

DAUPHIN COUNTY EMPLOYEE RETIREMENT FUND

SUMMARY REPORT FOR 2024



PREPARED BY THE OFFICE OF THE DAUPHIN COUNTY CONTROLLER
MARY K. BATEMAN, SECRETARY, DAUPHIN COUNTY RETIREMENT BOARD



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A Message from the Controller

It is with great pleasure that I present the Dauphin County Employee Retirement Fund Summary Report, which covers fund activity from January 1, 2024, through December 31, 2024. I have worked diligently to continue the efforts of our former Controller, Timothy L. DeFoor, in presenting this report in a clear and accessible format. Our goal is to enhance transparency in government activities by making this information easier to understand, including historical data and statistics.

The 2024 report includes a glossary to help readers familiarize themselves with key investment and pension terminology. Additionally, it offers detailed information on the County's retirement plan membership, the fund's portfolio, investments, rate of return, fund expenses, contributions, and the unfunded actuarial pension liability.

The Dauphin County Retirement Board operates in accordance with the County Pension Law, Act of August 31, 1971, P.L. 398, No. 96, as amended, 16 P.S. §11651, et seq. The Board consists of the three County Commissioners, the County Controller, and the County Treasurer. The Chairman of the Board of Commissioners serves as the Chairman of the Retirement Board, with the Controller acting as Secretary. As trustees of the Fund, the members of the Retirement Board are responsible for its management and investments.

I am truly grateful for the opportunity to work alongside the dedicated and hard-working employees of Dauphin County. It is an honor to serve as a member of the Dauphin County Retirement Board, and I deeply appreciate the trust placed in me by both employees and retirees. My hope is that this report provides you with a clearer understanding of the Pension Fund and offers insight into its current status.



Sincerely,

A handwritten signature in black ink that reads "Mary K. Bateman". The signature is fluid and cursive, with the first name "Mary" and last name "Bateman" clearly legible.

Mary K. Bateman
Dauphin County Controller

Dauphin County Retirement Board Members*



George Hartwick, III
Chairman



Mike Pries
Board Member



Justin Douglas
Board Member



Mary Bateman
Secretary



Dominic DiFrancesco
Board Member

Terminology

Actuary

A professional who assesses the expected value and potential risks of pension plans by recommending appropriate actuarial assumptions and developing a pattern of future contributions to help ensure assets are available to provide the benefits when due to members.

Actuarial Assumption

An assumed rate or likelihood of an unknown future occurrence. Key actuarial assumptions for pension plans include the assumed rate of future investment returns, the assumed rates of future retirements, and the assumed rates of future mortality for members.

Actuarial Valuation

A measurement that estimates the present value of benefits that are expected to be paid from a pension plan. The estimated future benefit payments are based on the member demographics and a set of actuarial assumptions for the future experience of the plan and the members.

Appreciation

An increase in the value of an asset over time. The increase can occur for a number of reasons, including increased demand or weakening supply, or as a result of changes in inflation or interest rates. This is the opposite of depreciation, which is a decrease over time.

Fiduciary

A person or organization that acts on behalf of another person or persons to manage assets. Essentially, a fiduciary owes to that other entity the duties of good faith and trust. The highest legal duty of one party to another, being a fiduciary requires being bound ethically to act in the other's best interests.

Fixed-Income Investments

A type of investment in which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investments can be used to diversify one's portfolio, as they pose less risk than equities and derivative investments. Retired individuals tend to invest heavily in fixed-income investments because of the reliable returns they offer.

Fund Custodian

A financial institution that holds customers' securities for safekeeping so as to minimize the risk of their theft or loss. A custodian holds securities and other assets in electronic or physical form. Since they are responsible for the safety of assets and securities that may be worth hundreds of millions or even billions of dollars, custodians tend to be large and reputable firms. A custodian is sometimes referred to as a "custodian bank."

Market Value

The price an asset would fetch in the marketplace. Market value is also commonly used to refer to the market capitalization of a publicly traded company and is obtained by multiplying the number of its outstanding shares by the current share price.

Net Position

The value of one's investment position, calculated as the position's market value less the initial cost of entering that position.

Present Value

The current value of a future sum of money or stream of cash flows given a specified interest rate, commonly referred to as the discount rate or the investment return rate. For a pension plan, a lower discount rate or investment return rate will increase the present value of future benefit payments and require additional expected contributions to fund the benefits. Determining an appropriate discount rate is key to properly valuing future benefits.

Rate of Return

The net gain or loss on an investment over a specified time period, expressed as a percentage of the investment's initial cost plus any additional contributions or minus any withdrawals. Gains on investments are defined as income received plus any capital gains realized on the sale of the investment.

Volatility

A statistical measure of the dispersion of returns for a given security or market index. In most cases, the higher the volatility, the riskier the security. Volatility is usually measured using the standard deviation of returns. Usually, the higher the volatility, the riskier the security.

Yield

The income return on an investment, such as the interest or dividends received from holding a particular security. The yield is usually expressed as an annual percentage rate based on the investment's cost, current market value, or face value. Yields may be considered known or anticipated depending on the security in question as certain securities may experience fluctuations in value.

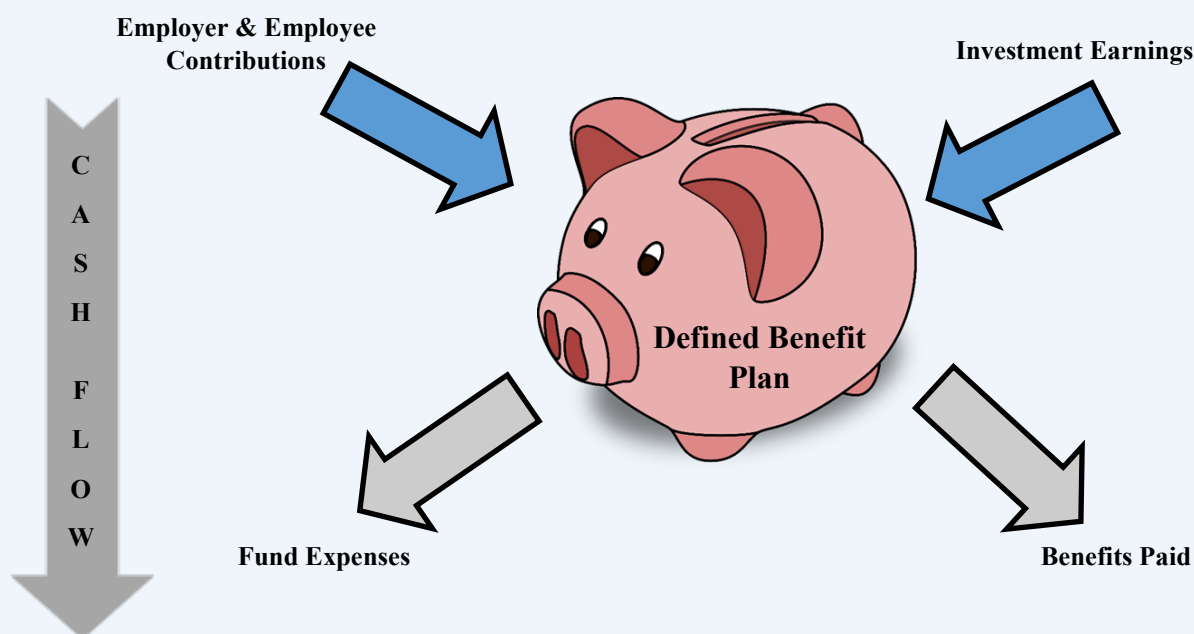
*Many terms and definitions in the Glossary of Terminology were sourced from Investopedia.com

Defined Benefit Pension Plan

The Dauphin County Retirement Trust Fund (Fund) is a single employer contributory defined benefit plan covering all full-time employees of the County and part-time employees exceeding 1,000 hours per year. Management of the Fund is vested in the Retirement Board, which consists of five members: the three County Commissioners, the County Controller, and the County Treasurer. The Plan provides retirement, disability, and death benefits to its members and their beneficiaries.

The pension plan is identified as a “defined benefit” plan because it provides a benefit that is specified by a calculation that accounts for length of employment, salary history, and benefit class. A defined benefit plan differs from a defined contribution plan as employees are provided a specific benefit upon retirement. Additionally, retirement benefits for plan members are calculated as a percentage of the member’s highest 3-year average salary multiplied by the member’s years of service multiplied by class basis. Annual County contributions are calculated and recommended by the County’s actuary.

In addition to the county benefits, employees contribute a minimum 5% of annual pay, which provides an additional employee benefit “cash balance.” Employees may also choose to contribute up to an additional 10% of gross pay after taxes. Plan members with 20 years of service are eligible to retire at age 55, while any plan member that has attained age 60 is eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a County employee. Disability retirement benefits are equal to 25% of the highest average salary at the time of retirement. The death benefits for a member who dies with 10 years of service prior to retirement is the total present value of the member’s retirement paid in a lump sum.



Plan Membership Status

The graph below displays membership status for employees participating in the plan from 2021 through 2024. At December 31, 2024 there were 1,375 active members, 1,335 retired members or beneficiaries currently receiving benefits, and 324 are terminated Plan participants entitled to but not yet receiving benefits.

Active member- An individual currently employed by the County that is contributing to the Pension Plan. An active member does not include a member receiving disability benefits.

- Includes full time employees and part time employees exceeding 1,000 hours per year

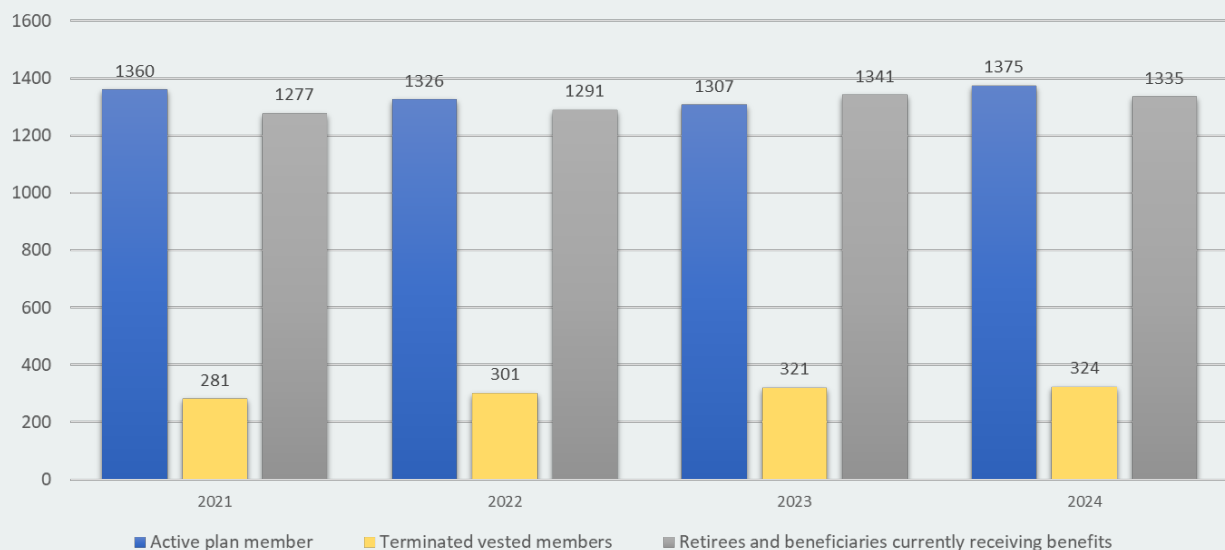
Terminated vested member- Former employee who earned vested benefits by working for five (5) years or more has terminated employment with the County and is not yet receiving retirement benefits.

- Such participants can receive benefit payments from the Plan once they reach the Plan's normal retirement age or, if the Plan allows, the Plan's early retirement age

Retiree/beneficiary- A Plan member who is retired and receiving benefits, or their beneficiary.

- Eligible for retirement at age 60, or age 55 with 20 years of credited service

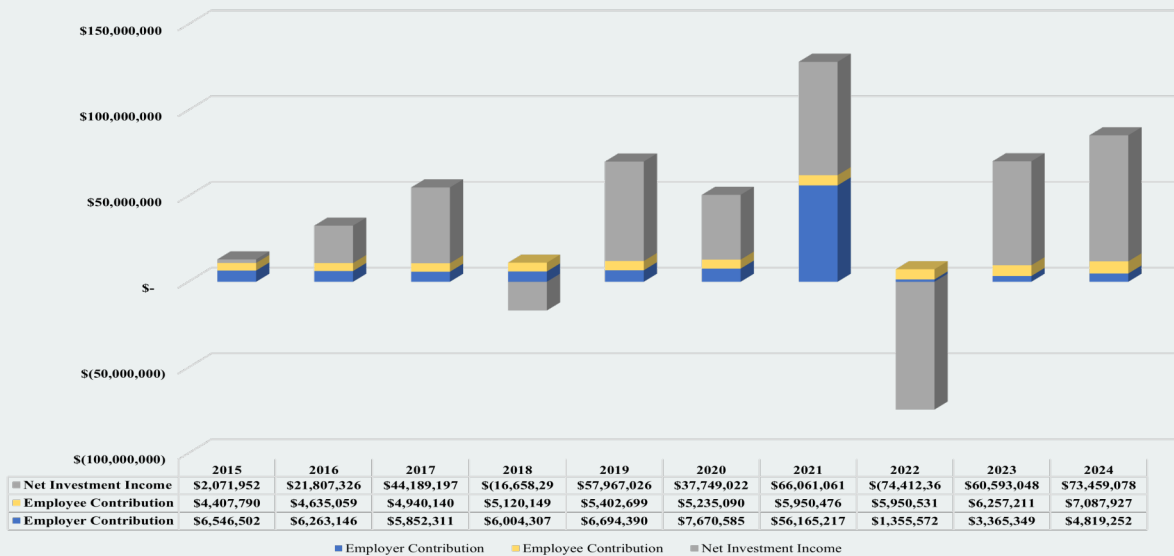
Retirement Plan Membership Status



Pension Plan Cash Flow

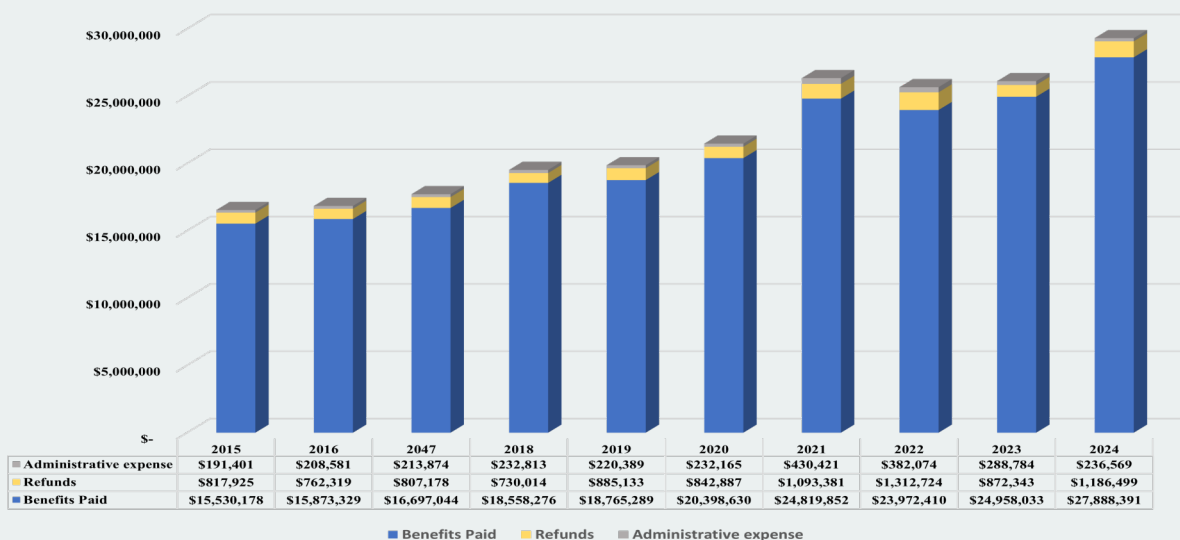
Additions by Type

In 2024, Dauphin County reported total Pension Plan additions of \$85,366,257. The net positive additions consist of net investment income, employee contributions, and employer contributions. The primary reason for the positive additions was the net investment income of \$73,459,078. This amount increased by 21.2% over 2023.



Deductions by Type

Dauphin County has accounted for a total of \$29,311,459 in deductions for the year 2024, a value 12.2% more than deductions from the previous year. These deductions are broken into the categories of benefits paid, refunds, and administrative expenses.



Cost of Living Adjustment (COLA)

The cost-of-living adjustment is an increase to a retiree's pension payment to account for inflation. The cost-of-living must be reviewed at least once in every three (3) years and adjustments are provided at the discretion of the Dauphin County Employees' Retirement Board. Only pension plans with an 80% or higher funded ratio can approve a COLA. The Board granted its first cost-of-living increase in January of 1972, and since then as follows:

Effective Dates of Increase	
1/1/1973	1/1/1998
2/1/1975	1/1/1999
7/1/1979	1/1/2006
1/1/1985	1/1/2007
1/1/1992	1/1/2019
1/1/1997	

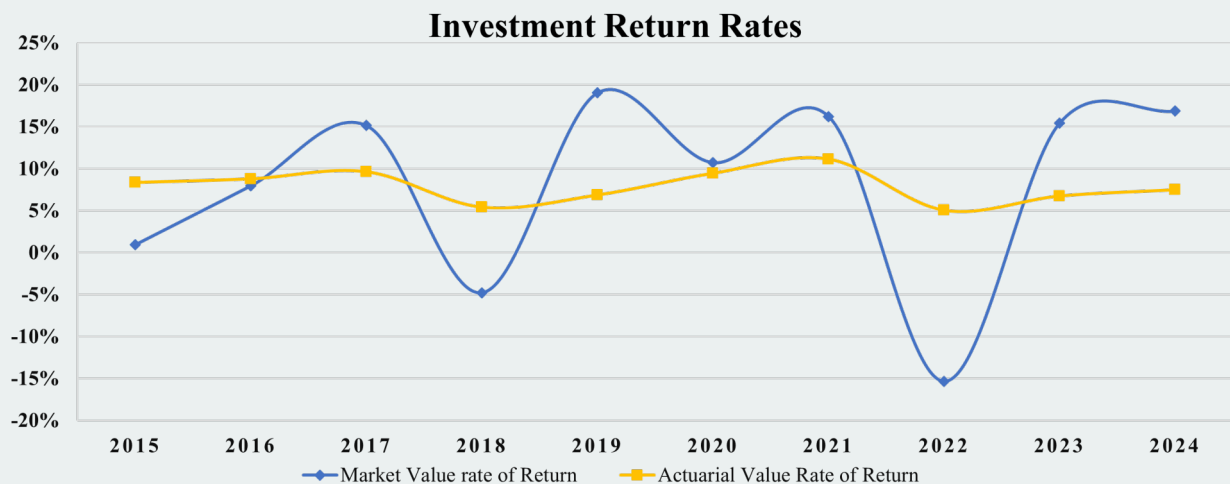
Although no COLA was approved for 2024, the estimated adjustment would have been 3.4%. This adjustment would have increased the amount payable to those members who retired in 2023 and prior years by \$7,536,349. To fund this adjustment, the County's actuarially determined contribution would have increased by \$1,850,366 for each year over a five (5) year period, beginning with 2025 contributions. This funding requirement would have also increased the present value of future benefits for retired members.

2023 COLA Calculation	
Step 1. $(316.061)^A - (305.742)^B = 10.319$	Calculation for the change in CPI from August 31, 2023 to August 31, 2024. These figures reflect the average CPI for the 12-month period ending August 31.
Step 2. $10.319 / 305.742 = .034 \times 100 = 3.4\% \text{ COLA}$	Taking the figure from step 1, divide it by the CPI from the earlier year. Multiply by 100 to calculate percentage change and arrive at COLA.
Applying COLA to Benefits	
Step 3. $(1.034) \times (\text{Monthly Benefit Payment}) = \text{Adjusted Benefit Payment}$	Taking the COLA as a decimal, add a 1 to represent your current monthly payment. Multiply by monthly payment to arrive at adjusted payment.
A: 316.061 = 12 Month Average CPI Ending August 31, 2024 B: 305.742 = 12 Month Average CPI Ending August 31, 2023	Data derived from Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U) for the PA, NJ, DE, & MD areas.

History of Investment Returns

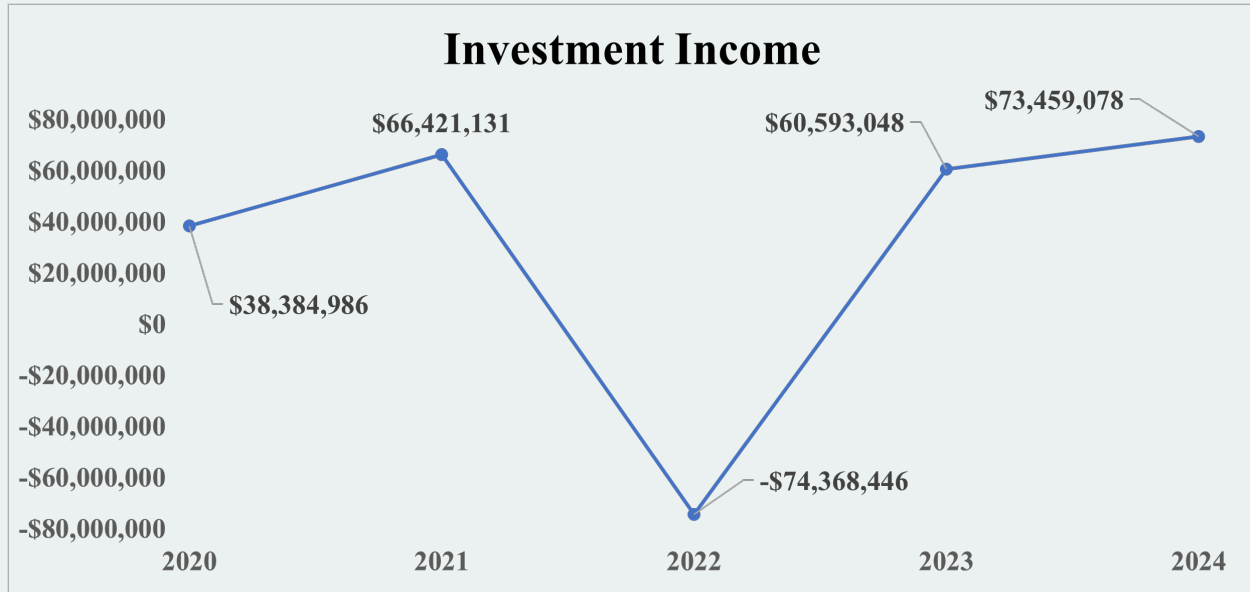
As of December 31, 2024, the market value of the investment portfolio was \$500,922,114. In 2024 the portfolio experienced a net investment gain of \$56,054,797. During 2024, the economy experienced a period of stabilization. Consumer prices rose by 2.6% which is a significant improvement over 2023 and the Federal Reserve implemented a series of interest rate cuts. In 2024, the real GDP increased 2.8% compared to an increase of 2.5% in 2023. With a combination of the stronger economy, slowing inflation, strong labor market and easing of interest rates, consumer confidence improved helping fuel an increase in the markets. The three best performing sectors during 2024 were the financial sector, communications sector and utilities sector. Growth for 2024 improved to 16.86%, compared to a 15.44% gain in 2023 which was a 9.2% increase over 2023. The graph below shows the market value rates of return compared to the actuarial value rates of return for the past ten years.

Throughout the past 10 years, from 2015 to 2024, the plan averaged a market value rate of return of 8.22%. From 2020 to 2024, a span of 5 years, the average rate of return was 8.78%. Within the past 3 years, the plan realized an average rate of return of 5.65%.



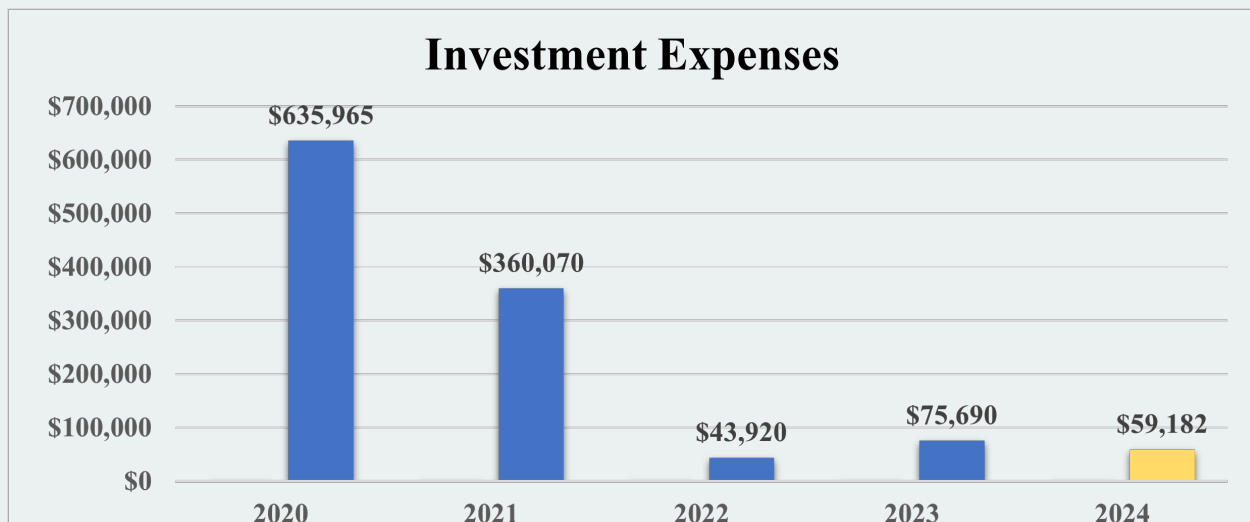
Schedule of Investment Returns

For the year ending December 31, 2024, the County's Fund had an investment gain of \$73,459,078. This compares to a 2023 investment gain of \$60,593,048.



Schedule of Investment Related Expenses

Investment related expenses include fees paid to Investment Managers, the Fund Custodian, and various consulting fees. For the year ending December 31, 2024, the County's "out of pocket" investment expenses were \$59,182 compared to \$75,690 in 2023.



Statement of Changes in Fiduciary Net Position

County of Dauphin, Pennsylvania

Year Ended December 31, 2024

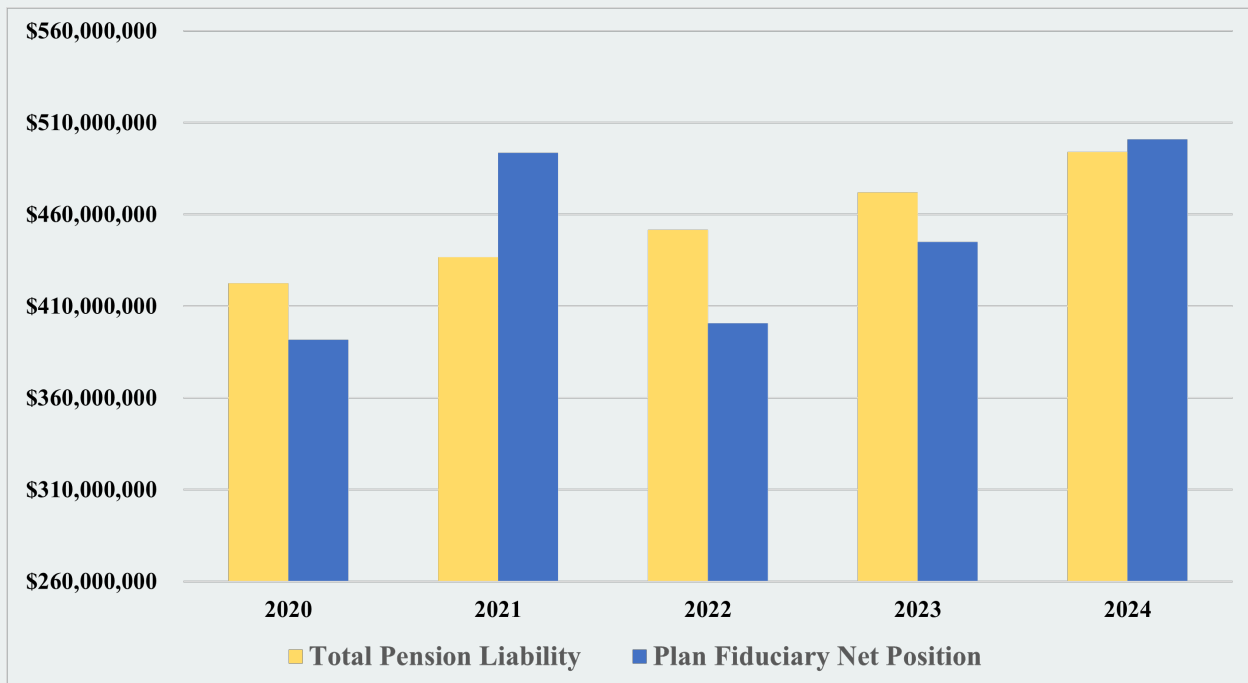
Additions:	
Contributions:	
County	\$ 4,819,252
Plan Members	7,087,927
Total Contributions	11,907,179
Investment Income:	
Net Gain in Fair Value of Investments	\$ 61,849,528
Interest	9,330,131
Dividends	16
Net Accrued Interest/ Other	2,338,585
Total Investment Income	73,518,260
Less: Investment Expense	59,182
Net Investment Income	73,459,078
Total Additions	85,366,257
Deductions:	
Pension Benefits	\$ 27,888,391
Refunds of Member Contributions	1,186,499
Administrative Expenses	236,569
Total Deductions	29,311,459
Increase in Net Position	56,054,798
Net Assets Held In Trust For Pension Benefits:	
Beginning of Year	\$ 444,867,316
End of Year	\$ 500,922,114

Statement of Plan Assets

December 31, 2024

Assets	2024 Totals
Cash and Cash Equivalents	\$ 2,776,559
Investment by Fair Value Level:	
Global Funds	105,559,628
Equity Funds	234,383,565
Partnerships	83,332,116
Fixed Income Funds	75,150,725
	<u>501,202,593</u>
Interest and Dividend Receivable	17,351
Employee Contribution Receivable and Other Assets	5,929
	<u>23,280</u>
Benefits Payable	<u>(303,759)</u>
Total Assets as of December 31, 2024	\$ 500,922,114

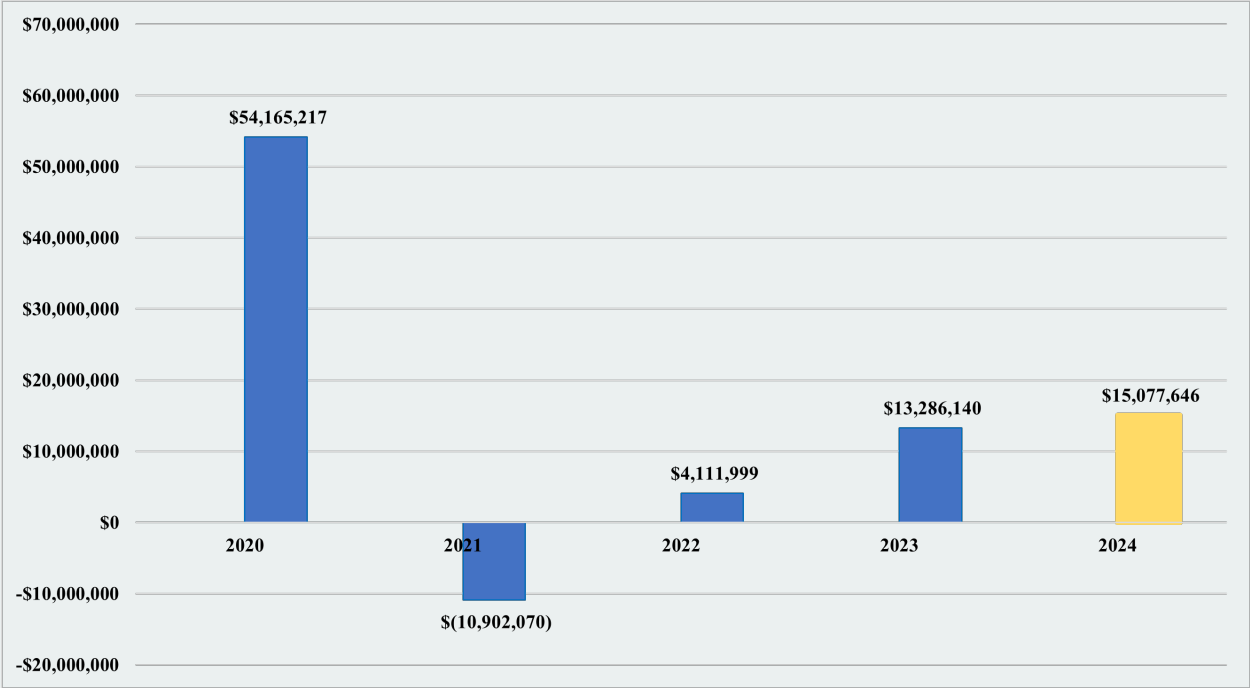
County's Net Pension Liability



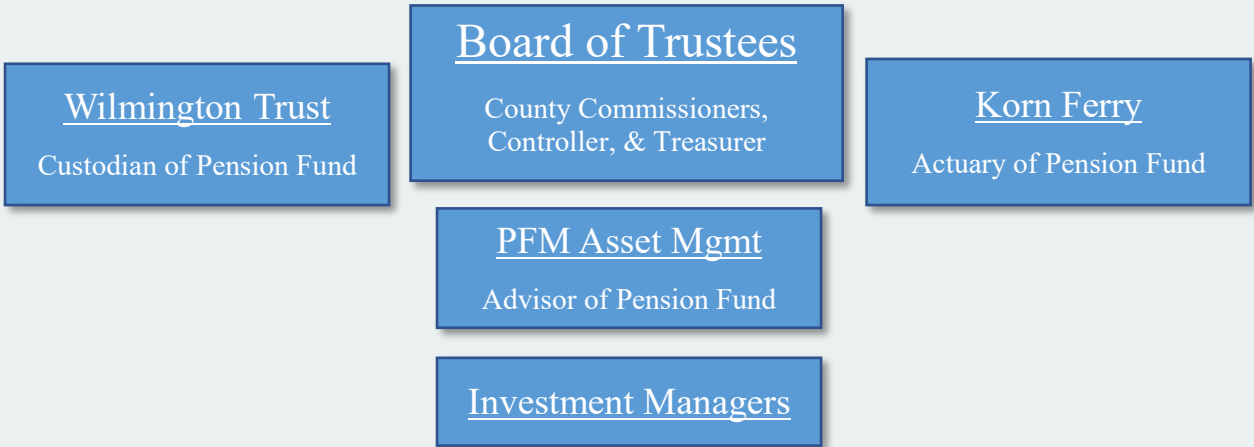
See Page 42 in the Annual Comprehensive Financial Report for more information.

Unfunded Actuarial Pension Liability

The chart below shows the unfunded actuarial pension liability since 2020. An actuarial pension liability occurs when the total future calculated benefits of the participants in the pension plan is greater than the actuarial assets in the pension plan. The chart below shows an unfunded liability amount of \$15,077,646 at December 31, 2024. The plan is 97.0% funded at December 31, 2024.



Pension Plan Management Structure



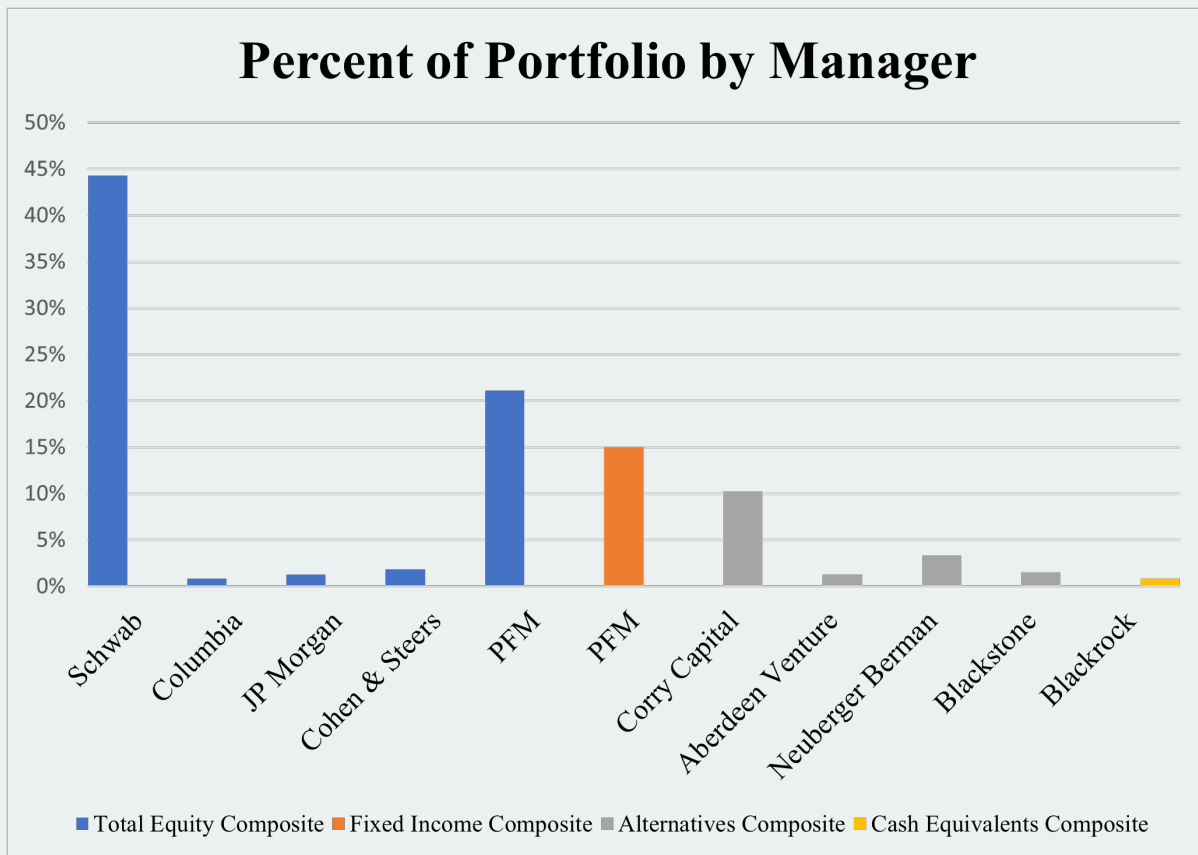
Dauphin County Pension Plan Portfolio

Asset Allocation by Percentage

As of December 2024

Asset Allocation Type	Percentage Allocated
U.S. Equity	45.1
Global Equity	21.2
U.S. Fixed Income	15.1
Life Settlement	10.2
Growth	1.8
Private Equity	6.2
Cash Equivalent	0.4

The primary principle behind portfolio allocation is to minimize risk and maximize returns. Risk is broadly defined as the chance that the return on an investment will differ from the expected rate of return. In this case, risk accounts for the variance of expected contributions, volatility of investments, and the standard deviation of plan returns. The plan's current allocation of assets is mostly a factor of meeting the assumed rate of return and doing so at



2024

Dauphin County Retirees

Lamont Alderman	Kimberley Kardelis	Greg Shaffer
Scott Barlick	Mark Keels	Christine Shiffer
George W. Bell II	Patricia Kibathi	Eva Simcox
Debra Bizzard	Ronni Lebo	Ron Smyre
Cathy Blecker	Douglas Lehman	Jason Snyder
Jawal Boyd	Stacey Librandi	Michael Sobers
Karen Bricker	Fredrick Lighty	Cynthia Solt
Robert Burns	Richie Martz	Brenda Startoni
Russell Corkle	Michael McClurg, Jr	Michele Taylor
Wilson Cortes	Rosa McCraw	Jason Telencio
Joann Cryder	Diane McNaughton	Peggy Templin
Joseph Curcillo	Cheryl Miller	Dennis Troutman
Adrian Dean	Edward Miller	Holly Williard
Robert Donovan	Damon Morris	Michael Wolf
Joan Ewing	Paul Muller	Scott Woolf
Kenneth Gordon	Sharon Owens	
Gloria Hammaker	Robert Paul	
James W. Heckard, Jr.	Jill Payne	
Charles Hincer	Kathy Raskey	
Cheryl Holmes	Michael Rentschler	
Donetta Holmes	Joanne Ridley	
Karen Jacobsen	Luis Rodriguez	
Colin James	James Rush	

Thank you for your service!



The information contained within this report was compiled from the Dauphin County Employees' Retirement System Quarterly Performance Reports produced by PFM Asset Management, Dauphin County Retirement Trust Fund reports produced by Zelenkofske Axelrod LLC, and Actuarial Valuation reports produced by Korn Ferry.

DISCLAIMER: The sources of information used in this report are believed to be reliable. Dauphin County has not independently verified all of the information and its accuracy cannot be guaranteed. Opinions, estimates, projections and comments constitute our judgement and are subject to change without notice. References to specific securities are for illustrative purposes only and do not constitute recommendations. Past Performance does not guarantee future results.