

Lehigh County Employees' Retirement Board

November 6, 2014

Agenda & Meeting Minutes

Minutes of the Lehigh County Retirement Board Meeting

Lehigh County Government Center Public Hearing Room

Thursday, November 6, 2014

9:30 A.M.

Third Quarter Review Presentation

A meeting of the Lehigh County Employees' Retirement Board was held at 9:30 A.M. in the Public Hearing Room of the Lehigh County Government Center. Members present were David Bausch, Glenn Eckhart, Vic Mazziotti, Daniel McCarthy and Tim Reeves. Chris Lakatosh and Kevin Karpuk from Cornerstone also attended. Lisa Scheller was not present.

Thomas Muller, County Executive, called the meeting to order at 9:30 A.M.

Glenn Eckhart made a motion to accept the August 7, 2014 Retirement Board minutes. Vic Mazziotti seconded the motion. Thomas Muller called for a voice vote for approval of the minutes from the August 7, 2014 Retirement Board Meeting. All were in favor. Minutes were approved unanimously.

Tim Reeves gave an update on the mortality table changes. Currently, we have an on-line system to calculate retirement quotes on the old tables. In 2015, we'll be able to quote from the new tables. If you need a calculation now, the Fiscal Office will do quotes.

Commissioner Lisa Scheller was absent so Tim Reeves gave an update on Lehigh County buy back policy:

What **did not change** is buy back of military time. Military time -- up to five (5) years -- can be bought back after three (3) years of service with Lehigh County. You can do this any time during your service with Lehigh County.

What else **did not change** is the buyback of previous service time. Previous Service Time is when you left the county and took money out of the pension system. If you come back to work for the county you may purchase that time back. You can do this at any time you are still working for the county and you can purchase as much as you like.

What **did change** is buy back of leave of absence time. Beginning in 2015, the maximum amount for leave of absence is six (6) months. **This must be done within ninety (90) days of your return to work.** Until the end of December 2014, there is a grandfather clause if you want to buy back more than six (6) months of leave of absence, you can do so.

Question from employee - By leave of absence, do you mean unpaid leave of absence? (i.e., worker's compensation)

Answer: Yes, unpaid leave of absence.

Question from Children and Youth employee - Does that include educational leave?

Vic Mazziotti answered: That is not leave of absence.

Chris Lakatosh from Cornerstone gave the third quarter review on the fund's performance. Domestic investments had a positive quarter. Every other category had a negative quarter. County pension was down 1.19%. Year-to-date it's up. As of September 30, domestic investments were 42%, international were 17%. Our pension plan is very well funded. October had allot of volatility but made a strong rebound and ended up positive. He referred to the attached handout.

Controller Glenn Eckhart made a motion to adopt the new investment policy. Vic Mazziotti seconded the motion. Tom Muller called for a voice vote. All were in favor. The new investment policy was approved unanimously.

Controller Glenn Eckhart made a motion for a recommendation to the Board of Commissioners to give a one-year extension to Cornerstone's contract. David Bausch seconded the motion. Tom Muller called for a voice vote. All were in favor. The recommendation of the contract extension was approved unanimously.

Controller Glenn Eckhart made a motion for the dates for next year's Lehigh County Employee's Retirement Board meetings to be advertised in the newspaper on January 1, 2015. The meetings will be held in the Public Hearing Room of the Lehigh County Government Center at 9:30 A.M. on the following Thursday mornings: January 29, 2015 (to set the interest rate only), February 5, May 7, August 6, and November 5, 2015 for Cornerstone updates and other business. Motion was Seconded by Vic Mazziotti. Tom Muller called for a voice vote. All were in favor. 2015 meeting dates were approved unanimously.

Question: Tom Cunningham - What is the Board's position on Bill 1078 in the Senate?

Answer: Glenn Eckhart – I can speak for myself but, I also believe the entire board is in favor of the change. The Bill will give us the ability to give Cost of Living increase on a yearly basis. The current law does not allow us to do that. We also have to include every year since the last COLA was given in 2003. But, with the current funding level I don't see us giving a COLA until we get over 100%.

Answer: Tom Muller – A COLA (cost of living allowance) would never occur without this Bill.

Answer: Vic Mazziotti – This Bill gives us flexibility. Without this Bill, if we gave a COLA Now, we'd have to make it retroactive the last COLA. The Bill allows us to now give a COLA without making it retroactive.

Question: Tom Cunningham – Has the Bill passed?

Answer: Vic Mazziotti – yes

Controller Eckhart noted that it did pass the Senate but did not pass the house.

Tom Cunningham remarked it was great to receive Retirement Board meeting minutes. He gave kudos to Controller Glenn Eckhart for starting this practice to keep retirees informed. Tom Muller agreed.

The next scheduled meeting is on Thursday, January 29, 2015. This only business conducted at this meeting will be to set the interest rate for 2015.

No further business or questions.

County Executive Tom Muller called for a motion to adjourn the meeting. Glenn Eckhart made the motion to adjourn. Vic Mazziotti seconded the motion. All were in favor.

Meeting adjourned at 9:50 A.M.



Glenn Eckhart, Secretary

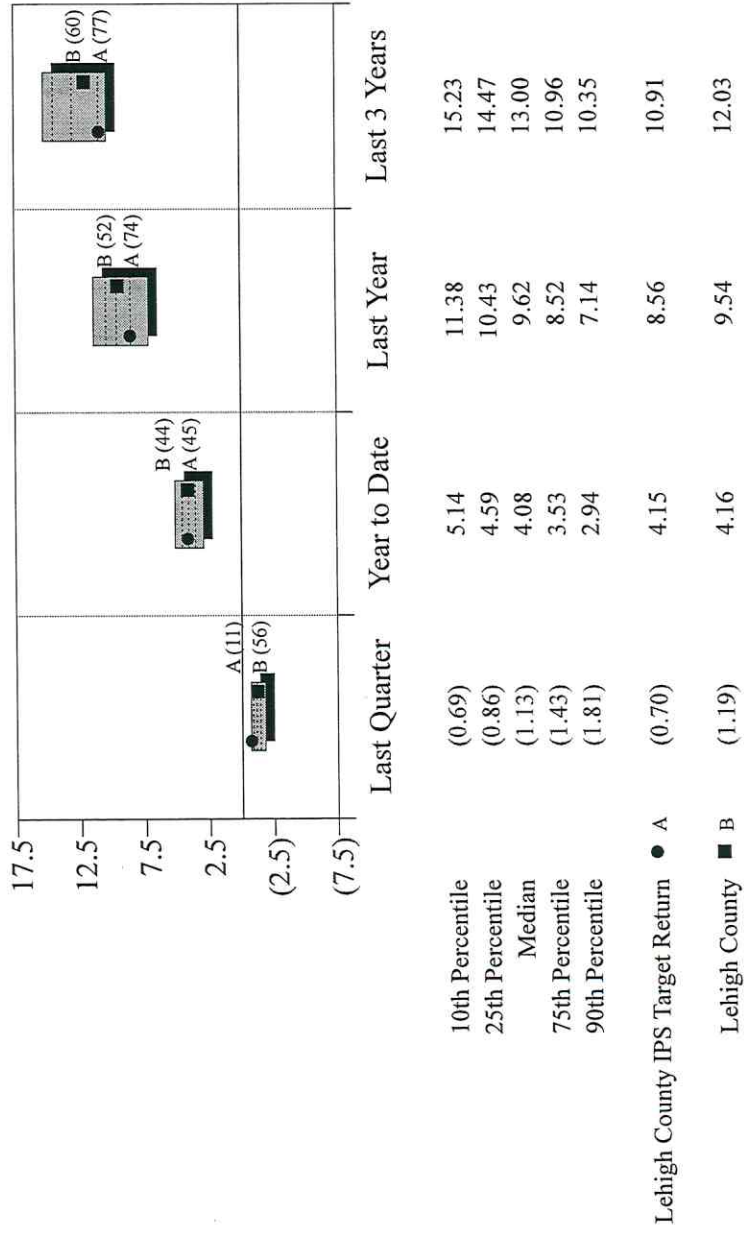
Asset Class Index Performance

	Return								Std Dev 3 Yr (Mo-End)
	MTD	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Yr	
Not Classified									
S&P 500 TR USD	-1.40	1.13	8.34	19.73	22.99	15.70	6.02	8.11	10.57
Russell 3000 TR USD	-2.08	0.01	6.95	17.76	23.08	15.78	6.24	8.44	11.04
NASDAQ Composite TR USD	-1.82	2.24	8.56	20.61	24.57	17.51	8.69	10.06	12.84
DJ Industrial Average TR USD	-0.23	1.87	4.60	15.29	19.02	14.85	5.79	8.15	10.29
Russell 1000 Value TR USD	-2.06	-0.19	8.07	18.89	23.93	15.26	4.81	7.84	10.98
Russell 1000 Growth TR USD	-1.45	1.49	7.89	19.15	22.45	16.50	7.57	8.94	11.09
Russell 2000 Value TR USD	-6.75	-8.58	-4.74	4.13	20.61	13.02	5.08	7.25	14.63
Russell 2000 TR USD	-6.05	-7.36	-4.41	3.93	21.26	14.29	6.04	8.19	15.22
Russell 2000 Growth TR USD	-5.35	-6.13	-4.05	3.79	21.91	15.51	6.92	9.03	16.14
MSCI EAFE NR USD	-3.84	-5.88	-1.38	4.25	13.65	6.56	-0.20	6.32	14.28
MSCI ACWI Ex USA NR USD	-4.84	-5.27	0.00	4.77	11.79	6.03	-0.16	7.06	14.35
MSCI EM NR USD	-7.41	-3.49	2.43	4.30	7.19	4.42	-0.18	10.68	17.19
DJ Composite All REIT TR USD	-5.66	-2.68	13.36	13.25	16.32	15.23	3.96	7.40	14.02
Bloomberg Commodity TR USD	-6.23	-11.83	-5.59	-6.58	-5.34	-1.37	-5.24	-1.04	12.70
BofA ML ABS Master Floating Rate TR USD	0.04	0.23	1.48	1.90	1.91	2.63	-1.82	-0.45	0.73
BofA ML Convertible Bonds All Qualities	-3.03	-1.16	8.07	15.12	17.51	12.78	8.15	8.20	8.62
S&P Preferred Stock TR USD	-0.77	0.56	11.66	12.26	10.46	9.63	5.26	4.99	6.39
Barclays US Treasury US TIPS TR USD	-2.50	-2.04	3.67	1.59	1.34	4.48	4.90	4.63	5.05
Barclays US Agg Bond TR USD	-0.68	0.17	4.10	3.96	2.43	4.12	4.95	4.62	2.63
Barclays US HY Interim TR USD	-2.10	-1.95	3.01	6.64	10.80	10.18	8.34	8.01	5.86
Barclays Municipal 1-10Y Blend 1-12Y TR	-0.06	0.84	4.07	4.40	3.04	3.56	4.44	4.01	2.39
Barclays Global Aggregate TR USD	-2.79	-3.14	1.64	1.19	1.16	2.69	4.18	4.38	4.07

Blended Index Performance

	Return							Std Dev 3 Yr (Mo-End)
	MTD	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Yr
Not Classified								
100% Equity (70.30)	-2.91	-1.58	4.85	13.74	19.66	12.84	4.37	8.11
80% Equity, 20% Fixed Income	-2.47	-1.22	4.75	11.79	16.14	11.24	4.78	7.63
60% Equity, 40% Fixed Income	-2.02	-0.87	4.62	9.83	12.65	9.57	5.03	7.04
Cornerstone Base Case	-2.05	-1.13	4.27	8.51	10.92	8.62	4.49	6.41
40% Equity, 60% Fixed Income	-1.57	-0.52	4.47	7.87	9.21	7.82	5.15	6.34
20% Equity, 80% Fixed Income	-1.13	-0.18	4.30	5.92	5.80	6.00	5.12	5.53
Liquid Alternatives	-2.52	-2.79	4.08	4.08	4.67	5.41	1.51	3.31
								1
								5.52

Returns
for Periods Ended September 30, 2014
Group: CAI Public Fund - Mid (100mm-1B)

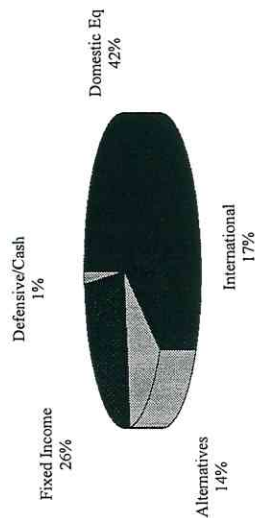


**Lehigh County Employees' Retirement System
Manager Performance Summary**

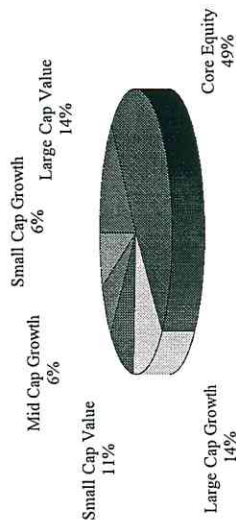
	<i>Quarterly Return 3rd Quarter 2014</i>	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Lomax - Large Cap Value	2.26%	\$26,795,996	\$25,407,140
Russell 1000 Value	-0.19%		
Vanguard - Core Equity	1.12%	\$43,213,939	\$40,635,749
S&P 500	1.13%		
Philadelphia Trust - Core Equity	2.52%	\$49,176,249	\$50,414,765
S&P 500	1.13%		
SGA - Large Cap Growth	1.20%	\$25,510,969	\$25,817,294
Russell 1000 Growth	1.49%		
Vanguard - Small Cap Value	-5.45%	\$24,413,236	\$21,104,660
Russell 2000 Value	-8.58%		
Emerald - Mid Cap Growth	-3.04%	\$13,547,761	\$12,169,579
Russell Mid-Cap Growth	-0.73%		
Emerald - Small Cap Growth	-4.79%	\$13,153,831	\$11,558,044
Russell 2000 Growth	-6.13%		
Amer Funds EuroPac - International	-4.24%	\$23,657,134	\$22,655,108
MSCI ACWI Ex US	-5.19%		
Mondrian - International	-5.88%	\$29,260,916	\$27,486,552
MSCI ACWI Ex US	-5.19%		
Vanguard - International	-6.01%	\$25,629,414	\$24,089,481
MSCI EAFE	-5.88%		
CBRE Clarion - Real Estate	-3.30%	\$13,227,107	\$11,378,765
FTSE NAREIT Equity REIT	-2.48%		
Eaton Vance FRN - Alternatives	-0.48%	\$11,140,041	\$0
S&P/LSTA Leveraged Loan	-0.24%		
Arbitrage - Alternatives	-0.23%	\$0	\$11,944,615
CS:Risk Arb	-2.66%		
Nuveen Preferred Secs - Alternatives	-0.06%	\$12,011,150	\$12,004,806
S&P Preferred Stock	0.56%		
CS Commodity - Alternatives	-11.43%	\$11,116,193	\$11,052,029
Dow AIG Commodity	-11.84%		
Jhancock Glob Abs Return - Alternatives	2.60%	\$11,286,092	\$12,087,536
HFRX Global Hedge Fund In	-0.57%		
MS Structured Note - Alternatives	-2.36%	\$6,572,500	\$6,417,500
Structured Note Index	-2.36%		
Agincourt - Fixed Income	0.14%	\$45,340,671	\$50,370,334
Barclays Capital Aggregate	0.17%		
CSMcKee - Fixed Income	0.26%	\$57,137,221	\$57,286,905
Barclays Capital Aggregate	0.17%		
Vanguard ST Inv Grade - Fixed Income	-0.06%	\$13,301,902	\$8,311,600
Barclays US Corp 1-3 Yr	0.05%		
Misc Cash - Money Market	0.01%	\$1,290,801	\$611,206
30 Day MM Yield	0.01%		
Cash Account - Money Market	0.01%	\$1,887,008	\$5,060,386
30 Day MM Yield	0.01%		
Weighted Portfolio	-1.19%	\$458,670,130	\$447,864,057
Rate of Return Blended Benchmark	-1.66%		

Lehigh County Employees' Retirement System Equity Summary - Style & Capitalization

Current Portfolio

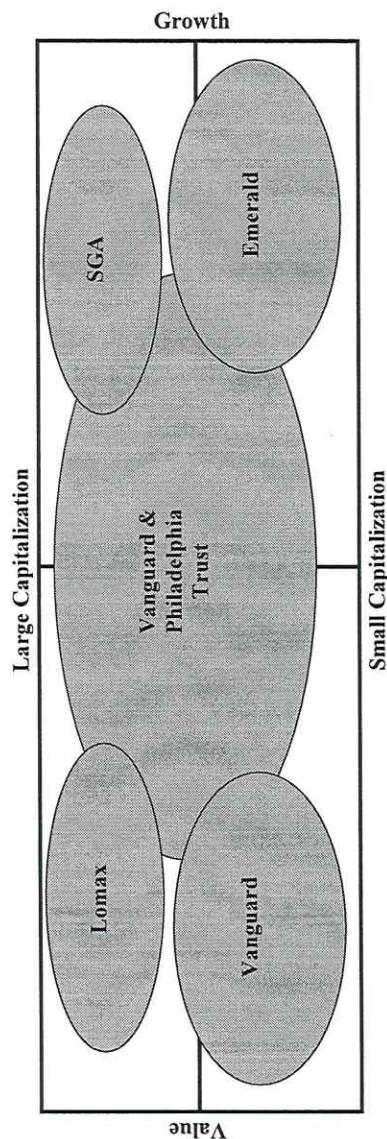


Current Equity Portfolio



	Market Value	Target	% of Portfolio	Deviation	Estimated Yield
Domestic Eq	\$187,107,232	35.0%	41.8%	6.8%	1.9%
International	\$74,231,141	15.0%	16.6%	1.6%	2.9%
Alternatives	\$64,885,252	10.0%	14.5%	4.5%	2.4%
Fixed Income	\$115,968,839	35.0%	25.9%	-9.1%	3.1%
Defensive/Cash	\$5,671,593	5.0%	1.3%	-3.7%	0.0%
	\$447,864,057	100.0%	100.0%	0.0%	2.4%

	Market Value	Target	% of Equity	Deviation
Large Cap Value	\$25,407,140	14.3%	13.6%	-0.7%
Core Equity	\$91,050,514	51.4%	48.7%	-2.8%
Large Cap Growth	\$25,817,294	14.3%	13.8%	-0.5%
Small Cap Value	\$21,104,660	10.0%	11.3%	1.3%
Mid Cap Growth	\$12,169,579	5.0%	6.5%	1.5%
Small Cap Growth	\$11,558,044	5.0%	6.2%	1.2%
	\$187,107,232	100.0%	100.0%	0.0%



Lehigh County Employees' Retirement Plan

Monthly Flash Report

	<i>Monthly Return October-2014</i>	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Lomax	1.67%	\$25,366,018	\$25,789,397
Russell 1000 Value	2.25%		
Vanguard Institutional Index	2.44%	\$40,635,749	\$41,626,920
S&P 500	2.44%		
Philadelphia Trust	0.91%	\$50,380,351	\$50,841,097
S&P 500	2.44%		
Sustainable Growth Advisors	2.57%	\$25,798,814	\$26,461,574
Russell 1000 Growth	2.64%		
Vanguard SCV Index	4.93%	\$21,104,660	\$22,144,472
Russell 2000 Value	6.99%		
Emerald	1.58%	\$12,169,641	\$12,361,907
Russell Mid-Cap Growth	2.76%		
Emerald Advisors	5.52%	\$11,549,821	\$12,187,313
Russell 2000 Growth	6.20%		
American Funds EuroPac	0.35%	\$22,655,108	\$22,734,338
MSCI EAFE	-1.45%		
Vanguard Developed Mkt Idx I	-0.47%	\$24,089,481	\$23,976,473
MSCI EAFE	-1.45%		
CSMcKee	0.75%	\$57,005,373	\$57,431,045
Barclays Capital Aggregate	0.98%		
Agincourt	0.92%	\$49,990,495	\$50,451,824
Barclays Capital Aggregate	0.98%		
CBRE Clarion	10.07%	\$11,333,174	\$12,474,632
Dow Jones US Total Market REIT Index	8.49%		
Liquid Alternatives	-0.03%	\$53,387,899	\$53,400,742
Blended Alternatives Benchmark	0.35%		
Vanguard ST Investment Grade	0.36%	\$8,285,001	\$8,313,797
Barclays US Corp 1-3 YR	0.27%		
Cash Account	0.00%	\$5,744,127	\$3,455,545
30 Day MM Yield	0.00%		
Weighted	Portfolio	\$419,495,712	\$423,651,076
Rate of Return	Index		

Assets Not Valued Daily

	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Mondrian Intl	\$28,697,139	\$27,486,552

Grand Total **\$448,192,851 \$451,137,628**

2014 YTD Performance

Portfolio	6.01%
Net Portfolio	5.72%
Index	6.02%

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.