

Minutes of the Lehigh County Retirement Board Meeting
Lehigh County Government Center Public Hearing Room

Thursday, May 25, 2016

10:00 A.M.

A meeting of the Lehigh County Employees' Retirement Board was held at 10:00 A.M. in the Public Hearing Room of the Lehigh County Government Center. Members present were David Bausch, Glenn Eckhart, Daniel McCarthy, Tom Muller, Brad Osborne and Tim Reeves.

Tom Creighton was not present. He had work duties and was unable to attend the meeting. He is in agreement with everything being discussed at this meeting.

Chris Lakatosh from Cornerstone also attended.

Tom Muller, County Executive, called the meeting to order at 10:02 A.M.

Tom Muller clarified that they decided as a Board that it is proper to go out occasionally (no matter how well you think your current team is watching over and investing all our money) and make sure they are still as good as we think they are. That was the process we went through this time. The process was slightly different than it was in the past in that we didn't have a large series of individual meetings with fancy presentations. I'll let Tim Reeves share the process and where we netted out.

Tim Reeves – This process is something we do as part of our best practices and evaluate where we're at from time-to-time. This basically started on April 15, 2016 when we sent out proposals for different companies to bid on this work. George Nader mentioned that there were 80+ companies that downloaded the information. Nineteen companies officially responded to our proposal on May 11, 2016. From that point, John Falk and I evaluated the 19 companies on three basic criteria: price, location and return over the past years. We narrowed down the 19 companies into what we considered to be the top five companies that we would further look into and really get into all the questions and so forth. We had a pretty intense scoring mechanism in place. I believe they used the same one last time. The intent was if there were two or three that were close in the scoring, we would take it to the next step and call them in for an interview. As we went through the series of questions that ranged from personal qualifications to investment policy, investment manager selection and performance evaluation, there was a possible 125 points that were assigned to those different questions. When we went through that process, Cornerstone was far and above any of the second or third place finishers. We determined at that point there was no need to go any further and have on-site interviews. With that scoring being place, we talked about it with Glenn Eckhart as well. Our recommendation to bring to the Board today is we would retain Cornerstone for another four years. We congratulate Cornerstone on their performance and their cost to the County and what it costs the pension is a great thing. Retaining Cornerstone is our recommendation.

Tom Muller clarified that this is not a final approval. We're voting for approval for the Retirement Board to take their approval to the Board of Commissioners for final approval. The Board of Commissioners has been very cooperative with these type of appointments in the past so no problem is expected.

Glenn Eckhart referred back to where Tim Reeves was regarding scoring. We sat down prior to opening any of the responses and came up with a scoring mechanism based on what was used six years ago. We tweaked it and added ten years of information. The previous one was only five years of information. We thought it was important that 2008 be included in our scale of how bad things could get based on performance. We also asked for a scatagram and assigned points to that. As far as the performance part far away, is where Cornerstone shined. It was just a big difference that we felt comfortable that we had the right one.

Brad Osborne asked, for the record can we share what the bid cost was and relative to voter response?

Tim Reeves answered. We didn't publicly put the list out but I can respond to is Cornerstone's fee was identical to what they had charged us for the previous four years. They did not increase their fee. We can share that number -- \$320,000 which is \$80,000 per year. There was one firm that came in about \$2,000 less than that. Everyone else was above that fee.

Glenn Eckhart stated it was not only the price but it was clear that the performance as well that wasn't even close to the other firms.

David Bausch stated after the opportunity to review the results, it was obvious to him that the decision would go one way. Cornerstone was just so much better than the others.

Tom Muller asked for any questions from current or future retirees.

Dave Hemerly (Human Services) stated he appreciates the Board doing due diligence on this. As the old saying goes, if it's not broke, don't fix it. Hopefully the commissioners will extend this and Cornerstone will be with us the next four years. It's nice to know when you lay your head on your pillow at night, your money is in good hands.

Glenn Eckhart stated getting back to that -- the risk. The performance and risk is where Cornerstone shined. In down markets, we are not going to lose as much as other firms would have lost. That is where we feel comfortable in deciding on Cornerstone again.

Tom Muller asked for a motion.

Tim Reeves made the motion to extend the contract with Cornerstone for another four-year period.

Daniel McCarthy seconded the motion.

Tom Muller called for a voice vote.

All in favor.

Motion was approved unanimously.

Tom Muller asked for any other input.

Tom Cunningham -- I would like to see this process put into our subcommittee so this process is done on a regular basis -- like every two years or so? I know we've been doing every four which is fine. I'd like to see this put in the Board's directives to do it.

Glenn Eckhart asked Chris Lakatosh from Cornerstone –Generally, how often do other groups do regular reviews?

Chris Lakatosh (Cornerstone Consulting) answered it's typically a fiduciary practice to make this RFP (Request for Proposals) process every three to five years. One of the best practices is when you have a four-year contract. Basically in that fourth year you're going out to RFP the market to have that process concluded in that five-year period of time. Two years is really a short period of time based on any kind market cycle to evaluate a substantial risk or risk return.

Tom Muller stated that's a good point for your task force.

Glenn Eckhart answered that we can add that process to the recommendations. Thanks Tom.

There was no further business or input.

Tom Muller called for a motion end the meeting.

Brad Osborne made the motion.

Glenn Eckhart seconded the motion.

All in favor.

Meeting was adjourned at 10:12 A.M.



Glenn Eckhart, Secretary