

**SPRINGETTSBURY TOWNSHIP  
POLICE PENSION BOARD**

**MAY 23, 2013  
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, May 23, 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  
George Dvoryak

**MEMBERS NOT**

**IN ATTENDANCE:** Julie Landis

**ALSO IN**

**ATTENDANCE:** John Holman, Township Manager  
Jack Hadge, Finance Director  
Gregory Hadfield, Police Department Representative  
Renee Laychur, F.N.B. Management  
Joe Paese, 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 February 28, 2013

**MR. DVORYAK MOVED TO APPROVE THE FEBRUARY 28, 2013 MEETING MINUTES. MOTION UNANIMOUSLY CARRIED.**

C. Public Comment

There was no Public Comment.

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 Fulton Financial Trust Report for February 2013.
- c. Acknowledge Receipt of Fulton Financial Trust Report for March 2013.
- d. Acknowledge Receipt of Fulton Financial Trust Report for April 2013.
- e. Acknowledge Receipt of F.N.B. Wealth Management Report for February 2013.
- f. Acknowledge Receipt of F.N.B. Wealth Management Report for March 2013.
- g. Acknowledge Receipt of F.N.B. Wealth Management Report for April 2013.

**MR. BOWMAN MOVED TO ACKNOWLEDGE RECEIPT OF REPORTS A THROUGH G. MOTION UNANIMOUSLY CARRIED.**

F. Reports from Financial Advisors:

1. Fulton Financial: Police

**HOSE** Annette Hose provided a report of the portfolio for the first quarter beginning in January 1, 2013. Market Value was \$6,077,131.92. Receipts included Employee Contributions of \$32,351.84, a transfer of \$50,000 from sub-accounts for pension payments, Investment Income received was \$26,600.14; Capital Gains realized were \$43,655.94; Unrealized gains were \$164,288.85. Disbursements were made for pension payments for the quarter of \$241,063.50; Health Insurance Premium payments of \$5,133.57 and Trustee Fee of \$10,628.79 was disbursed from the account. A fee was paid to Conrad Siegel of \$1,500. Fee Rebate of \$136.62 brings the portfolio to \$6,135,839.45 as of the end of the First Quarter, March 31, 2013.

**PERIS** Ms. Elizabeth Peris provided an overview of the Economic Outlook and an update on the portfolio. A written document had been provided to the board members and a summary follows:

- GDP positive at 2-1/2% but below expectations.
- Sequestration cuts took effect on defense spending, thereby subtracting about .6% from GDP.
- April jobs report positive at 165,000; however jobless claims as of May came in at 340,000; labor market is improving.
- New and existing home sales rose, as did appreciation on home prices up close to 9%.
- Tame domestic inflation due to lack of wage and credit growth.
- Governor Dudley indicated it will take three to four months to determine impact of the fiscal drag.

- Chairman Ben Bernanke spoke to Congress indicating the Fed could step down pace of purchases soon; September possible.
- Tapering of bond purchases is dependent on labor market.
- Europe continues in recession which has spread to Central Europe.
- Japan has started its own monetary policy targeting a 2% inflation and two-fold increase in monetary base.
- China reported lower manufacturing numbers.
- International Markets are considered to be very undervalued.
- An additional debate to take place concerning the U. S. debt ceiling.
- Equities over bonds expected to outperform this year.
- Equity portfolio holds 70% in domestic, 10% in developed international and 10% in emerging markets.
- Within the U.S. large cap is favored over mid and small cap markets due to valuation, and growth is favored over value.
- Within international segment, favoring small and mid-cap stocks with stronger earnings.
- Challenges in Fixed Income market with high prices and low coupons.
- Current allocation: Cash 2%, Fixed 49%, Equities above 49%.

**DVORYAK** Mr. Dvoryak noted her comment regarding favoring equities over fixed income and that the split as of the end of March was about equal. He questioned whether that meant they had adjusted the allocations.

**PERIS** Ms. Peris responded that they had allowed the equity allocation to drift upwards. When distributions are made to the employees for their benefits, they trim from the equity portfolio. Currently equities are slightly above 50%. Ms. Peris reviewed the remainder of the documented report.

2. F.N.B.: Police Fund

**PAESE** Joe Paese, F.N.B. provided a brief summary of their perspective. He noted it had been a great quarter in the market starting at 5.85% January 1<sup>st</sup> and overall appreciation of \$280,000+ with margin of about \$6.12 million.

**LAYCHUR** Ms. Lachur provided her remarks on the economy, and noted agreement with Ms. Peris. She presented similar comments on the jobs created, home sales, autos all positive. Retail sales slightly lower but better than expected. Overall the quarter was pretty good economically. First quarter earnings for the S&P 500 were good overall; 68% of companies beat their earnings per share number well over half. She explained some transactions done within the portfolio, summarized:

- Equity exposure reduced by taking some gains.

- Large cap U.S. favored sector.
- Telecom and utilities are two biggest dividend paying sectors.
- Performance changed slightly; first results as of 3/31 breakdown: Equities 58.4%; Fixed 36%; Small amount of cash was deployed.

Ms. Lachur reviewed the Investment Policy Statement benchmarks: Overall account for March was up 1.51% vs. blended benchmark of 1.42%; their benchmark was 2.55%. First three months of year up 4.97%; benchmark 4.32%; one year up 9.10%; benchmark 8.18%; 3 years up 8.22%; benchmark 7.89%; five years 6.29%; benchmark 5.27%; 10 years 7.01% and since inception 6.77%. Asset allocation as of May 13<sup>th</sup> – Cash over 1%; Fixed Income at 39.52% and Equities at 59%. She provided additional information described in the written report.

F. Old Business

1. RFP for Fund Management

**SCHENCK** Chairman Schenck presented the subject of the RFP for Fund Management. He noted that the questions had developed into whether or not to have two fund managers.

**BISHOP** Mr. Bishop indicated a second issue which was fee and performance related, and that question had been answered.

**HADGE** Mr. Hadge reported that both F.N.B. and Fulton had reduced their fees.

**DVORYAK** Mr. Dvoryak commented that the review of performance history in the firms they reviewed, the difference was not great. However, if the percentage difference were compounded over a 10-year period it would add up to big dollars.

**BISHOP** Mr. Bishop questioned how to analyze the performance difference between the administrative manager and the manager.

**DVORYAK** Mr. Dvoryak responded that it would be very difficult to do. He indicated his instincts are that it probably would not be much of a difference; certainly not the 30 basis point performance.

**SCHENCK** Chairman Schenck stated that he had a strong comfort level with both firms; however, he was leaning toward F.N.B.

**DVORYAK** Mr. Dvoryak indicated either firm is capable of handling the book of business in the pension portfolio. The decision was not an easy one to part ways with one; however, the responsibility is to the pension plan and the stakeholders who

participate. He commented on the work the consultant completed, a review of the fees, a review of performance history, it is very close. However, he was leaning toward F.N.B. as one provider.

**BISHOP** Mr. Bishop indicated he did not disagree with Mr. Dvoryak's conclusion; however, he was curious about the economies of scale and where anything would be saved.

**DVORYAK** Mr. Dvoryak responded it is based on fees.

**HADGE** Mr. Hadge commented that was the answer to the economy scale; fee schedule.

**BISHOP** Mr. Bishop questioned that it was just the fees and not overall effectiveness.

**RAUSCH** Solicitor Rausch asked what the reason was for going with two firms.

**SCHENCK** Chairman Schenck responded that at the time the board thought they really hadn't managed the pension fund very well and wanted to make a change. The thought was having two firms in order to gain some experience and see two different perspectives and review the results.

**BISHOP** Mr. Bishop added that the historical perspective was that he personally believed there were managers who were dramatically underperforming and taking the account for granted. The whole idea of two competing with each other in part made it much more likely that the best results would be achieved. From that point of view it worked because the performance numbers were very close over the 10 years.

**MR. BISHOP MOVED THAT THE BOARD DIRECT THE PLAN ADMINISTRATOR TO ENTER INTO AGREEMENT TO MOVE 100% OF THE INVESTMENTS TO FNB EFFECTIVE OCTOBER 1, 2013. MOTION CARRIED. MESSRS. SCHENCK, BISHOP, DVORYAK, BOWMAN AND LANDIS VOTED IN FAVOR; MR. HADFIELD VOTED OPPOSED.**

**RAUSCH** Solicitor Rausch questioned whether the action would have any effect on the allocation policy.

**SCHENCK** Chairman Schenck noted that it would involved two separate functions. The information was based on the what was gained in the meeting from the RFP's. He indicated that it was likely that the board would revisit the Investment Policy Statement.

**DVORYAK** Mr. Dvoryak echoed his comment and added that it would be an action the board should endeavor to do in cleaning up the IPS and removing some of its limitations.

**BISHOP** Mr. Bishop stated that some of the focus was that the board would get advice from the Investment Advisors, and they definitely had some comments.

**SCHENCK** Chairman Schenck added that every presenter had something to say about the limitations of the Investment Policy Statement and the possibilities if some of the restrictions were lifted.

G. New Business

1. Acknowledge COLA Payment Increase to Robert A. Drawbaugh from \$3,701.31 to \$3,760.53 effective April 1, 2013 and one-time payment for February and March in the amount of \$118.44. Letter from Consulting Actuary is attached.

**MR. BOWMAN MOVED TO ACKNOWLEDGE COLA PAYMENT INCREASE TO ROBERT A. DRAWBAUGH FROM \$3,701.31 TO \$3,760.53 EFFECTIVE APRIL 1, 2013 AND ONE-TIME PAYMENT FOR FEBRUARY AND MARCH IN THE AMOUNT OF \$118.44. MOTION UNANIMOUSLY CARRIED.**

H. Committee Motions:

1. Motion to Approve Entering into Agreement with Fund Manager

This item was acted upon earlier during the agenda.

I. Adjournment

**SCHENCK** Chairman Schenck adjourned the meeting at 6:50 p.m.

Respectfully submitted,

John Holman  
Secretary  
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