1. CALL TO ORDER: 9:30 AM

ATTENDEES:

Lehigh County Executive Phillips Armstrong (Chairman)
Director of Administration, Ed Hozza (Executive Appointee)
Commissioner, Geoff Brace (President Board of Commissioners)- Absent
Commissioner, Bob Elbich (Commissioner Appointee)
Lehigh County Controller Mark Pinsley (Secretary)
Joseph Reichard (Retiree Representative)
Fiscal Director, Tim Reeves (Employee Representative)

Chris Lakatosh, Principal & Senior Consultant Cornerstone

2. OLD BUSINESS

3. Approval of Old Minutes

County Executive Armstrong asked for a motion to approve the meeting minutes from May 10th, 2022. Ed Hozza made the motion and Controller Pinsley seconded it. County Executive Armstrong asked if there were any comments.

Commissioner Elbich, asked that the minutes be updated in the investment policy statement section. Commissioner Elbich asked that it be changed to reflect that he was the one who put forth the request to add a provision on the exemption of cryptocurrency.

The requested change was noted, and the minutes were passed unanimously with the change.

NEW BUSINESS
**Pension Fund Update**

Chris Lakatosh, provided an update on the pension fund. Mr. Lakatosh noted it has been a difficult market. The S&P through the second quarter was off 20%. Growth and tech stocks were off almost 30%. Values stocks were down about 13%. Fixed income was down 10.5%.

Commodities and fixed assets were the best performers. The pension portfolio was down 10.47%, but fared better than the blended benchmark which declined a little over 11%.

There was a 50 to 60 basis points of overperformance. Pension assets declined from $610 million to $538 million through the end of June.

Attorney Murray, interrupted to ask Mr. Lakatosh to hand out the most recent copy of the fund performance sheets.

Mr. Lakatosh, continued to note that there was a strong July rebound, and the pension fund gained $30 million dollars. The S&P was up 9% and the portfolio was up 6%.

The ending weights of the portfolio, the pension was overweight domestic equites and overweight international equities relevant to policy. We are overweighted fixed income, and underweight alternatives which helped the fund performance in the second quarter.

Mr. Lakatosh indicated that they were going to look to update the weights moving forward.

Mr. Lakatosh, looked at the cash flow report. Since inception, the county contributions have been $144 million. Income generated by the portfolio have been $120 million. Withdrawals were $297 million. Contributions and income equaled $264 million.

Change in market value was $237 million of appreciation and with the $30 million gain in July, there has been $267 million in total asset appreciation.

Mr. Lakatosh ended the manager performance. He said that several funds outperformed. That included LoMax by 4.5% and Vanguard Markets by about 1.27%. Vitoria, international manager up 5.26%. The alternative sleeve also outperformed well.

10 of our 13 core investments are in the top half of the top quartile in terms of performance in their peer groups.

**Pension Board Introductions**

Ed Hozza, mentioned Tim Reeves as the employee representative and introduced Joseph Reichard, who was elected as the retiree representative for the pension board. Mr. Reichard served in the probation department for over 30 years.

**Policy and Procedures Adoption**
Commissioner Elbich noted that he was frustrated by the lack of centralized documentation for the board to abide by. He expressed appreciation for everyone’s work on the committee including Controller Pinsley, Director of Administration Ed Hozza and Attorney Murray.

The Committee also did an update on the investment policy statement with Chris Lakatosh.

Mr. Elbich noted that the policy and procedures document is meant to memorialize how the board is supposed to act and operate. He also indicated that it’s a living document, and that it will be uploaded on the Controller’s site and updated regularly.

Commissioner Elbich made a note of a comment made by Director Applebach in the May 10th meeting minutes and asked for clarification of his meaning. Commissioner Elbich referenced Director Applebach’s comment regarding the annual update of the investment policy statement and his suggestion of the adding the phrase “or subsequent revision.”

He further noted that in the policies and procedures guidelines, a provision was added that required a first draft of meeting minutes to be sent out no later than two weeks after the meeting.

Commissioner Elbich noted that it could be updated at a later date, if Mr. Applebach determined his intent. Fiscal Director Tim Reeves, asked for clarification that the draft minutes would just be sent out to the board. Attorney Murray indicated they would only be sent to the board.

Executive Armstrong asked for a motion to adopt the board policies and procedures document. Controller Pinsley made the motion, and Retiree Representative Reichard seconded it. Executive Armstrong asked if there were questions or comments. There were none.

Executive Armstrong called for a vote and the motion was passed unanimously.

Commissioner Elbich stated he would send a hard copy to the Controller’s Office.

**Investment Policy Statement Adoption**

Director of Administration Ed Hozza motioned to adopt them and Controller Pinsley seconded the motion. Attorney Murray, made a note that the board had agreed to update the executive summary of the IPS every year. She wanted to know if the executive summary was part of this motion.

Commissioner Elbich, informed Mr. Lakatosh that the board agreed in the policies and procedures guidelines to have the executive summary be an addendum to the ISP so the board didn’t have to review the entire document.

Attorney Murray, noted that the current target weights don’t align with the executive summary. Mr. Lakatosh, noted that the target allocation was changing. Mr. Lakatosh noted it was logical to evaluate it every year.

Mr. Reeves noted that the comment made by Director Applebach which Commissioner Elbich had referenced were in relation to this concern. Mr. Reeves noted that during discussion of the updating the IPS every year, Director Applebach suggested adding the phrase “or subsequent revision.”
Ed Hozza, then clarified his motion that the board adopt the IPS with the executive summary attached as an addendum. Executive Armstrong called for a vote and the motion passed unanimously. The IPS was adopted.

Citizen’s Input

There was no citizen’s input.

4. Adjourn

The meeting was adjourned.