



COUNTY OF LEHIGH
Department of Administration

Edward D. Hozza, Jr.
Director of Administration

Memorandum

TO: Lehigh County Retirement Board

FROM: Edward D. Hozza Jr.
Director of Administration *edh*

RE: Motion to retain the Actuarial Firm of Korn Ferry, upon a favorable legal opinion from the law firm of Campbell, Durrant, Beatty, Palombo & Miller. Korn Ferry would conduct an Actuarial Study on the Effect an addition of a Third Tier Defined Contribution Hybrid plan would have on the long- term sustainability of the existing Lehigh County Pension plan.

DATE: August 5, 2019

Please place on the August 6, 2019 Retirement Board Agenda the following motion:

Motion to retain the Actuarial Firm of Korn Ferry, upon a favorable legal opinion from the law firm of Campbell, Durrant, Beatty, Palombo Miller. Korn Ferry would conduct an Actuarial Study on the Effect an addition of a Third Tier Defined Contribution Hybrid plan would have on the long- term sustainability of the existing Lehigh County Pension plan.

In addition, The Study would examine the long-term effect on the Pension Plan with a third tier in place with the following potential Lehigh County employment levels:

1,500, 1,600, 1,700, 1,800, 1,900, 2,000, 2,100, 2,200, 2,300, 2,400, 2,500

Those employees hired before December 31, 2020 would remain in the current Tier one or Tier two defined benefit Pension Plan.

*Government Center
17 South Seventh Street
Allentown, Pennsylvania 18101-2401
Phone: 610-782-3001
Fax: 610-871-2755
edhozza@lehighcounty.org*



COUNTY OF LEHIGH
Department of Administration

Edward D. Hozza, Jr.
Director of Administration

Memorandum

TO: Lehigh County Retirement Board

FROM: Edward D. Hozza Jr.
Director of Administration *EH*

RE: Motion to retain the Law Firm of Campbell, Durrant, Beatty, Palombo & Miller, P.C.

DATE: August 5, 2019

Please place the following motion on the August 6, 2019 Retirement Board Agenda:

A motion to retain the Law Firm of Campbell, Durrant, Beatty, Palombo & Miller, P.C. to study and provide a legal opinion to Lehigh County, a Pennsylvania Home Rule Charter, 3rd Class, County's Retirement Board the legal ability to create a third tier to the Pension Plan. This proposed third tier would create a Defined Contribution Pension Plan Hybrid for new employees of Lehigh County hired after January 1, 2021. This third tier would only be considered by the Lehigh County Retirement Board after a favorable Actuarial study that concluded that such a change would ensure the long-term sustainability of the entire Lehigh County Pension Plan.

Those employees hired before December 31, 2020 would remain in the current Tier one or Tier two defined benefit Pension Plan.

*Government Center
17 South Seventh Street
Allentown, Pennsylvania 18101-2401
Phone: 610-782-3001
Fax: 610-871-2755
edhozza@lehighcounty.org*

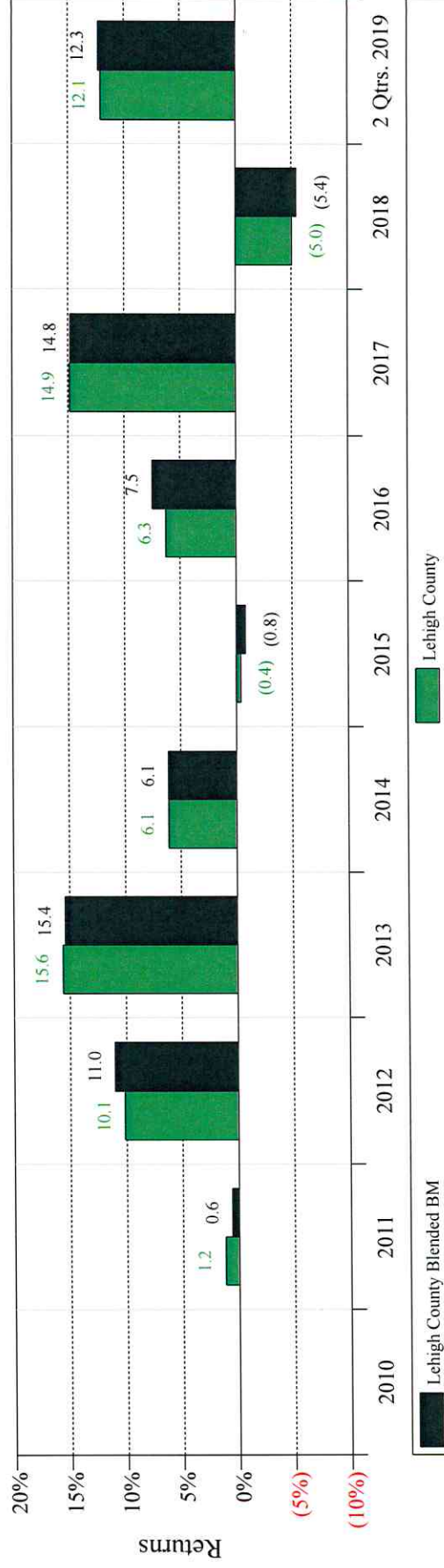
Lehigh County Retirement Fund

Net Portfolio Performance

Net Performance for 1 Quarter Ending June 30, 2019

	Ending Weight	Returns	Beginning Market Value	Ending Market Value
Domestic Equity	40.8%	3.87%	\$201,527,038	\$209,982,875
International Equity	15.2%	3.07%	\$76,044,959	\$78,379,608
Domestic Fixed Income	25.9%	2.92%	\$144,134,329	\$133,462,735
Alternative	15.5%	0.75%	\$63,286,758	\$79,749,731
Cash & Equivalents	2.5%	0.34%	\$21,569,256	\$12,778,517
Total Portfolio	100.0%	2.94%	\$506,562,340	\$514,353,465
<i>Lehigh County Blended BM</i>				
		3.10%		

Calendar Year Net of Fee Returns



Lehigh County Retirement Fund

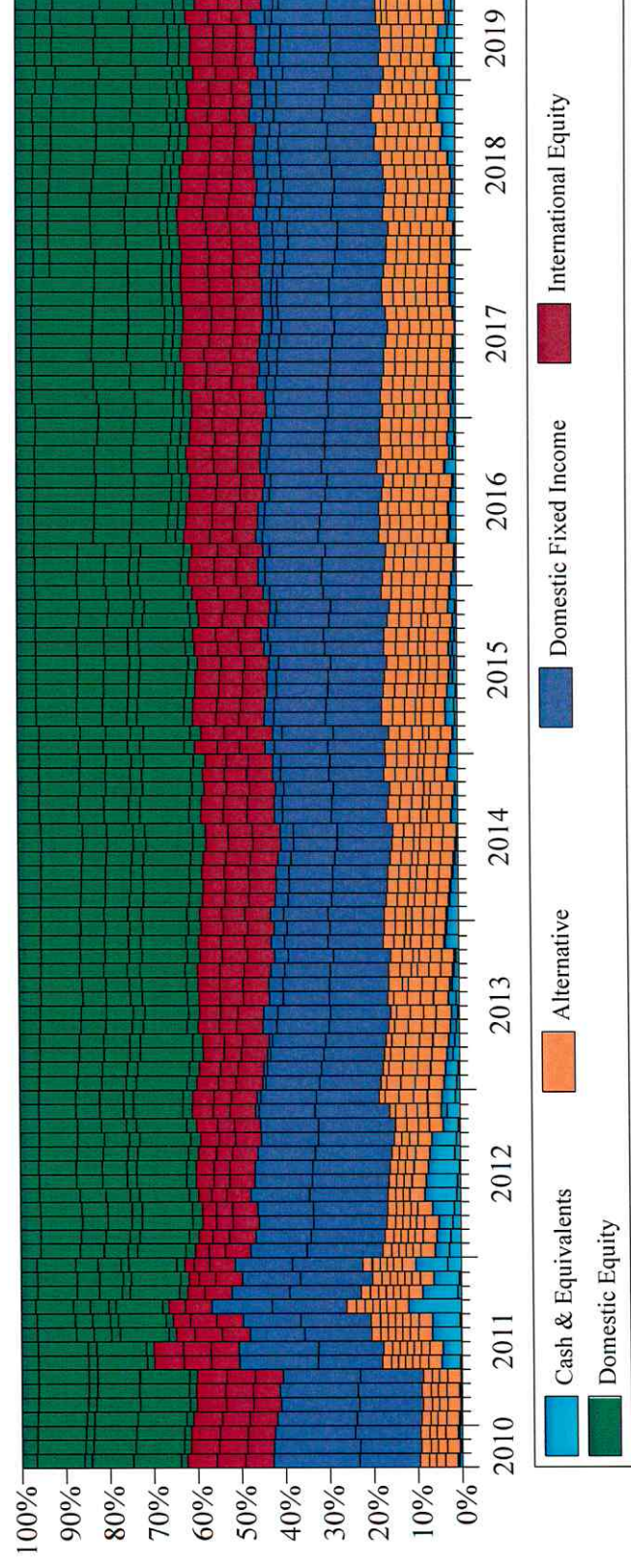
Asset Allocation

1 Quarter Ending June 30, 2019

	Beginning Weight	Ending Weight	IPS Tgt Weight	Deviation
Domestic Equity	39.8%	40.8%	35.0%	5.8%
International Equity	15.0%	15.2%	15.0%	0.2%
Domestic Fixed Income	28.5%	25.9%	35.0%	(9.1%)
Alternative	12.5%	15.5%	10.0%	5.5%
Cash & Equivalents	4.3%	2.5%	5.0%	(2.5%)
Total Portfolio	100.0%	100.0%	100.0%	

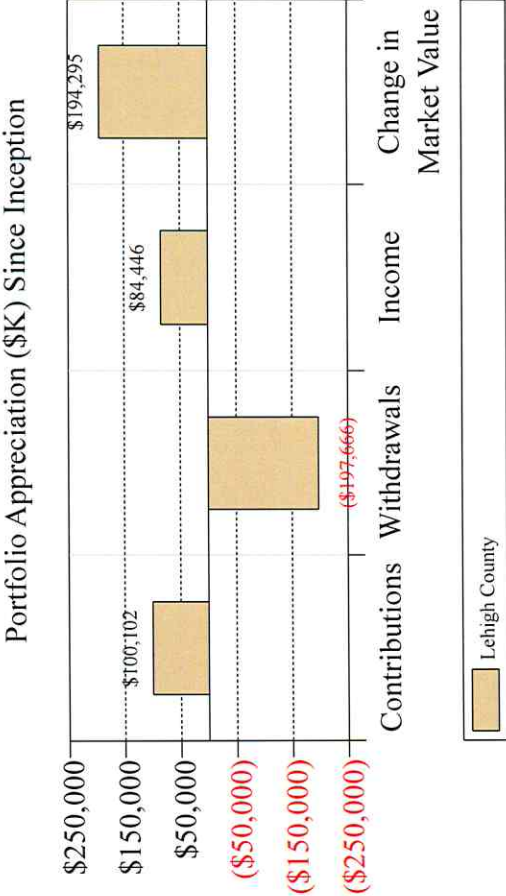
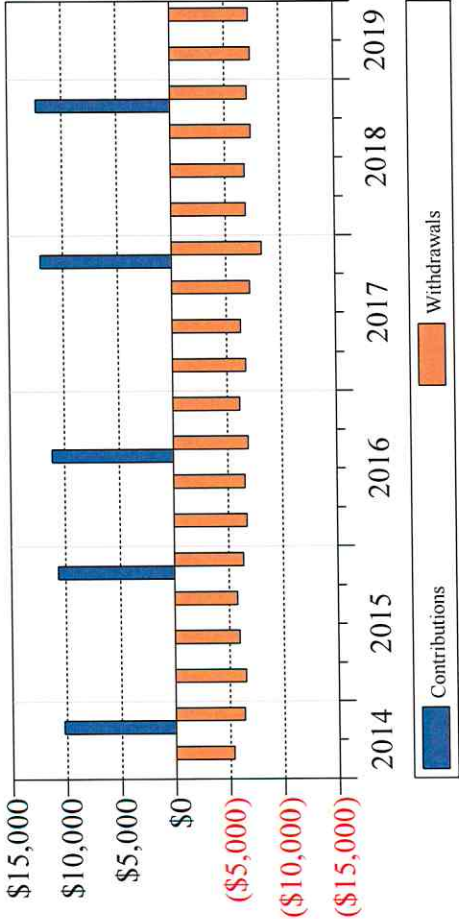
	Beginning Market Value	Ending Market Value	Transfers
Domestic Equity	\$201,527,038	\$209,982,875	\$500,000
International Equity	\$76,044,959	\$78,379,608	\$0
Domestic Fixed Income	\$144,134,329	\$133,462,735	(\$14,764,687)
Alternative	\$63,286,758	\$79,749,731	\$15,900,888
Cash & Equivalents	\$21,569,256	\$12,778,517	(\$1,636,201)
Total Portfolio	\$506,562,340	\$514,353,465	\$0

Actual Allocation for Since Inception Ended June 30, 2019

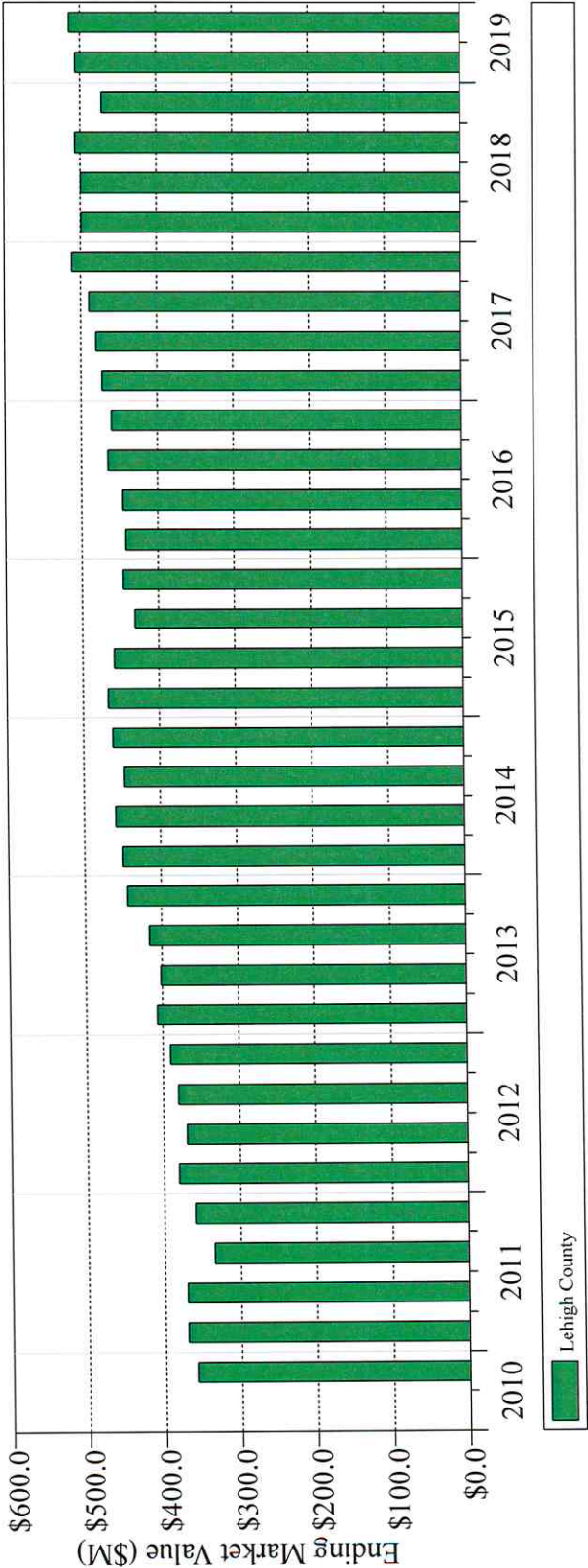


Lehigh County Retirement Fund Historical Cash Flow

Quarterly Cash Flows for 5 Years (\$K)



Ending Market Value Since Inception (July 1, 2010)



Lehigh County Retirement Fund

Manager Performance

1 Quarter Ending June 30, 2019

	Benchmark Name	Ending Weight	Returns	Excess Return	Beginning Market Value	Ending Market Value
Lomax Large Value	Russell:1000 Value	8.2%	3.04%	(0.80%)	\$42,314,439	\$42,090,639
Vanguard Instl Indx;Inst	S&P:500	10.7%	4.30%	(0.01%)	\$48,658,663	\$54,891,886
Invesco Eq-Wtd 500;R6	S&P 500 Eq Wt	4.8%	3.68%	(0.04%)	\$22,715,992	\$24,586,060
SGA Large Growth	Russell:1000 Growth	8.4%	5.16%	0.52%	\$43,963,015	\$43,180,227
Emerald Mid Growth	Russell:Midcap Growth	2.5%	3.91%	(1.49%)	\$12,359,856	\$12,843,236
Emerald Small Growth	Russell:2000 Growth	2.5%	3.93%	1.18%	\$12,541,488	\$13,034,471
Vanguard SC Val Idx;Ins	CRSP:U.S. Small Cap Value	3.8%	2.02%	0.01%	\$18,973,584	\$19,356,357
Vanguard Dev Mkt;Adm	FTSE:Dev AC ex US Idx	4.5%	3.27%	0.04%	\$22,499,843	\$23,235,029
American Funds EuPc;F-3	MSCI:ACWI ex US	5.4%	3.87%	0.89%	\$26,801,872	\$27,839,044
Vittoria Long/Short Intl	MSCI:ACWI ex US	5.3%	2.10%	(0.88%)	\$26,743,244	\$27,305,535
Agincourt Core Fixed	Blmbg:Aggregate Index	11.0%	3.11%	0.03%	\$57,707,026	\$56,504,112
CSMcKee Core Fixed	Blmbg:Aggregate Index	11.0%	2.99%	(0.09%)	\$58,032,896	\$56,769,303
BlackRock:Str Inc Opp;K	Blmbg:Aggregate Index	2.6%	2.61%	(0.47%)	\$15,711,066	\$13,587,358
Vanguard Sh-Tm Inv;Adm	Blmbg:Credit 1-3 Yr Bd	1.3%	1.92%	0.38%	\$12,683,341	\$6,601,961
Gabelli Merger Arbitrage	CS:Risk Arb	2.6%	0.10%	(0.61%)	\$13,172,444	\$13,185,057
AQR Alternative Risk Prem	CS:All Hedge Idx	2.6%	(1.27%)	(3.76%)	\$12,447,090	\$13,275,607
ALPS/CC Mgt CC S;l	Blmbg:Commdty Idx	2.6%	(0.99%)	0.77%	\$11,066,295	\$13,192,104
CBRE Clarion RE	FTSE:NAREIT All Eq Index	2.7%	1.52%	(0.27%)	\$13,712,152	\$13,920,474
Nuveen Pref Secs;l	S&P:US Pref Index	2.6%	3.61%	0.91%	\$12,888,777	\$13,358,509
Citi Coupon Note	Citi Coupon Note Idx	1.2%	--	--	--	\$6,375,285
MS Digital Plus Note	MS Digital Plus Note Idx	1.3%	--	--	--	\$6,442,695

Lehigh County Employees' Retirement Plan

Monthly Flash Report

	<i>Monthly Return July-2019</i>	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Lomax Large Value	0.96%	\$42,057,834	\$42,462,070
Russell 1000 Value	0.83%		
Vanguard Institutional Index	1.43%	\$54,891,886	\$55,679,265
S&P 500	1.44%		
Invesco Equally-Wtd S&P 500 R6	0.85%	\$24,586,060	\$24,795,555
S&P 500 Equal Weighted Tr Usd	0.86%		
SGA Large Growth	1.08%	\$43,157,795	\$43,625,050
Russell 1000 Growth	2.26%		
Vanguard SCV Index	0.77%	\$19,356,357	\$19,504,539
CRSP US Small Cap Value	0.77%		
Emerald Mid Growth	2.34%	\$12,839,877	\$13,140,428
Russell Mid-Cap Growth	2.33%		
Emerald Small Growth	2.01%	\$13,032,084	\$13,293,380
Russell 2000 Growth	0.98%		
American Funds Europacific Growth F3	-0.83%	\$27,839,044	\$27,607,359
MSCI ACWI ex US	-1.21%		
Vanguard Developed Mkt Idx I	-2.16%	\$23,235,029	\$22,732,931
FTSE AW ex US	-1.14%		
CS McKee Core Bond	0.39%	\$56,448,653	\$56,667,924
Agincourt Core Bond	0.37%	\$56,096,193	\$56,305,022
BlackRock Strategic Income Opps K	0.41%	\$13,541,583	\$13,601,055
Barclays Capital Aggregate	0.22%		
CBRE Clarion REITs	1.91%	\$13,860,858	\$14,126,117
FTSE NAREIT Equity REITs	1.28%		
Liquid Alternatives	0.09%	\$52,462,043	\$52,511,364
Blended Alternatives Benchmark	0.41%		
Vanguard ST Investment Grade	0.15%	\$6,573,157	\$6,584,347
BbgBarc US Corp 1-3 Yr	0.08%		
Cash Account	0.20%	\$12,843,730	\$10,337,823
30 Day MM Yield	0.20%		
Weighted Portfolio	0.57%	\$472,822,182	\$472,974,229
Rate of Return Index	0.63%		

Assets Not Valued Daily

	<i>Market Value Beginning of Period</i>	<i>Market Value End of Period</i>
Vittoria Intl Long/Short	\$26,757,123	\$26,757,123
Gabelli Merger Arbitrage	\$13,116,527	\$13,185,057

Grand Total	\$512,695,832	\$512,916,409
--------------------	---------------	---------------

2019 YTD Performance

Net Portfolio	12.73%
Index	13.01%