

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

**FEBRUARY 24, 2011
APPROVED**

The Fire and Police Pension Boards of Springettsbury Township held a meeting on Thursday, February 24, 2011 at 5:30 p.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

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

ALSO IN

ATTENDANCE: John Holman, Township Manager
Rob Carpenter, Fire Department Representative
Richard Diem, Fulton Financial
Annette Hose, Fulton Financial
Jean Abrecht, Stenographer

A. Call to Order

SCHENCK Chairman Schenck called the meeting to order at 5:30 p.m. He stated for the record that a Quorum was present.

B. Action on Minutes

1. Fire Pension Board Meeting of November 5, 2010
2. Fire Pension Board Reorganization Meeting of January 3, 2011
3. Police Pension Board Meeting of November 5, 2010
4. Police Pension Board Reorganization Meeting of January 3, 2011

MR. BISHOP MOVED TO APPROVE THE FOUR SETS OF MINUTES, ITEMS 1 THROUGH 4. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There was no public comment.

D. Correspondence and Other Communications

1. Police Pension Reports:
 - a. Signed copies of investment policy for Police Pension Fund from Fulton and F.N.B.
 - b. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund.
 - c. Acknowledge Receipt of Fulton Financial Trust Report for October 2010.

- d. Acknowledge Receipt of Fulton Financial Trust Report for November 2010.
 - e. Acknowledge Receipt of Fulton Financial Trust Report for December 2010.
 - f. Acknowledge Receipt of Fulton Financial Trust Report for January 2011.
 - g. Acknowledge Receipt of Fulton Financial Trust Report for Third Quarter 2010.
 - h. Acknowledge Receipt of Fulton Financial Trust Report for Fourth Quarter 2010.
 - i. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2010 through December 31, 2010.
 - j. Acknowledge Receipt of F.N.B. Wealth Management Report for Fourth Quarter 2009.
 - k. Acknowledge Receipt of F.N.B. Wealth Management Report for February 2010.
 - l. Acknowledge Receipt of F.N.B. Wealth Management Report for March 2010.
2. Fire Pension Reports:
- a. Signed copy of investment policy for Fire Pension Fund from Fulton.
 - b. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Fire Pension Fund.
 - c. Acknowledge Receipt of Fulton Financial Trust Report for Third Quarter 2010.
 - d. Acknowledge Receipt of Fulton Financial Trust Report for Fourth Quarter 2010.
 - e. Acknowledge Receipt of Fulton Financial Trust Report for October 2010.
 - f. Acknowledge Receipt of Fulton Financial Trust Report for November 2010.
 - g. Acknowledge Receipt of Fulton Financial Trust Report for December 2010.
 - h. Acknowledge Receipt of Fulton Financial Trust Report for January 2011.

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF CORRESPONDENCE AND OTHER COMMUNICATIONS AS LISTED ON THE AGENDA ITEMS D.1 AND D.2. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial: Police & Fire Funds

DIEM Richard Diem, Fulton Financial, presented the Fire Pension Fund report. He presented the Davis Research chart which indicated that valuations in the equity markets, the S&P 500, are in the middle of an upward trend and showed a strong recovery. He noted a key factor to watch is the 10-year Treasury rate, which will affect interest rates going forward.

Mr. Diem reviewed the Investment Performance Analysis as of December 31, 2010. He stated that the Benchmark Asset Sector Allocation shown was 45% S&P 500, 50% BIGC, 5% Cash. He reviewed each of the Total Equities' allocations followed by the Quarterly Results. Many of the quarterly results revealed slightly under the benchmark. However, research services are confident that the equity markets will continue to move upwards due to economic recovery strengths. Moving forward the new Investment Policy Statement will change the structure of the investments.

Mr. Diem reviewed the One Year, Three Years, Five Years and Since Inception figures, which indicated across the board to be very close to or above the benchmarks, all of which were documented in the written report. He noted that they will be watching the interest rates and inflation very closely and hoped the fund would return to outperforming the index during 2011.

DVORYAK Mr. Dvoryak commented that, as a result of the recent fall elections, the dynamics had changed in Harrisburg. He questioned whether that might help the township. Pension funds had struggled through the years, and he noted some of the prohibited investments within the Springettsbury policy which are state mandated. He, personally, manages pension funds and would like to indicate to authorities within the Commonwealth that, if they want to see employee pension funds perform well, they need to remove some of the prohibited investments. He asked what Mr. Diem, as a pension fund manager, would recommend in terms of including some of the prohibited investments.

DIEM Mr. Diem responded that Mr. Dvoryak had commented on several areas that could help the portfolio going forward. He indicated that the ability to operate in hedge funds, real estate, limited partnerships, etc. would be a good place to have exposure at this time. With the bond world rates getting pushed slightly up, the returns are not going to be that good. But having the alternative world would take some pressure off reliance on the bond portfolio. It would be good to have a little more flexibility and would provide a good hedge against the rest of the portfolio.

DVORYAK Mr. Dvoryak thanked him for his response.

SCHENCK Chairman Schenck asked whether Mr. Diem would move into the police report. He was surprised that there were no police officers present and commented that they may have been called out.

HOLMAN Mr. Holman stated that the meeting had been scheduled for a joint meeting and all had been notified.

DIEM Mr. Diem reported that the police fund would look very familiar with the same investments. However, the allocation is slightly different in the portfolio. The current benchmark for the police is 50% S&P 500; 45% Bond Index and 5% Cash, which will change with the new benchmarks going forward. He reported quarterly results were slightly behind for the quarter; however, despite that, it was indicated to be a good quarter. He reviewed the One Year, Three Years, Five Years and Since Inception results as well, all of which are documented in the written report.

Mr. Diem mentioned that, due to the portfolio changes, they will want to be sure that the funds currently within the portfolio meet with the Investment Policy Statement standards. He indicated that any exceptions will be made known to Mr. Holman for the board to determine the holdings.

- HOLMAN** Mr. Holman noted that prior to the next meeting the exceptions will be provided to the board members for review.
- DIEM** Mr. Diem asked they should remove anything that would appear not to fit the criteria or whether it would be presented and questioned as to whether to retain it in the portfolio.
- HOLMAN** Mr. Holman responded that he should present any exception report at the next meeting and the board could then determine its response. As he understood it, it might take another year to bring everything into perfect compliance with the plan. The goal is to generate improvement on the interest rate and not to hurt the funds.
- DIEM** Mr. Diem agreed and stated that there would be plenty to discuss in terms of the portfolio in the coming months.
- SCHENCK** Chairman Schenck called for any questions on the police presentation. He commented on the Actuarial Tables. He stated that they make an assumption of a rate of return, but he had never seen that return. He asked if that was an indication over time that the gap would keep growing.
- HOLMAN** Mr. Holman responded that the rate of return is 7% for the police and 6.5% for the fire assuming over a 15-30 year period the actuaries take a much longer look. Mr. Holman added that he was considering that in terms of the Strategic Planning and intended to ask Mr. Zimmerman of Conrad Siegel concerning the impact the next time the assessment is done. That would be in the years 2012 and 2013. He questioned what the impact would be if the assumption was taken to 6%. He stated that was something the board might want to review in terms of the restrictions on the investments.
- SCHENCK** Chairman Schenck agreed that it would be the time to determine the impact for future years. He indicated there are many who share the concern about long-term government pensions.
- DIEM** Mr. Diem stated that the last two years had been fairly good with returns but he thought it was a bounce back and that it would not continue.
- SCHENCK** Chairman Schenck commented that on the evaluation of the overall pension will be provided in two years, they could say that it's doing really well and suggest a cut back.
- DIEM** Mr. Diem noted that it becomes complicated because it works on both sides of the equation, the liabilities and the growth rate assumption.

DVORYAK Mr. Dvoryak wanted to reiterate his comments about the state and how the mandates are put in place in terms of how investments can be made. He indicated it was time to re-evaluate.

DIEM Mr. Diem commented that in years past they were used for speculation, but at this time they're more for dampening the volatility.

2. F.N.B.: Police Fund

LACHURE Rene Lachure, F.N.B. stated that Mr. Paese would not be present as he was attending a meeting in Pittsburgh. She commented on the discussion with regard to the actuarial percentage rate of 7% and based on the overall future goals it was probably a good assumption but over the last 10 or 12 years it has not been close to reaching its target.

Ms. Lachure commented on the crises situations in the Middle East and oil prices. They will be keeping a close watch on the situations and hope that the world will become more stable. She reported that the economy is growing at an average rate of 3 to 3-1/2 GDP. The fourth quarter was good with the Fed's buying of Treasuries giving the economy a boost along with a good Christmas season. There was some pick up in employment; unemployment rate down to 9%. The housing market is a deflationary problem that has gone into a double dip with foreclosures in Pennsylvania alone of one in about 1500. Those are some danger spots in the economy. However, overall they believe the markets are poised for some decent growth. Corporate profits have been great and 70% of companies beat their analyst's estimates. Individual balance sheets have been restructured with less debt and wise spending. Corporations have the most cash on their balance sheets since the 1950's. The Federal Government is the only entity whose balance sheet is not in order.

Ms. Lachure presented the F.N.B. report with some general information including the Investment Strategy and philosophy. She commented on the asset allocation and holdings in the portfolio with about 56% in stocks and a little extra in cash. The portfolio is broken down in Large Cap, Mid Cap, Small Cap, International Emerging Markets and Real Assets; a Commodities Fund and a Real Estate Fund. They are working on the portfolio to comply with the new Investment Policy Statement. She presented detailed quarterly results and reported that the account was up 5% versus a blended equity benchmark of 54%, 41% Barclays and 5% cash. The 12 month results were 10.6% versus 12.1% and since inception the results have been 5.6% right on the benchmark. She presented an investment scorecard report from an outside provider which revealed the total portfolio returns at 5% for 3 months, 10.6% for 12 months, 3.7% for 3 years, 4.9% for 5 years and 5.6% since inception. She reviewed the remainder of the written report and a summary of the investment Policy.

- SCHENCK** Chairman Schenck commented that it would be interesting to know which way the money is flowing within the portfolio and its impacts.
- LACHURE** Ms. Lachure responded that she would provide what she referred to as Scorecard for the next meeting, which would indicate over any period net contributions and distributions.
- HOLMAN** Mr. Holman noted that Springettsbury Township's contributions are made once. Employee contributions are made bi-weekly.
- SCHENCK** Chairman Schenck indicated that he would like to know when a serious contribution is made and how it impacts the fund.
- HOSE** Ms. Annette Hose, Fulton Financial, commented that he would see that in their report.
- LACHURE** Ms. Lachure noted that Mr. Paese has the information in their report as well. However, it is interesting to see it over a long period of time as well.
- HOLMAN** Mr. Holman commented that the township does not draw out of the F.N.B. fund because the paying out of funds all goes through Fulton. He added that was where the township's contribution is placed.
- SCHENCK** Chairman Schenck stated that he did not want a lot of work to go into this.
- HOSE** Ms. Hose responded that they would have it all pulled together.

F. Old Business:

There was no Old Business for discussion.

G. New Business:

1. Acknowledge payment to Conrad Siegel Actuaries in the amount of \$3,290.00 for actuarial services for the Fire Pension Plan through September 30, 2010.
2. Acknowledge payment to Conrad Siegel Actuaries in the amount of \$1,560.00 for actuarial services for the Police Pension Plan. Dates of service are March 8, 2010 through November 30, 2010.

MR. DVORYAK MOVED TO ACKNOWLEDGE THE TWO PAYMENTS LISTED IN THE AGENDA, ITEMS G.1 AND 2. MS. LANDIS WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- HOLMAN** Mr. Holman brought forward an additional item of New Business. He reported that one of the firefighters who had moved into management had requested to know whether or not his defined contribution funds could be transferred to his

defined benefit account. He would like to remove it as a defined benefit and move those funds into defined contribution. Mr. Holman's question to the board was whether or not he could contact Conrad Siegel to review the matter. A lengthy discussion took place, which is summarized:

- Would this be done individually or for anyone within the plan.
- How would this impact the plan on a long-term basis.
- Is the process legal; if so, could be something to offer on a global basis.
- Conrad Siegel services would be a pension fund cost and not a cost to the general liability.
- Preference would be to investigate this on a global basis.
- A fully-vested individual would lose nothing from his funds by making this switch.
- Response to the question would set a policy tone.
- Defined benefit plan may dictate that a partial or lump sum distribution cannot be removed.
- An individual can begin to draw funds at age 55; also if frozen or terminated.
- Process would be included in the Strategic Planning moving forward.

Consensus was to investigate the question with Conrad Siegel on a global basis.

H. Committee Motions:

There were none for discussion.

I. Adjournment

SCHENCK Chairman Schenck adjourned the meeting at 6:30 p.m.

Respectfully submitted,

John Holman
Secretary

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