

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**NOVEMBER 2, 2012
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Friday, November 2, 2012 at Noon at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

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

MEMBERS NOT

IN ATTENDANCE: Julie Landis

ALSO IN

ATTENDANCE: John Holman, Township Manager
Scott Altland, Police Department Representative
Joe Paese, F.N.B. Management
Renee Laychur, F.N.B. Management
Karen Kenderdine, F.N.B. Management
Jack Hadge, Finance Director
Annette Hose, Fulton Financial
Richard Heilig, Wheatland Advisors, Inc.
Jean Abreght, Stenographer

A. Call to Order

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

B. Action on Minutes

1. Fire/Police Pension Board Meeting of August 23, 2012

**MR. DVORYAK MOVED TO APPROVE THE MINUTES OF AUGUST 23, 2012.
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 for Third Quarter 2012.
 - b. Acknowledge Receipt of Clermont Wealth Management (formerly Fulton) Trust Report for August 2012.
 - c. Acknowledge Receipt of Clermont Wealth Management Trust Report for September 2012.
 - d. Acknowledge Receipt of F.N.B. Wealth Management Report for May 2012.
 - e. Acknowledge Receipt of F.N.B. Wealth Management Report for September 2012.

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF ITEMS D1. A THROUGH E. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial: Police & Fire Fund.

HOSE Annette Hose, Fulton Financial, stated that her associate, Elizabeth Peris, was enroute traveling to York. She suggested that F.N.B. report first.

2. F.N.B.: Police Fund

PAESE Mr. Paese provided a brief update regarding some changes taking place within F.N.B. They are embarking on a conversion in their operating system from Sunguard to FIS. It will provide a different performance reporting system beginning January 1, 2013. Additionally they will be able to aggregate reporting. He reported that they will stop trading from December 21st to the end of the year to do the conversation; however, it should not impact the portfolio.

LAYCHUR Renee Lachur added that if an emergency should arise during the conversion, they will be able to trade. She presented the account activity for the quarter. Beginning of the quarter amount was \$5,562,072.35. Disbursements were \$6,869.60; Earned Income, \$28,179.51; Miscellaneous Security position changes of \$ 28,179.51 and Depreciation of the quarter of \$196,540.10. Ending balance was \$5,779,922.36. She stated that it had been a pretty good quarter in terms of investment performance.

Ms. Lachur provided an economics report, which she entitled the “Good, the Bad and the Ugly.” A summary of each follows:

- Good – Two biggest items: Housing market has turned around, and home prices are up. Interest rates are very low at 3 to 4% on a 30 year mortgage, and refinancing is up. Consumer confidence is better.
- Bad – Business confidence is low following a review of third quarter earnings. Some better than expected, but many companies are negative going forward. Europe’s is in a recession with Germany and France flat. Unemployment is still over 8% but job growth was better than expected. The U6 report which includes people that are part-time or underemployed was down to 14.6% but is still very high. Some people dropped out of the labor force.
- Ugly – The U. S. Federal Deficit: Per capita it is about \$55,000 for every man, woman and child and it had doubled in the last four years. The deficit and entitlement spending is the bulk of it and must be addressed in order for the U. S. to move forward. Federal government is buying \$40 plus billion in mortgage-backed securities each month. Chairman Bernanke’s term is up in January of 2014. Short-term interest rates are being held near zero.

Ms. Lachur discussed the asset allocation: 1.5% cash, 42.29% fixed income, 56.16% equities both international and domestic. The sub-asset class includes a large piece of investment grade bonds at 39%; the second largest is large cap U.S. She commented that even though the U. S. economy is only growing by about 2%, they still like the U. S. large cap sector better than any other at 53%. Within the sectors of individual stocks every sector is in line with the S& P. They are concentrating most on the dividend paying stocks.

Ms. Lachur focused on the performance. For the three months ended September 30th the account was up 4% versus a blended benchmark of 4.1% Barclay’s Intermediate Government Credit outperformed in the taxable Fixed Income. The blended benchmark including the S&P 500 large cap and S&P 400 mid cap, Russell 2 for small cap and MSCI EAFE for large cap underperformed. However, year to date performance was up 9.2% versus a blended benchmark of 9.3%; 12 months at 15.3% versus a blended benchmark of 15.4%.

Ms. Lachur discussed the report on Exceptions. She noted several which included Harbor International Fund, which has the longest Manager tenure of 3.67 years. The policy statement indicates Manager Tenure must be five years.

PAESE

Mr. Paese mentioned the fact that the change had just recently taken place.

LACHUR Ms. Lachur added that Harbor is a top performing fund. She stated that the previous Manager may have left. In addition, the average ranking category for the three, five and 10 years should be 35 or below, and some of the funds in the portfolio are above 35. There are three funds where the top 10 holdings are greater than 35%: Cohen and Steers, Federated Strategic Value, and T. Rowe Price Growth. Actively managed Fixed Income funds include two Vanguard funds where the Manager tenure is 4.42 with the Fixed Income funds, the Ultra Short government and the Total Return bond funds are above that average with two having average credit qualities of BBB. The Federated Total short term investment grade indicates A.

HOLMAN Mr. Holman asked if Ms. Lachur was requesting the board's approval and acceptance concerning the Manager tenure of 3.67 years.

LACHUR Ms. Lachur responded that he was correct in that the board should indicate its approval.

SCHENCK Chairman Schenck commented that the primers were put into place that if there were exceptions the board should be made aware and decide whether or not to authorize them.

**MR. DVORYAK MOVED TO APPROVE THE EXCEPTION. MOTION
UNANIMOUSLY CARRIED.**

PAESE Mr. Paese indicated that the Harbor is about 700 basis points in the last 12 months over the index so the performance was still good even with the change in Manager Tenure.

LACHUR Ms. Lachur concluded her report and offered to respond to any questions.

1. Fulton Financial: Police & Fire Fund

a. Investment Presentation for: Springettsbury Township Police

HOSE Ms. Hose presented the portfolio review for the quarter. Market Value as of July 1, 2012 was \$5,433,046.16. Employee contributions during the quarter were \$34,876.67. Investment income for the quarter, \$22,140.65. Total Gains for the quarter was \$201,449.12. Disbursements for the quarter included pension payments and health insurance premium payments paid of \$162,780.98. Fulton's

management fee was \$9,777.43 for Total Disbursements of \$(172,558.41). The Market Value as of September 30, 2012: \$5,518,954.19.

Ms. Hose reported that the MMO had been received for the year at \$612,000, which amount had been funded into the Police Pension Fund.

Ms. Hose provided the asset allocation in the portfolio. Cash was at 1.4%; Fixed Income 50.4% and Equities 48.2% within policy guidelines. She reported on the individual funds held in the portfolio which include Cash in the Money Market Fund, Federated Fixed and PIMCO. Equities include Edgewood Growth, Federated Strategic Value, IShares Russell and RiverPark/Wedgewood, SMID. All funds have been in the portfolio over the last year and nothing new had been added since the previous review.

Ms. Hose reported on the actual performance of the portfolio. Over the three-month period Fixed Income was up 2.63%; Equity was up 5.95%; Total portfolio return was 4.16% for the quarter. Year to date was 9.31%. The one-year return was 14.11%; three-year, 7.34% and five-year, 3.05%. Since inception, 5.36%.

Ms. Hose reported on their Exceptions. She noted that they had not added any new piece over the quarter, and stated that all exceptions had been previously approved, including the Harbor International tenure.

SCHENCK Chairman Schenck asked whether Fulton had the same situation as F.N.B..

HOSE Ms. Hose responded that their report last quarter and last year it had been listed at 3.4.

LAYCHUR Ms. Lachur stated that she did not recall it showing up last quarter.

SCHENCK Chairman Schenck suggested for consistency that the board make the same acknowledgment by motion. The record will show that the board approved that exception for that Manager Tenure.

MR. DVORYAK MOVED TO APPROVE THE EXCEPTION. MOTION UNANIMOUSLY CARRIED.

SCHENCK Chairman Schenck asked when will the year's performance start showing up in the future.

HOLMAN Mr. Holman responded that when the evaluations are completed at the end of 2013 they will get the re-evaluation of funds for 2014.

SCHENCK Chairman Schenck commented that it would measure the performance for 2012 and 2013, and there could be a difference in the MMO to the fund.

HOLMAN Mr. Holman responded that he had discussed it with the Actuary but any benefit would not be reported until next year.

F. Old Business

a. RFP for Fund Management: Update Report.

- i. Consultant
- ii. Interviews

SCHENCK Chairman Schenck stated that Richard Heilig had been authorized to review the RFP's.

HEILIG Richard Heilig, President of Wheatland Advisors, Inc., introduced himself. He stated that he appreciated the opportunity to assist the township with the RFP's, which he noted was somewhat of a daunting task. He stated he would do his best to try to make it understandable for the board. He reported that Wheatland Advisors is an independent investment management firm in Lancaster, Pennsylvania. He set it up in 1987, but prior to that he ran a trust department and had been a stock broker as well. He noted that the RFP process is what is important and a reason to proceed through. He had reviewed the funds and stated that there is a nine-month return, about 9%, with the funds. Unless there would be an extraordinary event in the new few months, there is a very good expectation of getting the actuarial assumption of 7.5 which is not out of line and very much the norm. He noted he would get started going through the RFP's. He offered to respond to questions.

SCHENCK Chairman Schenck asked how long he thought it would take and whether there would be any steps along the way where the board might need to meet together.

HEILIG Mr. Heilig responded that Mr. Holman had suggested a six-week timeline, which he thought was doable.

HOLMAN Mr. Holman added that he would be sending out letters advising that the township had hired Mr. Heilig to help expedite the process. Following review by Mr. Heilig and the staff, the selection might be down to four or five to be called in for interviews which will include the pension board members who want to be involved. He expected to schedule the interviews all within the same day with about 30 to 45 minutes each.

HEILIG Mr. Heilig noted that it would be good to meet the individual managers.

HOLMAN Mr. Holman commented that Mr. Heilig had started the work as soon as the documents were handed to him.

HEILIG Mr. Heilig responded that he had reviewed Lancaster City's Police and Fire and Non-uniform Pension Plans. He had gone through several RFP processes. He thanked the board and stated he appreciated the opportunity to assist.

G. New Business

- a. Acknowledge monthly pension increase for Gregory Witmer from \$3,632.04 to \$4,024.30 and lump sum payment in the amount of \$784.52 for automatic cost-of-living-adjustment.

MR. DVORYAK MOVED TO ACKNOWLEDGE THE MONTHLY PENSION INCREASE FOR GREGORY WITMER FROM \$3,632.04 TO \$4,024.30 AND A LUMP SUM PAYMENT IN THE AMOUNT OF \$784.52 FOR AUTOMATIC COST OF LIVING ADJUSTMENT. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

H. Committee Motions:

There were no Committee Motions.

Additional Business:

HOSE Ms. Hose posed a question concerning the administrative duties for the Firemen's Pension Fund.

HOLMAN Mr. Holman responded that she would be receiving letters to clarify that YAUFR will be having their meeting prior to the end of the year. He suggested that she reach out to Chief McCoy.

HOSE Ms. Hose stated that she had the third quarter reports for them. She asked whether she should forward them to Mr. Holman or to YAUFR.

SCHENCK Chairman Schenck responded that she should follow the process with Mr. Holman until YAUFR makes decisions on how they want to handle it. He noted that he and Mr. Bishop both serve on the YAUFR board.

HOLMAN Mr. Holman requested a short Executive Session following adjournment regarding real estate.

I. Adjournment

SCHENCK Chairman Schenck adjourned the meeting at 12:40 p.m.

Respectfully submitted,

John J. Holman
Secretary

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