

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**FEBRUARY 28, 2013
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, February 28, 2013 at 6 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Don Bishop
Mike Bowman

MEMBERS NOT

IN ATTENDANCE: Julie Landis
George Dvoryak

ALSO IN

ATTENDANCE: John Holman, Township Manager
Gregory Hadfield, Police Department Representative
Renee Laychur, F.N.B. Management
Karen Kenderdine, F.N.B. Management
Annette Hose, Fulton Financial
Elizabeth Peris, Fulton Financial
Jean Abreght, Stenographer

A. Call to Order

SCHENCK Chairman Schenck called the meeting to order at 6 p.m. He stated that a Quorum was present.

B. Action on Minutes

1. Police Pension Board Regular Meeting of November 2, 2012
2. Police Pension Board Reorganization Meeting of January 7, 2013
3. Police Pension Board Regular Meeting of January 7, 2013

MR. BISHOP MOVED TO APPROVE THE MINUTES. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There were no public comments.

D. Correspondence and Other Communications

1. Police Pension Reports:

- a. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund.
- b. Acknowledge Receipt of Clermont Wealth Management (formerly Fulton) Trust Report for December 2012.
- c. Acknowledge Receipt of Clermont Wealth Management Trust Report for January 1, 2012 through December 31, 2012.
- d. Acknowledge Receipt of Clermont Wealth Management Trust Report for January 2013.
- e. Acknowledge Receipt of F.N.B. Wealth Management Report for December 2012.
- f. Acknowledge Receipt of F.N.B. Wealth Management Report for January 2013.

MR. BOWMAN MOVED TO ACKNOWLEDGE RECEIPT OF POLICE PENSION REPORTS. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors:

1. Fulton Financial: Police

HOSE Annette Hose, Fulton Financial, presented the accounting for the quarter from October 1, 2012 to December 31, 2012. Market Value as of October 1, 2012 was \$5,518,954.19; Receipts totaled \$61,293.06 and Gains were \$28,856.89 for Total Receipts of \$733,329.61. Disbursements amounted to \$165,105.25 and Expenses were \$10,046.63 for Total Disbursements of \$175,151.88. Market Value as of December 31, 2013 was \$6,077,131.92

PERIS Elizabeth Peris presented the Market and Economic Review. She began with the Investment Strategy for the first quarter of 2013. She stated that they expect the U. S. economy to grow about 2% this year. The sequestration is expected to pull one half a percentage point from the GDP going forward. The Chinese economy is expected to grow at a fast pace. The European economy is expected to drop later in 2013 and then recover. Japan is devaluing the Yen which impacted South Korean markets. The U. S. still has debt issues along with the sequestration and the Federal Stimulus package. However, there was some improvement in the domestic labor market. New unemployment claims were lower than expected; however the growth in employment is slow but steady.

The Equity market is expected to outperform the bond market during 2013. Corporate earnings are better than expected; however, the telecommunications

sector earnings had been disappointing. Investors are a strong influence into the Equity market. Fulton had reduced its domestic exposure and placed money into the International markets. The money was taken from the SMID and Mid-Cap sectors.

The Fixed Income side had seen a lot of risk because the yield curve had risen. During January the 30-year Treasury performance was one of the worst of all sectors in the Bond market. They expect the spread not to compress much more, and they expect to earn the coupon on the bonds.

Ms. Peris reported that the Allocation in the portfolio remained close to the target of 47-1/2% in Fixed Income and Equities and 5% in Cash. Earned Income and Market Appreciation contributed a total of about \$95,000 to the portfolio. For the entire year 2012 Interest, Dividends and Market Appreciation contributed \$584,000. Performance for the year was 11.00% and for three months was 1-1/2% return. The Allocation relative to the Investment Policy is on target. Fixed Income overall duration was very close to the benchmarks. The International sector is overweight; however, the other sectors are on track with the benchmarks with a slight underweight to U. S. Treasuries.

Ms. Peris reported that on the Equity side, there were several large cap equities. At the end of January \$90,000 was removed from that sector. Some of the monies were placed in the Fixed Income sector, and some were used to cover the significant withdrawal distribution that was made.

Ms. Peris reported on the Performance. As of December 31, 2012, Fixed Income return was .93% exceeding the benchmark of the Barclay's Aggregate of .22%, and the Barclays Intermediate Government-credit of .34%. For one year the returns were 6.6% versus benchmarks of 4%. For the 10-year period the returns are 4.42%, which is very close to the overall benchmarks. The Equity performance return for three months is 2.14%. For the year Equities were up 15.86% and were in line with the market. Total portfolio for the three months was 1.55%; one year performance was up 11.00% versus the benchmark of 9.62%.

Ms. Peris reported on the risk analysis statistics of the portfolio. She stated that since inception the portfolio's return was 5.4% exceeding the benchmark of 4.94%. She reviewed the statistics and noted that there is less risk in the portfolio than the benchmarks but there was additional return for the risk that was taken.

Ms. Peris reviewed the individual bond holdings, an A negative rating. She reported on several exceptions within the portfolio. There is 12.8% in Yankee bonds, an International bond exposure. Individual bonds below A negative investment grade amounts to 6.6%. There is a 7% position in a corporate bond map but at BBB rating; investment grade. In 2013 24% will mature; and 22% mature in 2017. Exceptions on the Equity side include mutual funds that have not been in the top 1/3 during specific periods. Top 10 holdings are in excess of 35%, which is a difficult objective to meet because they amount to about 30% of the benchmark. In addition there are some strategies where the mutual fund history is short. For the Fixed Income/PIMCO total return, they have their top 10 holdings which exceed 38%.

2. F.N.B.: Police Fund

LAYCHUR Renee Laychur reviewed the F.N.B. Wealth Management financial report. She was present with Ms. Karen Kenderdine, also of F.N.B. Wealth Management. Ms. Lachur noted that the Market Value Plus Accrued Income as of January 1, 2012 was \$5,310,715.12. Distributions were made of over \$27,429.04; Income of \$198,027.43 and Appreciation of \$370,142.15 with a Market Value as of December 31, 2012 of \$5,851,455.66.

Ms. Lachur noted some economic points. January had been the best month the Dow and S&P 500 had since 1996/1997. Sequestration can affect the economic picture; however, decreased spending might be beneficial for the economy in the long term. Housing continues to improve; auto sales are up and the employment picture has improved. Emerging markets are doing better.

Ms. Lachur noted that the Fixed Income is a reason for concern. Federal Reserve Chairman Bernanke indicated that the interest rates will be kept low. The best expectation might be the return on the coupons. She reviewed the Current Allocation as of the end of February, 2013, which included 56-1/2% Equity; 41.4% Fixed and 2.1% Cash. The Fixed Income reporting detail was reviewed as well. The Equity Allocation detail revealed the Large Cap at 52.32%, the Mid Cap at 14.12%, Small Cap at 7.13%, International at 15.63%, Emerging Markets at 7.52% and Real Assets at 3.28%. The Sector Allocations are on target at 30% for Individual Stocks as a percentage of the entire stocks. Yield on individual equities is 2.68%. Mutual Fund Exceptions bonds are in compliance with the policy.

Ms. Lachur reviewed the Exceptions to the policy. She noted the reporting in which items highlighted in red were exceptions. She stated that there were a few funds with less than a five-year manager tenure. There were three Equity funds that are over the mark and two Fixed Income funds have BBB ratings. The top 10 holdings of three of the Equity funds are over 35%.

Ms. Lachur reviewed the Performance for the last three months where the portfolio was up 1.4% versus a benchmark of 1%. Fixed Income was up 2% versus the benchmark of .3%. Equities were up 2.3% versus a benchmark of 1.5%. Performance at end of December 31, 2012 figures were: Total Equity for 12 months was 16.2% versus benchmark of 16.3%. Total Blended Benchmark Return for 12 months was 10.7% versus a benchmark of 10.3%. Three year Total Performance: 7.7% versus the benchmark of 7.4%; five years: 4.7% versus benchmark of 4.6%; 10 years: 6.4% versus benchmark of 6.9%.

F. Old Business

- a. RFP for Fund Management: Update Report

HOLMAN Mr. Holman reported that he expected to provide dates for the board interviews by the end of March. He proposed the timing between 3 o'clock and 9 o'clock with four interviews of 45 minutes each with 15 minute breaks every so often.

G. New Business

1. Acknowledge Payment to Conrad Siegel Actuaries in the amount of \$1,500 for the period April 1, 2012 through December 31, 2012. Copy of invoice attached.
2. Acknowledge Payment to Conrad Siegel Actuaries in the amount of \$8,490 for GASB 45 Actuarial Valuation Services (required every three years). \$440.00 of the total payment was paid by YAUFRR. Copy of invoice attached.
3. Acknowledge COLA Payment Increase to Michael Sciangula from \$3,293.58 to \$3,629.29 effective March 1, 2013 and one-time payment for January and February in the amount of \$622.49. Letter from Consulting Actuary is attached.
4. Acknowledge distribution of Police Pension Funds to David A. Kennedy in the amount of \$30,206.29. Benefit payment form attached. Amount is calculated by the Actuary.

MR. BISHOP MOVED TO ACKNOWLEDGE PAYMENTS AND ADJUSTMENTS UNDER NEW BUSINESS ITEM ONE THROUGH FOUR. MOTION UNANIMOUSLY CARRIED.

H. Committee Motions:

BISHOP Mr. Bishop brought up the subject of the Investment Policy. He indicated it was a matter the board needed to address. He commented that having worked within the Investment Policy for a period of time and understanding its strengths and weaknesses, it would be a good time for review.

HOLMAN Mr. Holman responded that the subject had been discussed with the consultant and as part of that it would be something to discuss with each of the applicants during the interview process. He noted the goal is to finish the RFP process.

I. Adjournment

SCHENCK Chairman Schenck adjourned the meeting at 6:35 p.m.

Respectfully submitted,

John Holman
Secretary

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