

**SPRINGETTSBURY TOWNSHIP  
POLICE PENSION BOARD**

**MAY 22, 2014  
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, May 22, 2014 at 6:15 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

**MEMBERS IN**

**ATTENDANCE:** George Dvoryak, Chairman  
Kathleen Phan  
Bill Schenck  
Mark Swomley

**MEMBERS NOT**

**IN ATTENDANCE:** Julie Landis

**ALSO IN**

**ATTENDANCE:** John Holman, Township Manager  
Joe Paese, F.N.B. Wealth Management  
Karen Kenderdine, F.N.B. Wealth Management  
Jean Abreght, Stenographer

A. Call to Order

**DVORYAK** Chairman Dvoryak called the meeting to order at 6:15 p.m.

B. Action on Minutes

1. Police Pension Board Regular Meeting of March 27, 2014
2. Police Pension Board Regular Meeting November 1, 2013

**MR. SWOMLEY MOVED APPROVE THE MINUTES OF THE MARCH 27<sup>TH</sup> MEETING. MS. PHAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**Consensus was to table the November 1, 2013 meeting due to a discrepancy in the attendance.**

C. Public Comment – Comments from the public. Each person is to be limited to 3 minutes and limited to one occurrence per meeting.

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 F.N.B. Management Report for February 2014.

- c. Acknowledge Receipt of F.N.B. Management Report for March 2014.
- d. Acknowledge Receipt of F.N.B. Management Report for April 2014.

**MR. SCHENCK MOVED TO ACKNOWLEDGE RECEIPT OF THE REPORTS AS LISTED ON THE AGENDA. MR. SWOMLEY WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

E. Reports from Financial Advisors:

- 1. F.N.B.: Police Fund.

**KENDERDINE** Karen Kenderdine, F.N.B. presented the Net Asset Summary. The Beginning Balance as of February 28, 2014 was \$13,562,706.53. Employee Contributions were received of \$31,321.47. The Fiduciary Fees were \$7,835.73. The Net Pension Benefit Payments were \$93,268.84. Federal Withholdings were \$16,249.33. The Insurance Withholding was \$3,286.28. The Actuarial Fee was paid of \$9,970.00 making Total Disbursements from the account \$130,610.18. The Earned Income was \$51,284.69. Realized Gains from Sales of Securities were \$53,460.95. Accrued Income is \$1,112.70. Unrealized Appreciation of Assets was \$13,839.54 making the Total Additions to the account \$92,018.80. The Ending Balance as of April 30<sup>th</sup>, 2014 was \$13,545,436.62.

**PAESE** Joe Paese, F.N.B. reported that Ms. Laychur would not be present inasmuch as her son was graduating from Johns Hopkins this date. Mr. Paese presented a review of the portfolio in detail. Documentation had been provided to the board members. A summary is provided.

Section II, Investment Review and Strategy highlights. Economic activity had a major impact. Gross Domestic Product was .1% for the first quarter of the year. Targets were about 3% which was difficult to attain and had sense been reduced back to 2, 2-1/2% range.

Unemployment Rate fell below 7 %; Non-Farm Payroll Growth beat expectations. Housing area continues to be weak with new housing starts clearly better but not compared with pre-2008 levels.

Company earnings were positive from an Equity Market perspective and the Federal Reserve is sticking to its policy with tapering off the strategies of the last few of years.

First Quarter results, even though at an all-time high in many cases, it was a volatile market. Value outperforms the Growth and the Large Cap Dividend

Stocks results are better as far as interest rates are concerned. The 10-year was 2.60% to 2.80%. Indices in the first quarter, S&P was up slightly less than 2%. First Quarter was decent from an Equity perspective.

Second Quarter, which just included April, Value continues to outperform. All-time highs were reached in the S&P and the Dow; 10-year interest rates dropped down to 2.50%. Domestic rates are more stable than European rates. The Equity market, specifically in the Small, Mid Cap NASDAC area was more volatile in April. Large Cap, Fixed Income did well in April. Small and Mid Cap underperformed the Large Cap year to date. In the Second Quarter the 10-year chart dipped under 2.5% with International influence affects.

A review from a strategic standpoint revealed overweight Equities with a continued focus on Value and Dividend Stocks in the Large Cap Zone; underweight in Fixed Income and Cash; overweight corporate.

Favored domestic sectors are overweight healthcare, technology, energy, discretionary materials underweight consumer, telecommunication and industrials; neutral on financials and utilities.

A review of Section III Portfolio Asset Allocation highlights. Moving forward they plan to show specific changes in the portfolio especially as something significant changes. Cash held in the portfolio is 5% and will be redeployed in Individual Securities. Fixed Income is low volatility with about 38.6% or about \$5.1 million. \$2 million of that is in Individual Bonds. Equities are about 56%. Within the Equity and the Fixed Large Cap dominates at 28%; Mid Cap at 8%, Small Cap at 4%, International at 11% and Emerging Markets about 3%. Government and Agency are at 5%; Investment Rate in Corporates is 28%. Fixed portfolio is broken down to about 76% in Investment Grade Corporates and 13% in Governments and Maturities of Individual Holdings from 2015 to 2023, current yield is about 4.61%; duration is 3.82%. Picking Securities in the right Sector is going to be a key element in 2014 and into 2015.

A listing of actual holdings was noted, and Mr. Paese pointed out the Vanguard Intermediate Term funds, which are the longer term pieces and which are down slightly. There is \$250 million, down 3% on principal value but resulting in 3% income as well. There will be some erosion of principal with some of the investments due to the length of time interest rates have stayed low.

Performance breakdown resulted in Equity 51%, Fixed 39%, Cash 4.4% Overall account performance was 1.34% One year performance is very strong at 11.71% versus benchmarks of 9% and 8%. Three year numbers are very strong as well; five year number is 11%, very critical from an Actuarial perspective; 13, 14% is needed to meet the Actuarial number.

Mr. Paese pointed out the Exceptions to the Policy. He noted there was nothing of major concern, and they will continue their due diligence. He concluded his report.

**DVORYAK** Chairman Dvoryak thanked him for the review.

**F. Old Business**

**1. Investment Policy**

**DVORYAK** Chairman Dvoryak brought forward the Investment Policy Statement. Drafts had been submitted to the board. He asked for comments from the board with regard to the proposed changes.

**HOLMAN** Mr. Holman asked if the board would like to table discussion on the proposed changes until the next meeting. He suggested that the Actuary attend the meeting and provide his recommendations to the policy.

**HADGE** Mr. Hadge mentioned that many of the recommendations had come from a variety of sources during the RFP's.

**HOLMAN** Mr. Holman noted that he had not received any feedback from the Pension Board members to date.

**DVORYAK** Chairman Dvoryak stated that he had reviewed the statement and was generally comfortable with the written part. However, he was not comfortable with the chart and some of the maximum targets and/or ranges. He cited the example of 90 percent of the Fixed Income to go into U. S. Government Bonds. In his opinion the whole idea behind Portfolio Theory of Asset Allocation is diversification, and it would seem to place a huge bet on one item. He did not think that was what the board wanted the managers to do.

**HOLMAN** Mr. Holman noted that for the next meeting the focus should be on the Investment Policy Statement to bring it to completion.

**DVORYAK** Chairman Dvoryak noted it did not sound as though it was standing in the way of them managing the portfolio at this time.

**Consensus of the board was to take additional time for review and discuss any changes with Tom Zimmerman, Actuary at the next meeting.**

**G. New Business**

1. Acknowledge Payment to Conrad Siegel Actuaries for Actuarial Services From January 1, 2013 Through February 28, 2014. Payment was in the amount of \$9,970.00.

**MR. SCHENCK MOVED TO ACKNOWLEDGE PAYMENT TO CONRAD SIEGEL IN THE AMOUNT OF \$9,970.00. MR. SWOMLEY WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**I. Adjournment**

**DVORYAK** Chairman Dvoryak adjourned the meeting at 6:56 p.m.

Respectfully submitted,

John Holman  
Secretary

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