

**SPRINGETTSBURY TOWNSHIP
FIRE/POLICE PENSION BOARD JOINT MEETING**

**MAY 24, 2012
APPROVED**

The Fire and Police Pension Boards of Springettsbury Township held a meeting on Thursday, May 24, 2012 at 6 p.m. at the township offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Don Bishop, Vice Chairman
Mike Bowman
George Dvoryak
Julie Landis

ALSO IN

ATTENDANCE: John Holman, Township Manager
George Mount, Fire Pension Board Representative
Rene Lachure, F.N.B. Management
Annette Hose, Fulton Financial
Elizabeth Peris, Fulton Financial
Jean Abrecht, Stenographer

A. Call to Order

SCHENCK Chairman Schenck called the meeting to order. He reported that a Quorum was present, and Mr. Mount would be a voting member on matters of the fire pension.

B. Action on Minutes

1. Fire/Police Pension Board Meeting of February 9, 2012

**MS. LANDIS MOVED TO APPROVE THE MINUTES OF FEBRUARY 9, 2012.
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 for First Quarter 2012.
- b. Acknowledge Receipt of Fulton Financial Trust Report for January 2012.
- c. Acknowledge Receipt of Fulton Financial Trust Report for February 2012.
- d. Acknowledge Receipt of Fulton Financial Trust Report for March 2012.
- e. Acknowledge Receipt of Fulton Financial Trust Report for April 2012.
- f. Acknowledge Receipt of Fulton Financial Trust Report for the First Quarter 2012.
- g. Acknowledge Receipt of F.N.B. Wealth Management Report for January 2012.
- h. Acknowledge Receipt of F.N.B. Wealth Management Report for February 2012.
- i. Acknowledge Receipt of F.N.B. Wealth Management Report for March 2012.
- j. Acknowledge Receipt of F.N.B. Wealth Management Report for April 2012.

2. Fire Pension Reports:

- a. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Fire Pension Fund for First Quarter 2012.
- b. Acknowledge Receipt of Fulton Financial Trust Report for January 2012.
- c. Acknowledge Receipt of Fulton Financial Trust Report for February 2012.
- d. Acknowledge Receipt of Fulton Financial Trust Report for March 2012.
- e. Acknowledge Receipt of Fulton Financial Trust Report for the First Quarter 2012.
- f. Acknowledge Receipt of F.N.B. Wealth Management Report for April 2012.

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF ALL THE ITEMS LISTED IN D 1 AND 2. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial: Police & Fire Fund.
 - a. Investment Presentation for: Springettsbury Township Police.

HOSE Annette Hose, Fulton Financial, provided the accounting for the police pension fund. The Market Value as of January 1, 2012 was \$5,431,603.65. Police employee contributions were \$35,808.71 for the quarter; investment income received was \$24,455.92. The first quarter of 2012 the portfolio

netted unrealized gains of \$348,193.93 for total receipts of \$408,458.56. Disbursements of pension payments for the quarter were \$148,923.58; trustee management fee of \$9,900 for a net market value as of the end of the quarter, March 31, 2012 of \$5,681,236.42. She offered to respond to questions, but there were none.

PERIS

Elizabeth Peris, Fulton Financial, presented a review of the police pension portfolio. She reviewed the markets and economic overview, followed by the investment strategy. Fulton's most recent newsletter was provided to the board members. Fulton had updated their tactical asset allocation, which was reflected in the report. A summary of main points follow:

- Economic data indicated a slowdown during April through May.
- Job growth lower than expectations.
- GDP for first quarter was 2.2% slightly lower than estimates.
- ISM manufacturing numbers have improved.
- Federal Reserve noted change from moderate to modest growth; no additional quantitative easing to be done.
- Housing markets picking up slightly.
- Concerns surround Euro zone; Greece; China.
- Fiscal programs conclude: Bush tax cuts; employment tax benefit; spending cuts.

Ms. Peris reviewed the equity markets, fixed income markets, and bond markets, all of which was documented in their written report. A review of the Account Summary included details of the Asset Allocation: Cash-2.3%; Fixed Income-49.9%; Equities-47.8%, as well as the Top 5 Holdings including Federated Fixed Income, Riverpark/Wedgewood Edgewood Growth Fund, Federated Strategic Value and Cambiar Opportunity. She pointed out that in the Equity category, the large cap growth was the biggest component at 39%, the value at 24.9% and a blend of 11.8%. Ms. Peris reviewed the Holdings Detail and reviewed some changes that had taken place during February and March, also documented in the detailed report.

The Portfolio Performance Summary as of 3/31/12 was reviewed. Fixed income performance for the first quarter was up 1.78% compared to Barclays aggregate of .31. and Barclays Intermediate of .61%. Since inception the figure was 4.58%. Equities performance for the first quarter was 12.73%; S&P-121.58%; MSCI EAFE -10.86%; MSCI AC World Index

Free-11.88% (45% domestic and 55% international). Since inception, the equities are up 5.58%; the S&P 500-4.12%; the MSCI-5.7%; overall portfolio is up year-to-date 6.96%. Since inception the portfolio is at 5.4% and the historical benchmark is 4.96%.

DVORYAK Mr. Dvoryak commented on previous discussions regarding the actuarial work done for the police fund. He noted that 7.5% was used for the historical return. He questioned whether the percentage is realistic or whether the asset allocation should be changed in order to achieve the 7.5%. Additionally, he asked whether the stock allocation should be raised to 60/65%.

PERIS Ms. Peris responded that recently they had conducted an annual evaluation of capital markets and what might be expected long term. In general, equities were expected to be up 9%; bonds were expected to be lowered to 3.5%. She stated that there should be at least 65 to 70% in equities.

DVORYAK Mr. Dvoryak asked whether the Investment Policy Statement would stand in the way of their taking the stock allocation to the 60%.

PERIS Ms. Peris responded that she thought it could be taken to 60%.

HOSE Ms. Hose added that the policy provided a band of 5% for each allocation and only goes up to 60%.

PERIS Ms. Peris added that there are bands of plus or minus 10% in any asset class and could possibly go up to close to 70%, which would be top of the range.

BISHOP Mr. Bishop questioned whether they take the target goal calculation into consideration when they make an investment decision in the portfolio.

PERIS Ms. Peris responded that they do not.

HOSE Ms. Hose noted that she was not aware of any discussions with Conrad Seigel about the actuarial assumption within the portfolios. She commented that the economic conditions had changed quite a bit over the last few years, and the actuarial had been established 15 to 20 years ago.

DVORYAK Mr. Dvoryak commented that when Conrad Siegel made recommendations to the Investment Policy Statement, those recommendations were to link together with the actuarial assumption. He asked whether the linking expectation was being met.

PERIS Ms. Peris responded that Fulton's tactical market expectations have been ratcheted down since last year.

DVORYAK Mr. Dvoryak noted that he would be interested to know what the targets are in the policy, equities versus fixed income, and what would be a more realistic expectation over the long term, and if it is not 7.5%, what that percentage might be.

PERIS Ms. Peris responded that they could generate the information. In addition, she stated that Conrad Siegel also should have capital market expectations, which would be good to compare the two.

Ms. Peris called attention to the chart on Taxable Fixed Income Decision Tools generated by Federated, which Fulton subcontracts to receive some economies scale. She reviewed the Fixed Income Holdings Details also documented in the report noting the ratings.

Ms. Peris reviewed the reporting on the potential exceptions to the police pension fund. She noted that most of the exceptions in equity relate to manager tenure under five years. Some of the mutual funds were new, however, the SMA strategy had been in place for a number of years; strategies meet the criteria otherwise. SMA is a separately managed account managed by the portfolio manager. Fixed income exceptions include the Federated portfolio, a quarter of the portfolio matures in 2013; constraint is that 10% cannot be any more than one year.

b. Investment Presentation for: Springettsbury Township Fire.

HOSE Ms. Hose presented the accounting for the firefighter's portfolio for the quarter from January 1 through March 31, 2012. The market value as of January 1st was \$3,296,923.25. Receipts of employee contributions for the quarter were \$13,184.48, and investment income resulted in a total of \$13,532.94. Total realized and unrealized gains amounted to \$155,995.33 for total receipts of \$182,712.75. Pension disbursements for the quarter

were \$37,103.07; Trustee/management fund was \$6,713.68; Actuarial fee was \$4,890.00 for total disbursement of \$48,706.75. Market value as of March 31, 2012 was \$3,430,929.25.

PERIS

Ms. Peris did not review the economic or market situation as it had been previously discussed. For the firemen the asset allocation was slightly different than the police allocation. The report documented that the asset classes were on target. She reviewed the holdings detail and commented on changes that had been implemented in mid-February. The changes included:

- Large cap – MFS value fund replaced with Cambiar.
- Federated Strategic Value dividend added.
- Replaced Strategic Growth common fund with Edgewood and River Park Edgewood.
- SMID category – Replaced Loomis with GW&K small cap.
- Replaced Principle midcap with Vaughan Nelson.
- Trimmed Harbor.
- Introduced Acadian and Manning & Napier in international.

Ms. Peris reviewed the Equity Capitalization documentation and noted that large cap is at 58.6%; midcap at 12%; small cap at 6% and international at 23.7%, of which international is underweight at this time. In the equity style, growth is at 38.9%. Performance in the portfolio lagged because the changes were not implemented until February. Fixed income continues to do well at 1.78% for three months. The seven year number of fixed income was just over 5% compared to 5.72% for the bond, and 5.22% for the Barclays intermediate government credit. Ms. Peris noted that the new managers outperformed in the first quarter. Since inception the performance was up 5%; benchmark was up 4.92%.

Ms. Peris pointed out the exceptions to the policy, again specifically noting that manager tenure is an issue.

2. F.N.B.: Police Fund

- a. Investment Presentation for Springettsbury Township Police.

LACHURE Rene Lachure, F.N.B., had provided a written report. She called attention to the economic report and investment objective statement. Market value of the account as of 1/1/12 was \$5,310,715.12; fees were \$6,709.24, earned income was \$32,660.34 minus a loss of \$434.00, plus a good appreciation of \$314,417.89 for a total market value as of 3/31/12 of \$5,650,650.11. Ms. Lachure stated that she agreed with Ms. Peris as far as the economics. She had observed that for the last three years the first quarters had been good and the economy appeared to be doing better only to be derailed by Europe's issues. She elaborated on weekly jobless claims, which had inched back up to 370,000. The Federal Reserve reports had produced some uncertainty which had been reflected in lagging stock prices. She noted that the election will play a large role in results. She provided an overview of the portfolio and noted 55% in equities and 41% in fixed income. International and bond allocations are neutral. She called attention to an alphabetical listing of all the holdings provided in the report. The Style overview of the entire account reveals that investment grade fixed income and large cap US are the two biggest categories followed by international stocks. In addition, there are mid-cap, small-cap, governments and agencies. The real assets were the Cohen and Steers real estate fund and emerging markets.

Ms. Lachure reviewed the bonds and stocks positions documented in the report. She provided a separate document listing Investment Policy Exceptions as of May 24, 2012. The Fixed Income exception was AT&T Broadband Corp Note – rated Baa1/BBB+; Mutual Funds: The average 3, 5 and 10-year Morningstar Rank in category is greater than 35% for Dodge & Cox Stock (46%); Perkins Small Cap Value (46%); Federated Total Return Bond (36%) and Vanguard Short Term Bond Index (37%). The average credit quality of Federated is listed as BBB. Top 10 holdings in Federated Strategic Value Fund exceed 35% of total holdings. In Equities, the individual equities exceed 30% of total equity position, currently at 31.7%. Ms. Lachure reviewed performance of the portfolio all of which was documented in the report. Fixed income was up 1.1% versus the Barclays at .6%. Equity was up 11.4% versus the S&P at 12.2%. Equity return was 3.4% versus a benchmark of 3.2%.

DVORYAK Mr. Dvoryak asked Ms. Lachure for her opinion on the assumed 7.5% returns on an annual basis in consideration of what the allocation needed to be to achieve future needs.

LACHURE Ms. Lachure recommended that there should be a 60% target for equities. Bonds had done very well; however, the future of interest rates is expected to be low.

F. Old Business

- a. RFP for Fund Management: Authorize for advertisement with date of receipt July 31, 2012.

HOLMAN Mr. Holman reported that the advertisement will go out in the next few days. The Board of Supervisors will authorize the advertisement; attachments are completed, and everything will have been received July 31, 2012.

G. New Business

There was no New Business.

H. Committee Motions:

- a. Acknowledge Payment to Conrad Siegel Actuaries from Police Pension Fund in the Amount of \$1,930.00 for Services Rendered from October 1, 2011 through March 31, 2012.

MS. LANDIS MOVED TO ACKNOWLEDGE PAYMENT TO CONRAD SIEGEL FROM THE POLICE PENSION FUND IN THE AMOUNT OF \$1,930.00 FOR SERVICES RENDERED FROM OCTOBER 1, 2011 THROUGH MARCH 31, 2012. MOTION UNANIMOUSLY CARRIED.

- b. Acknowledge monthly pension fund COLA increase for Mr. Drawbaugh from \$3,597.00 to \$3,701.31.

MR. DVORYAK MOVED TO ACKNOWLEDGE MONTHLY PENSION COLA INCREASE FOR MR. DRAWBAUGH FROM \$3,597.00 TO \$3,701.31. MOTION UNANIMOUSLY CARRIED.

- c. Acknowledge Transfer of Pension Funds for Brittney Baughman in the amount of \$10,101.73.

MS. LANDIS MOVED TO ACKNOWLEDGE TRANSFER OF PENSION FUNDS FOR BRITTNEY BAUGHMAN IN THE AMOUNT OF \$10,101.73. MOTION UNANIMOUSLY CARRIED.

- d. Acknowledge Application and Final Benefit Calculation for Mr. David G. Trott. Partial payment for February is \$444.97 with monthly benefit of \$4,301.33.

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF APPLICATION AND FINAL BENEFIT CALCULATION FOR DAVID G. TROTT. PAYMENT FOR FEBRUARY IN THE AMOUNT OF \$444.97 HAS BEEN MADE, AND MONTHLY BENEFIT WILL BE \$4,301.33. MOTION UNANIMOUSLY CARRIED.

- e. Fire Pension Plan Recommendations

HOLMAN Mr. Holman reported that he had received Mr. Zimmerman's recommendation regarding the Fire Pension. His recommendation was to eliminate the current ordinance, set up a new board and a new administrative structure. A meeting will be held with Solicitor Rausch, Fire Chief McCoy and Attorney Hovis to move forward with the Code of Ordinances regarding the pension board, which will be amended by the Board of Supervisors.

I. Adjournment

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

Respectfully submitted,

John Holman
Secretary

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