

MINUTES  
PENSION REVIEW COMMITTEE  
Tuesday, February 23, 2021  
Room 113, Bill Luxford Studio, County-City Building

Present: David Derbin, Chief Administrative Officer; Scott Gaines, Chief Deputy Assessor/Register of Deeds; Doug Cyr, Chief Deputy County Attorney; Eric Synowicki, Deputy County Attorney; Joe Nigro, Public Defender (entered at 2:34 pm); Dennis Meyer, Budget & Fiscal Officer; Robert Holbrook, FOP 32; Rick DeBoer, AFSCME; and Kevin Nelson, County Clerk Accounting Operations Manager.

Other Participants: Julie Klassen, Prudential Vice President, Key Accounts; Robb Craddock, Prudential Vice President, Investment Strategy; Cy Tuason, Prudential; Crystal Vacura, Prudential; and Frank Picarelli, Segal Marco, Senior Vice President

Absent: Kenny Nolan, FOP 77; Sean Flowerday, County Commissioner

Derbin called the meeting to order at 2:30 p.m.

**1. Roll Call**

Derbin asked for a Roll Call. All were present except Nigro who entered the meeting at 2:34 pm and Nolan and Flowerday who did not attend.

**2. Approval of Pension Review Committee Meeting Minutes for October 27, 2020**

**MOTION**

Cyr moved and DeBoer seconded to approve the Pension Review Committee meeting minutes for October 27, 2020. Derbin, Meyer, Cyr, Nelson, Holbrook, Gaines, DeBoer and Synowicki voted yes. Nigro was absent for the vote. The motion passed 8-0.

**3. Fourth Quarter 2020 Investment Review (401(a) and 457(b) Plans.**

A copy of Prudential's Lancaster County Plan Summary ("Plan Summary") for the period ending December 31, 2020 is included with these minutes as **Exhibit A**. Craddock began his presentation by referring to the Economic Review on page 24 of the Plan Summary. He stated that there were two big events that took place in the fourth quarter: the first was the presidential election in the first week of November, and the second was the announcement a few days later that there were two companies with approved COVID vaccines. He reiterated that the first part of the year started out rough due to COVID-19 in the first quarter of last year, but that in the last three quarters the market has bounced back in a big way. Earnings from companies around the world reached all-time highs and continued to surge, but the biggest news of all was the vaccine announcement which propelled the market around the world.

Looking at page 25 of the Plan Summary, he indicated that you can see just how good the fourth quarter market was: S&P 500 index was up over 12%, and small cap stocks were up over 30% in the fourth quarter alone. Bonds were basically flat, slightly positive for the fourth quarter, but the one-year number was up 7 ½ percent. International stocks were up 16% in the fourth quarter.

Craddock then moved on to discuss the Domestic Equity Returns starting on page 26 of the Plan Summary. He stated that in the fourth quarter large growth was up 11% and small value was up over 33%, showing that small cap outperformed large cap which was a change for the fourth quarter. Moving to page 27 of the Plan Summary, he explained that technology was up 44% in 2020. Financial services were up 23% in the fourth quarter and energy was up 28% for fourth quarter but still underperformed for the year. Looking at International Returns on page 28 of the Plan Summary, emerging markets were up almost 20% in the fourth quarter.

The fixed income market on page 29 of the Plan Summary shows the credit market driving the returns for the second half of the year, whereas in the first half of the year treasury bonds drove the return. Treasury Inflation Protected Security (“TIPS”) have struggled for the past few years but that reversed in 2020, with TIPC being up almost 11% for the calendar year. This is something that has not been seen for many years.

On page 30 of the Plan Summary, the Treasury Yield Curve shows a rise of about 25 basis points. In a rising interest rate environment yields go up and prices are going down. Investors are selling out of longer duration bonds as they became more comfortable in the 4<sup>th</sup> quarter. With the vaccine’s announcement, investors weren’t as fearful, and their risk tolerance grew.

On page 31 of the Plan Summary, the Economic & Outlook states that the Senate runoff election in Georgia was a game changer for fiscal policy over the next two years by shifting the balance power in the senate. The Democrats will be able to get more done than they otherwise would have with the budget reconciliation.

### **Executive Summary of Individual Funds**

Total assets were \$183 million at the end of the quarter, balance as of February 22, 2021, was \$188 million, so the growth continues in 2021. Assets are well diversified across the different investment options which is good, the biggest holding is stable value which is common with retirement plans.

There were two fund changes that took place in December. The first was the large cap growth fund change moving to the JP Morgan fund and out of the Fidelity New Insights fund with strong performance there. Second, the small cap value fund moving to the Victory fund, not a lot of assets there but the performance has still been extremely strong. The Prudential Stable Value rate is 1.71% which is good. There are no funds in the plan right now that look poor with the possible exception of the Eaton Vance fund who had a rough year and may be one to watch.

Klassen asked Craddock to discuss the Prudential Income Flex Select Fund on page 35 of the Plan Summary with a balance of \$165 thousand in it. Rob stated this is a frozen fund that cannot have new money put

into it. He also noted that these funds are more expensive because they have a guarantee of income for the duration of someone's life, but there is some imbedded revenue that the plan does not need to continue counting. Klassen said there is \$200 thousand in the expense account that the Committee could consider using now or they could decide on a change at a later time. Derbin said that the Committee is not prepared to discuss making another change at this time so they will just leave that on the table for the future. Cyr agreed with Derbin's statement.

Klassen started out by sharing that Prudential's fee as of January 1, 2021, has been reduced on the record keeping side from 7 ½ to 6 ½ basis points, and they are very pleased that the County is relaunching the Prudential Pathways meetings and look forward to attendance at future meetings. Prudential is also open to discussing a fee leveling plan with the County if there is interest on that topic.

### **Plan Demographics Summary (401(a) Plan)**

Klassen started on page 136 of the Plan Summary looking at the year over year results column. Distributions are down a little bit and contributions are fairly equalized which is good to see. Moving to page 137 of the Plan Summary, she noted that the total number of participants continue to grow year over year and that the County participants have a nice utilization and diversification of the options available.

Moving to the Retirement Income Calculator ("RIC") Analysis on page 144 of the Plan Summary, there will be enhancements launched in 2021. Looking at the RIC you want to have an average income replacement of 70 to 80 percent and this is a nice tool for participants to see what they need to do to get there.

Next on page 149 of the Plan Summary, participant distributions are down, and installment payments are up a little bit. The required age of distribution has been raised from 70 ½ to 72. Web log ins were up for 2020, showing that people are taking advantage of the online tools available to them.

### **Plan Demographics Summary (457(b) Plan)**

The Committee had approved Covid Distributions for 2020 but they are no longer available as of January 1, 2021, per legislation. Cares Act Activity on page 162 of the Plan Summary shows that there were 12 distributions within the plan with relatively small amounts being withdrawn.

Year over year the plan balance is still growing nicely, contributions are up, and distributions are lower than the prior year. Average contribution rate is 5.8%. There are opportunities for growth in this plan. Klassen stated that there are 1590 eligible employees, with 338 contributing, leaving around 1200 eligible but not participating currently. Vacura added that the change to Oracle got people to look at the 457 plan, and she saw additional interest in the plan due to that.

Nelson questioned the 1590 number thinking it seemed a bit high stating that there are about 930 employees. Klassen stated she would look into that and get back to the Committee on that.

Klassen wanted to congratulate the County on being a step ahead of other government entities on Financial Wellness overall.

**5. Adjournment.**

**MOTION**

It was moved by Cyr and seconded by Gaines to adjourn the meeting. The motion passed unanimously.

There being no further business the meeting was concluded at 3:34 p.m.