametric Defense Equity	8,593,775	23,633
Neuberger Berman U.S. Equity	8,391,723	25,175
Morgan Stanley	14,275,876	119,916
TA Reality Core Property Fund	12,973,380	90,814
JP Morgan	12,934,048	105,972
IFM Gobal Infrastructure	12,513,484	96,354
Partner's Group Private Equity	15,514,432	209,444
Siguler Guff Small Buyout Fund	1,907,487	11,445
Carlyle Direct Lending Evergreen Fund	10,335,537	131,269
CS McKee Investment Managers	32,145,175	64,290
Fidelity Intermediate Treasury Bond Index	10,611,711	3,184
Vanguard Short-Term Corporate Bond Index	13,971,781	9,780
Lord Abbett High Yield Fund	879,916	5,192
Money Market Fund	-	1,781
Fulton Financial Advisors (Custodian)	-	36,946
Korn Ferry Haygroup (Actuary)	-	46,936
Marquette Associates (Consultant)	-	164,355
	<u>\$338,023,275</u>	<u>\$1,704,945</u>

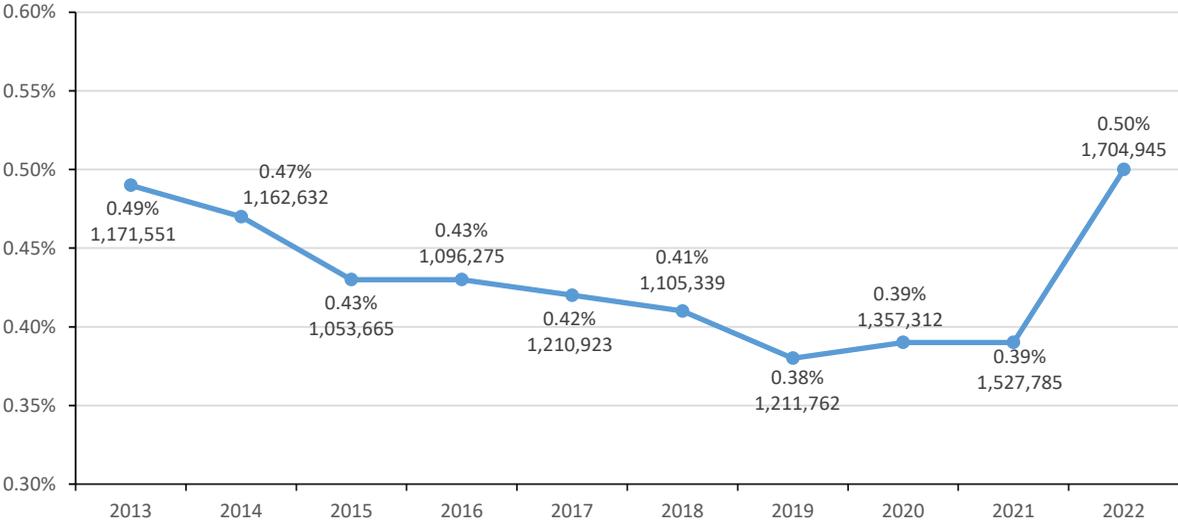
Percentage of Market Value 0.50%

Schedule Of Lancaster County Contributions and Returns

Year	Actuarially Determined Contribution*	County Contribution	Market Value Rate of Return
2022	\$3,903,385	\$3,903,385	(10.58%)
2021	5,142,723	5,142,723	14.79
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

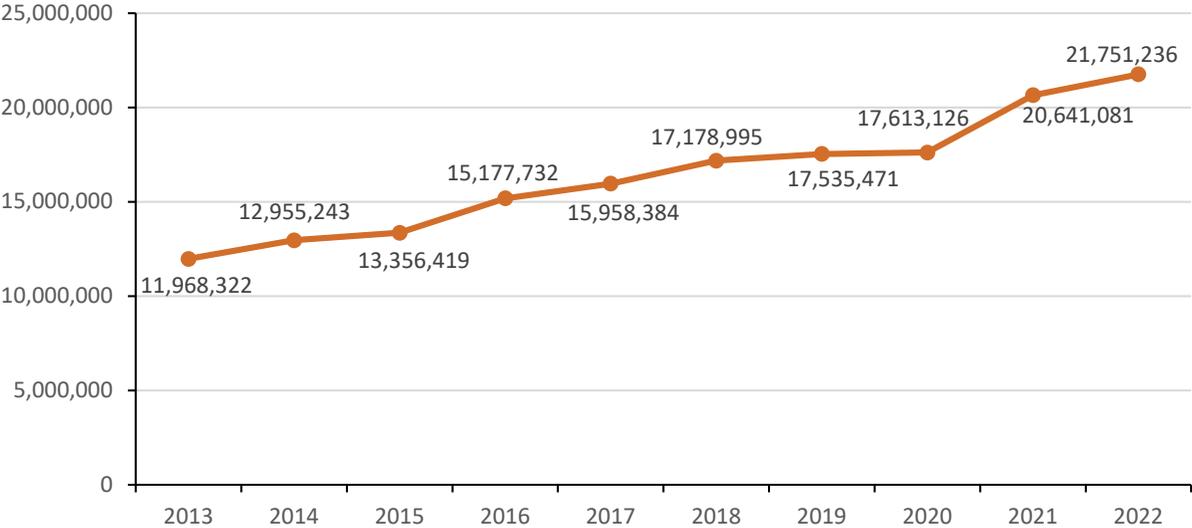
*Prior to 2014, contribution was described as Annual Required Contribution (ARC).

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, 2022**

Total Assets (Cost Value) – January 1, 2022 \$339,431,755

Additions

Member Contributions	\$6,868,696	
Member Contributions Receivable	55,658	
Member Purchase Of County Share	14,021	
County Contribution	3,903,385	
Net Investment Income:		
Interest/Dividends	5,900,691	
Realized Capital Gain/(Loss)	9,851,138	
Accrued Investment Income	<u>79,496</u>	
Total Additions		\$26,673,085

Deductions

Member Contributions Refunded	\$1,088,535	
Retirement Allowances Paid	19,918,680	
Death Benefits	744,020	
Administrative Expenses	57,475	
Investment Expenses	271,747	
Miscellaneous	<u>32,202</u>	
Total Deductions		\$22,112,659

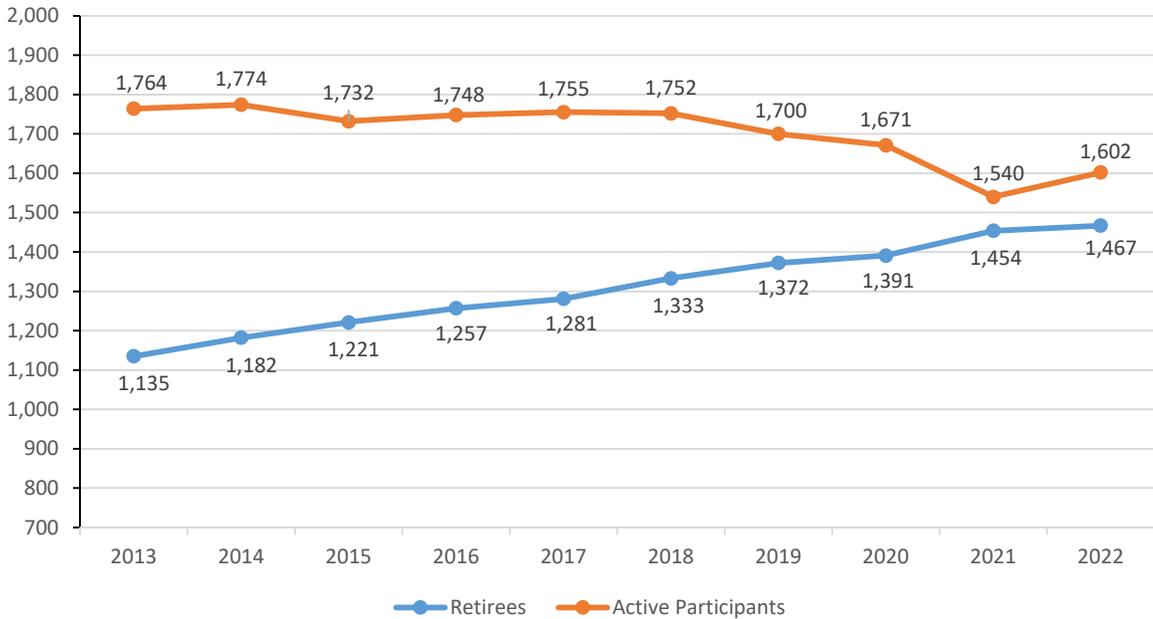
Total Increase/(Decrease) 4,560,426

Total Assets (Cost Value) December 31, 2022 343,992,181

Unrealized Appreciation/(Depreciation) (5,968,906)

Total Assets (Market Value) December 31, 2022 \$338,023,275

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
1/1/2014	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
1/1/2022	351,193,373	371,171,231	19,977,858	94.6	81,800,905	24.4
1/1/2023	362,242,486	389,702,640	27,460,154	93.0	92,217,959	29.8

Actuarial Assumptions:

Investment Rate of Return - 7% for 2020-2023, 7.25% for 2018-2019, 7.35% for 2016-2017, 7.5% from 2014-2015

Projected Salary Increases - 4% for 2018-2023, 3.75% from 2014-2017

Inflation Assumption - 3% from 2013-2022

The Lancaster County Employees' Retirement System
Portfolio As Of 12/31/22 At Market Value

	Cash Equivalents	Government Securities	Corporate Bonds & CDs	Mutual Funds & Equities	Real Estate	Int'l Bonds	Total
Fulton Bank Custodial Account	\$1,160,143						\$1,160,143
Fidelity 500 Index				65,515,404			65,515,404
GW & K Small-Mid Cap Equity				13,633,323			13,633,323
Vanguard Small Cap Value Index				12,758,155			12,758,155
Dodge & Cox Global Stock Fund				16,789,612			16,789,612
Artisan Global				14,893,174			14,893,174
MFS Low Volatility Global Equity				18,321,980			18,321,980
Schroder International Multi-Cap Value Trust				6,766,840			6,766,840
Fidelity Total International Index Fund				22,630,868			22,630,868
Harding Loevner International				4,954,429			4,954,429
Wellington Emerging Markets Index				5,551,022			5,551,022
Parametric Defense Equity				8,593,775			8,593,775
Neuberger-Berman U.S. Equity				8,391,723			8,391,723
Morgan Stanley Prime Property Fund					14,275,876		14,275,876
TA Reality Core Property Fund					12,973,380		12,973,380
JP Morgan				12,934,048			12,934,048
IFM Global Infrastructure				12,513,484			12,513,484
Partner's Group Private Equity				15,514,432			15,514,432
Siguler Guff Small Buyout Fund				1,907,487			1,907,487
Carlyle Direct Lending Evergreen Fund				10,335,537			10,335,537
CS McKee Fixed Income	62,523	15,775,571	11,730,302		3,072,922	1,503,857	32,145,175
Fidelity Intermediate Treasury Bond Index				10,611,711			10,611,711
Vanguard Short-Term Corp Bond Index				13,971,781			13,971,781
Lord Abbett High Yield Fund				879,916			879,916
Total	\$1,222,666	\$15,775,571	\$11,730,302	\$277,468,701	\$30,322,178	\$1,503,857	\$338,023,275

**The Lancaster County Employees' Retirement System
Portfolio As Of 12/31/22 At Cost Value**

	Cash Equivalents	Government Securities	Corporate Bonds & CDs	Mutual Funds & Equities	Real Estate	Int'l Bonds	Total
Fulton Bank Custodial Account	\$1,160,143						\$1,160,143
Fidelity 500 Index				63,225,194			63,225,194
GW & K Small-Mid Cap Equity				17,000,000			17,000,000
Vanguard Small Cap Value Index				14,780,471			14,780,471
Dodge & Cox Global Stock Fund				14,276,772			14,276,772
Artisan Global				12,082,460			12,082,460
MFS Low Volatility Global Equity				18,834,685			18,834,685
Schroder International Multi-Cap Value Trust				7,532,507			7,532,507
Fidelity Total International Index Fund				25,214,308			25,214,308
Harding Loevner International				6,012,923			6,012,923
Wellington Emerging Markets Index				7,455,946			7,455,946
Parametric Defense Equity				9,000,000			9,000,000
Neuberger Berman U.S. Equity				9,000,000			9,000,000
Morgan Stanley Prime Property Fund					11,681,981		11,681,981
TA Reality Core Property Fund					13,122,200		13,122,200
JP Morgan				12,000,000			12,000,000
IFM Global Infrastructure				12,000,000			12,000,000
Partner's Group Private Equity				15,000,000			15,000,000
Siguler Guff Small Buyout Fund				1,725,000			1,725,000
Carlyle Direct Lending Evergreen Fund				10,461,065			10,461,065
CS McKee Fixed Income	62,523	16,851,377	12,666,670		3,273,709	1,710,549	34,564,828
Fidelity Intermediate Treasury Bond Index				11,949,371			11,949,371
Vanguard Short-Term Corp Bond Index				15,024,659			15,024,659
Lord Abbett High Yield Fund				887,667			887,667
Total	\$1,222,666	\$16,851,377	\$12,666,670	\$283,463,028	\$28,077,890	\$1,710,549	\$343,992,180



County of Lancaster Controller's Office
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Photo courtesy of Kathleen A. Harrison Photography