

Minutes of the Lehigh County Retirement Board Meeting

Lehigh County Government Center Public Hearing Room

Thursday, August 10, 2017

9:30 A.M.

A meeting of the Lehigh County Employees' Retirement Board was held at 9:30 A.M. in Lehigh County Government Center Public Hearing Room. Members present were Percy Dougherty, Glenn Eckhart, Judy Johnston, Tom Muller, Tim Reeves and Ed Sweeney.

Chris Lakatosh from Cornerstone Advisors Asset Management also attended.

Tom Muller, County Executive, called the meeting to order at 9:31 A.M.

Tom Muller opened the meeting by announcing Ed Sweeney was elected as the Retiree Representative on the Retirement Board. Welcome Ed !!!

David Bausch was not present but Tom publically and formally thanked David for his great efforts and great work he did on behalf of the retirees for many, many years. Thank you for your many years of dedication David !!!!

OLD BUSINESS

Meeting minutes for approval from May 4, 2017 meeting.

Tom Muller asked if there were any questions or corrections to the May 4, 2017 meeting minutes.

Tom Muller called for a motion for approval.

Judy Johnston made a motion to approve the May 4, 2017 Retirement Board minutes.

Tim Reeves seconded the motion.

Tom Muller called for a voice vote.

All were in favor. 6-0 vote. Motion passed unanimously.

NEW BUSINESS

Chris Lakatosh from Cornerstone gave the Second Quarter pension update.

Page 1 (Net Portfolio Performance) – The market continues to be incredibly strong and everybody continues to make a significant amount of money. The pension is no different. For the second quarter of 2017 ending June 30, the pension plan was up \$2.9 million. We started the beginning of the second quarter with \$472 million. We ended the third quarter with \$479 million. If you look at the bottom, for the last quarter – 2.9% return represents a top 45th percentile ranking. Over the last three years we were in the 52nd percentile and over the last five years in the top 49th percentile. The pension plan continues to do incredibly well in this rising market.

Page 2 (Asset Allocation) – We've been a little more conservative in our approach with our equity portfolio. We are at about 55% equity, 37-38% domestic equities, 18% international, 29% fixed income 15% alternatives and a little bit in cash.

Page 3 (Historical Cash Flow) – The top right corner is probably most important to everybody. This "Portfolio Appreciation Since Inception" number is comprised of two components: income that was derived from investments in the portfolio and change in market value from market appreciation. How much the pension plan has appreciated since inception, is since Cornerstone has been engaged with the County - which is a little shy of seven years. We made collectively, \$210 million in the pension plan in that 7-year period of time.

Page 4 (Manager Performance) – These are the returns of the investments in the portfolio. You can see in the middle of that graph the return stream from top to bottom that every single position within the pension plan has made money in the second quarter with the exception of commodities. Oil pulled back in the second quarter, so commodities dropped a little bit. By and large, every other single investment component of the pension plan was up. Some were up more significantly than the others – international did a little better than domestic equities but every part of the portfolio made money.

Page 5 (Monthly Flash Report) – This is a monthly flash report as of July. You'll see all of the investments relative to their benchmarks on the left side of the page. For the month of July, that 30-day period of time, the portfolio is up 1.6% relative to the index which was up 1.54%. The cumulative total on the bottom, the net portfolio return in the first 7 months of the year was a little shy of 9%. The pension plan was up 8.81% net of all fees. The index was up 8.44%. Almost 40 basis points of outperformance. You can see that the total portfolio value as of July is \$482 million. Actually as of two days ago it was about \$483 million. Another \$1 million in appreciation in a continuously upward trending marketplace.

No questions or motions.

No citizen input.

Glenn Eckhart thanked Judy Johnston and her staff and Tim Benyo and his staff for their help with the election of the Retiree Representative. Great job by both offices. For the next meeting, we have a few tweaks on some of the policies we passed last August pertaining to the election process. Judy and I will get that changed for the next meeting.

No further business.

Tom Muller called for a motion to adjourn.

Glenn Eckhart made the motion to adjourn.

Tom Muller called for a voice vote. All in favor. 6-0 vote. Motion passed unanimously.

Meeting adjourned at 9:37 A.M.



Glenn Eckhart, Secretary

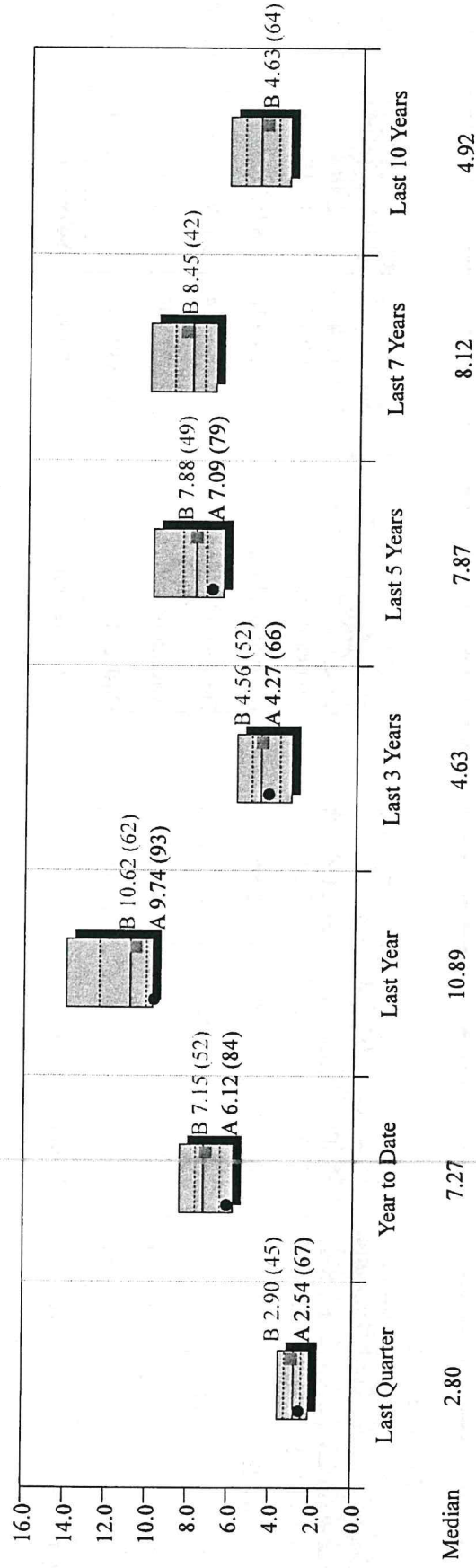
Lehigh County Retirement Fund

Net Portfolio Performance

3 Months ending June 30, 2017

	Ending Weight	Returns	Beginning Market Value	Ending Market Value
Domestic Equity	37.8%	3.49%	\$179,506,194	\$181,218,684
International Equity	17.8%	6.37%	\$80,254,148	\$85,362,524
Domestic Fixed Income	28.7%	1.47%	\$133,586,854	\$137,561,407
Alternative	15.1%	0.76%	\$73,511,696	\$72,519,102
Cash & Equivalents	0.7%	0.31%	\$5,537,540	\$3,320,079
Total Portfolio	100.0%	2.90%	\$472,396,431	\$479,981,796

Net of Fee Returns for Period Ending June 30, 2017
Group: CAI Public Fund Sponsor - Mid (100M-1B)



Lehigh County Retirement Fund

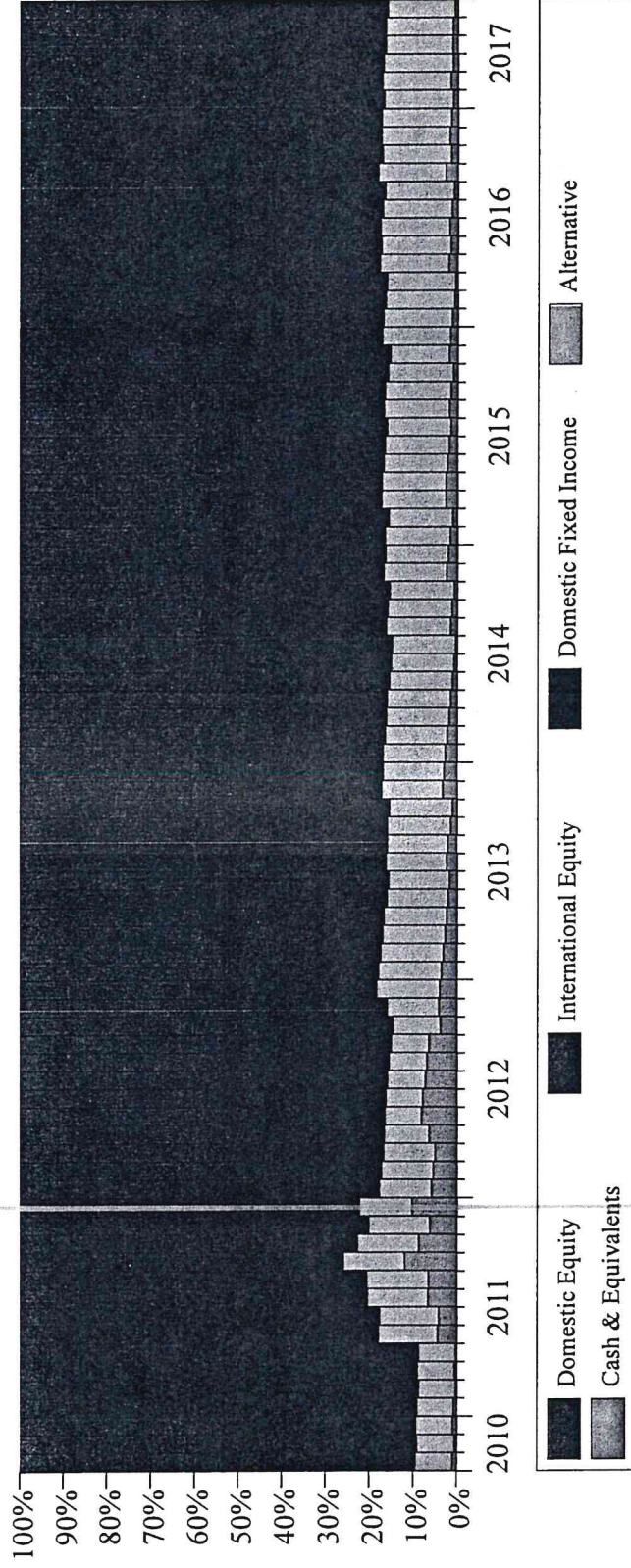
Asset Allocation

April 1, 2017 to June 30, 2017

	Beginning Weight	Ending Weight	IPS Tgt Weight	Deviation
Domestic Equity	38.0%	37.8%	35.0%	2.8%
International Equity	17.0%	17.8%	15.0%	2.8%
Domestic Fixed Income	28.3%	28.7%	35.0%	(6.3%)
Alternative	15.6%	15.1%	10.0%	5.1%
Cash & Equivalents	1.2%	0.7%	5.0%	(4.3%)
Total Portfolio	100.0%	100.0%	100.0%	

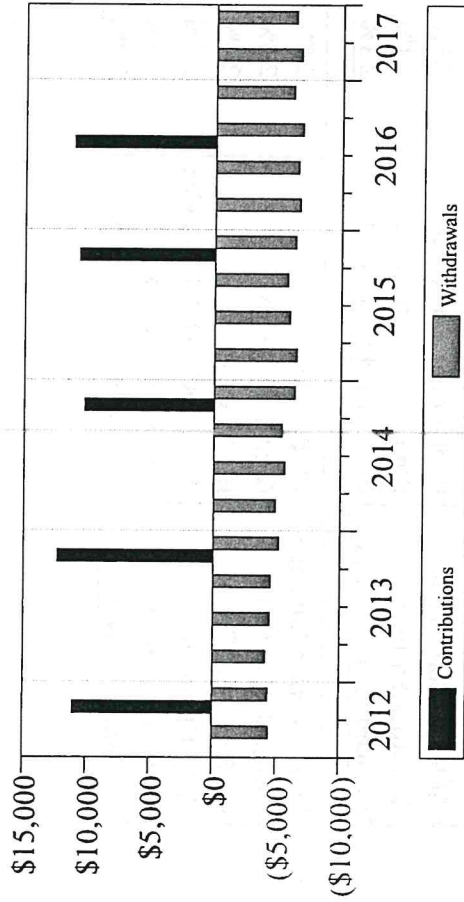
	Beginning Market Value	Ending Market Value	Transfers
Domestic Equity	\$179,506,194	\$181,218,684	(\$4,500,000)
International Equity	\$80,254,148	\$85,362,524	\$0
Domestic Fixed Income	\$133,586,854	\$137,561,407	\$2,000,434
Alternative	\$73,511,696	\$72,519,102	(\$1,547,482)
Cash & Equivalents	\$5,537,540	\$3,320,079	\$4,047,048
Total Portfolio	\$472,396,431	\$479,981,796	\$0

Actual Allocation for Since Inception Ended June 30, 2017

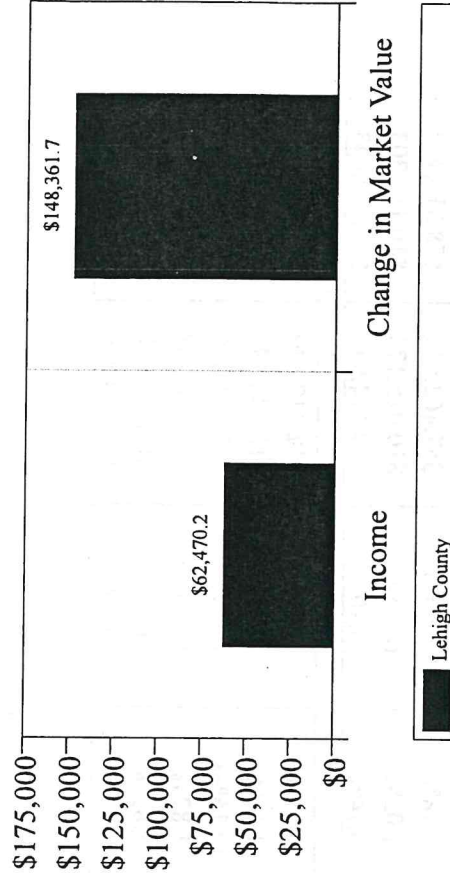


Lehigh County Retirement Fund Historical Cash Flow

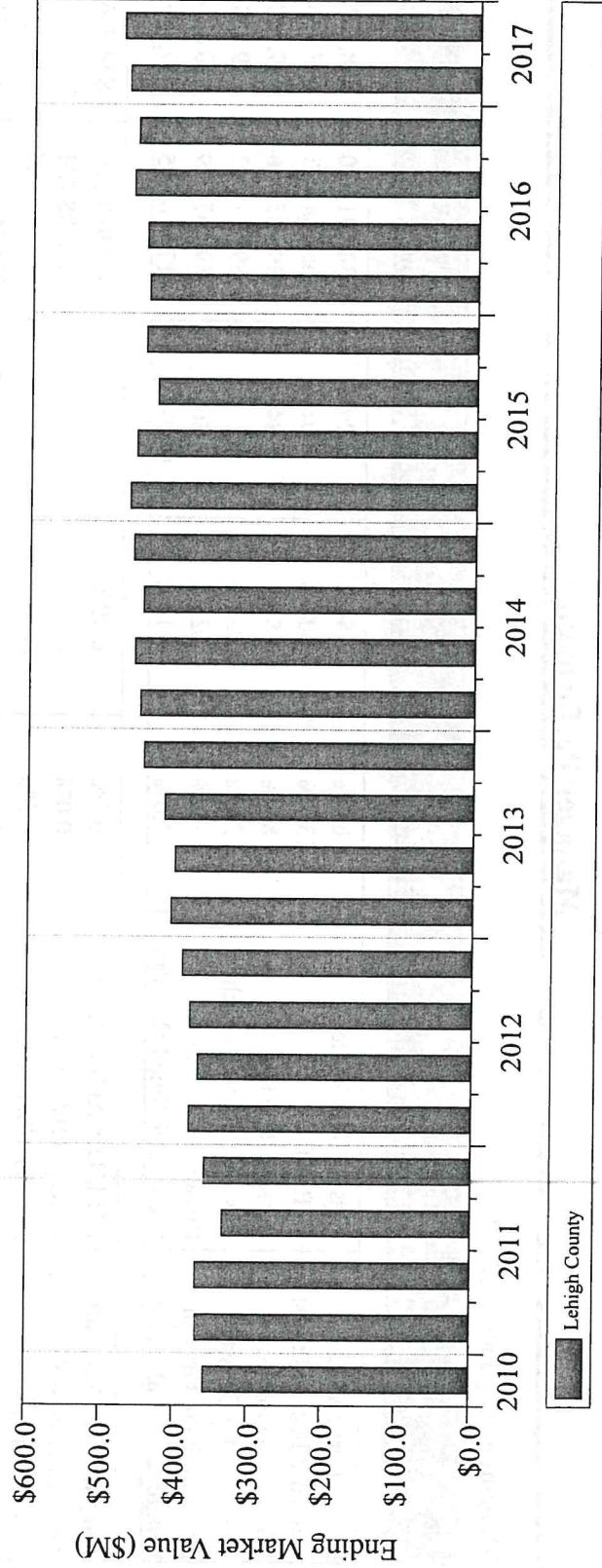
Quarterly Cash Flows for 5 Years (\$K)



Portfolio Appreciation (\$K) Since Inception



Ending Market Value Since Inception (October 1, 2010)



Lehigh County Retirement Fund

Manager Performance

3 Months ending June 30, 2017

	Benchmark Name	Ending Weight	Returns	Excess Return	Beginning Market Value	Ending Market Value
Lomax Large Value	Russell:1000 Value	8.1%	1.54%	0.20%	\$38,291,210	\$38,881,561
Vanguard Instl Indx;Inst	S&P:500	13.7%	3.08%	(0.01%)	\$65,754,833	\$65,755,320
SGA Large Growth	Russell:1000 Growth	8.1%	6.51%	1.84%	\$39,005,086	\$39,028,764
Emerald Mid Growth	Russell:Midcap Growth	2.1%	3.35%	(0.87%)	\$9,661,542	\$9,984,978
Emerald Small Growth	Russell:2000 Growth	2.2%	7.25%	2.86%	\$9,697,029	\$10,400,381
Vanguard SC Val Idx;Ins	CRSP:U.S. Small Cap Value	3.6%	0.42%	(0.03%)	\$17,096,495	\$17,167,680
Vanguard Dev Mkt;Adm	FTSE:Dev AC ex US Idx	6.2%	6.39%	0.34%	\$27,980,070	\$29,766,152
American Funds EuPc;F-2	MSCI:ACWI ex US	0.0%	--	--	\$27,708,734	\$0
American Funds EuPc;F-3	MSCI:ACWI ex US	6.2%	--	--	\$0	\$29,825,123
Vittoria Long/Short Intl	MSCI:EAFE	5.4%	4.91%	(1.21%)	\$24,565,345	\$25,771,249
Agincourt Core Fixed	Blmbg:Aggregate Index	12.1%	1.66%	0.21%	\$56,934,104	\$57,877,679
CSMcKee Core Fixed	Blmbg:Aggregate Index	12.1%	1.48%	0.04%	\$57,462,633	\$58,313,982
BlackRock:Str Inc Opp;K	Blmbg:Aggregate Index	2.1%	1.02%	(0.43%)	\$10,015,173	\$10,117,303
Vanguard Sh-Tm Inv;Adm	Blmbg:Credit 1-3 Yr Bd	2.3%	0.74%	0.20%	\$9,174,944	\$11,252,443
Gabelli Merger Arbitrage	CS:Risk Arb	2.6%	2.21%	(0.52%)	\$12,212,830	\$12,482,538
J Hancock II:G Ab Rt;I	CS:All Hedge Idx	2.5%	1.18%	(0.01%)	\$12,482,397	\$12,095,248
ALPS/CC Mgt CC S;I	Blmbg:Commdty Idx	2.4%	(6.16%)	(2.94%)	\$12,331,979	\$11,675,255
CBRE Clarion RE	FTSE:NAREIT All Eq Index	2.5%	1.87%	(0.40%)	\$12,326,268	\$12,149,072
Nuveen Pref Secs;I	S&P:US Pref Index	2.6%	3.81%	1.09%	\$12,738,222	\$12,496,989
JPM Structured Note	JPM Structured Note Idx	2.4%	1.75%	0.00%	\$11,420,000	\$11,620,000

Lehigh County Employees' Retirement Plan

Monthly Flash Report

	<i>Monthly Return July-2017</i>	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Lomax	2.42%	\$38,827,826	\$39,765,597
Russell 1000 Value	1.33%		
Vanguard Institutional Index	2.05%	\$65,755,320	\$67,104,437
S&P 500	2.06%		
Sustainable Growth Advisors	1.87%	\$38,985,762	\$39,715,785
Russell 1000 Growth	2.66%		
Vanguard SCV Index	0.98%	\$17,167,680	\$17,336,275
CRSP US Small Cap Value	0.96%		
Emerald	0.27%	\$9,980,557	\$10,007,073
Russell Mid-Cap Growth	1.67%		
Emerald Advisors	0.64%	\$10,395,009	\$10,462,013
Russell 2000 Growth	0.85%		
American Funds Europacific Growth F3	4.28%	\$29,825,123	\$31,104,900
MSCI ACWI ex US	3.69%		
Vanguard Developed Mkt Idx I	2.94%	\$29,766,152	\$30,640,968
FTSE AW ex US	3.54%		
CSMcKee	0.40%	\$57,987,026	\$58,220,676
Agincourt	0.45%	\$57,407,630	\$57,665,310
BlackRock Strategic Income Opps K	0.49%	\$10,084,991	\$10,137,701
Barclays Capital Aggregate	0.43%		
CBRE Clarion	1.48%	\$12,102,831	\$12,281,982
FTSE NAREIT Equity REITs	1.22%		
Liquid Alternatives	1.84%	\$47,770,961	\$48,650,002
Blended Alternatives Benchmark	1.17%		
Vanguard ST Investment Grade	0.36%	\$11,220,422	\$11,262,032
BbgBarc US Corp 1-3 YR	0.40%		
Cash Account	0.09%	\$3,395,492	\$1,058,139
30 Day MM Yield	0.09%		
Weighted			
Portfolio	1.61%	\$440,672,782	\$445,412,890
Rate of Return	Index	1.54%	

Assets Not Valued Daily

	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Vittoria Intl Long/Short	\$24,614,373	\$24,614,373
Gabelli Merger Arbitrage	\$12,393,333	\$12,482,538

Grand Total	\$477,680,488	\$482,509,801
--------------------	---------------	---------------

2017 YTD Performance

Net Portfolio	8.81%
Index	8.44%

The values on this report are collected from electronic interfaces and released before an audit function can occur. These values are not final. Differences may include, but are not limited to, pending trades, accruals, mispricing, or custodian error.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]