



Lehigh County Retirement Board Meeting - May 12, 2020

1. CALL TO ORDER:

Attendees:

Mark Pinsley, Lehigh County Controller
Amy Zanelli, Lehigh County Commissioner
Bob Elbich, Lehigh County Commissioner
Phillips Armstrong, Lehigh County Executive
Ed Hozza, Lehigh County Director of Administration
Ed Sweeney, Retired Former Director of Corrections
Tim Reeves, Fiscal Director
Chris Lakatosh, Cornerstone Advisors Asset Management

2. MINUTES:

- a. The February 4th, 2020 minutes were approved unanimously. Mark Pinsley made the motion, Ed Sweeney seconded.

3. NEW BUSINESS:

Chris Lakatosh of Cornerstone provided a pension update.

- a. He recapped the last pension board meeting and returns from the quarter: it was a challenging period with the economy/stock market suffering due to COVID. The portfolio performed as expected given the circumstances; it was down 14 points but actually outperformed the expected benchmark (down 14.75). It fared better than other portfolios and other pension plans we've seen (down 16-18). Overall, the plan has performed well.
- b. Through the first quarter, January/February was flat and March is when the economy came unglued with the lockdown and COVID. Most of the equity markets were down 20-30%. Fixed income held up pretty well as a part of the market. The federal government stepped in last week of the quarter and promised to provide liquidity for that market; the market responded very well.
- c. Allocation of the portfolio at the end of first quarter: 37% was in U.S. stocks, 16% international equities, almost 25% in fixed income & bonds, alternatives 17%, 5% cash. Currently: 39, 17, 22, 16, and 5, respectively. We've always favored U.S. markets over international and will continue to do so.
- d. Historical cash flow: income generated from the portfolio is 2.5 million. This is important because income/contributions need to offset withdrawals. Obviously, we were off from where we were last year, but last year was an extremely strong year. Returned about 19% in 2019 so at least we're coming into this year from a position of great strength.
- e. Our manager matrixes held up and performed as expected. Returns were stressed because of the overall economy but we expected this. Some did quite well and outperformed

benchmarks. This is a 90-day snapshot, no dramatic moves but did rearrange a few items in the portfolio in response to the economy.

- f. Alternatives: real estate was under pressure this quarter, saw the same disruption. It's a liquidity issue in the market. It pays us a 2.25% dividend every quarter and continues to do so, 9% rate of return.

- g. April: strong rebound, we hit the bottom of the current marketplace on March 23rd but the overall stock market is up 30% from then. For the year (first quarter + April), we're at -8.3%, not the -14% at the end of the first quarter. May so far has been benign and flat. Market volatility will persist through the summer.

4. QUESTIONS FROM THE BOARD: None.

5. QUESTIONS FROM THE PUBLIC:

- a. It was asked what percent the pension was funded. Tim Reeves answered: based on the current actuarial report, we are 86.5% funded. We will get a new report in June or July from our actuary based on how we finished 2019.

6. CITIZEN INPUT: None.

7. ADJOURNMENT: Motion to adjourn.

