

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

**SEPTEMBER 8, 2011  
APPROVED**

The Fire and Police Pension Boards of Springettsbury Township held a meeting on Thursday, September 8, 2011 at 5:30 p.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

**MEMBERS IN**

**ATTENDANCE:** George Dvoryak  
Bill Schenk  
Mike Bowman  
Julie Landis

**MEMBERS NOT**

**IN ATTENDANCE:** Don Bishop

**ALSO IN**

**ATTENDANCE:** John Holman, Township Manager  
David Trott, Police Department Representative  
Jack Hadge, Finance Director  
Richard Diem, Fulton Financial  
Tom ZIMMERMAN, Actuary, Conrad Siegel  
Jean Abreght, 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. He stated that Mr. Bishop might arrive late due to another commitment with a York County Economic Development Authority meeting.

B. Action on Minutes

1. Fire/Police Pension Board Meeting of May 12, 2011

**MR. DVORYAK MOVED TO APPROVE MINUTES OF THE MAY 12, 2011  
FIRE/POLICE PENSION MEETING. 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.
- b. Acknowledge Receipt of Fulton Financial Trust Report for First Quarter 2011.
- c. Acknowledge Receipt of Fulton Financial Trust Report for April 2011.

- d. Acknowledge Receipt of Fulton Financial Trust Report for May 2011.
- e. Acknowledge Receipt of Fulton Financial Trust Report for June 2011.
- f. Acknowledge Receipt of Fulton Financial Trust Report for July 2011.
- g. Acknowledge Receipt of F.N.B. Wealth Management Report for December 2010.
- h. Acknowledge Receipt of F.N.B. Wealth Management Report for First Quarter 2011.
- i. Acknowledge Receipt of F.N.B. Wealth Management Report for February 2011.
- j. Acknowledge Receipt of F.N.B. Wealth Management Report for April 2011.
- k. Acknowledge Receipt of F.N.B. Wealth Management Report for May 2011.
- l. Acknowledge Receipt of F.N.B. Wealth Management Report for June 2011.
- m. Acknowledge Receipt of F.N.B. Wealth Management Report for July 2011.

**MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF ITEMS A THROUGH M. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

Reports from Financial Advisors

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

**DIEM** Richard Diem, Fulton Financial, provided the report for the pension portfolio of the Springettsbury Township Police Department. A written report was provided to the board, which Mr. Diem reviewed in detail. Some highlights follow:

- Allocation results as of August 11, 2011; Cash -0.6%, Fixed Income 53.6% and Equities 46.9%; \$4.8 million; Estimated Annual Income \$102,145 with a 2.12% overall yield.
- Top holdings – Cash, Federated Fixed Income and Equities
- Performance Results – Cash 0% for Citi 3-month Treasury Bill; Since Inception 1.98%, Fixed Income - +1.71 versus benchmark of 2.12%, Equities - +.71%, S&P + .1%
- Total Managed Portfolio +1.2 for the quarter; benchmark +1.26%

New Portfolio Recommendations

**DIEM** Mr. Diem presented the board with an FFA recommended list of funds for potential inclusion in the portfolio. A lengthy discussion ensued surrounding some of the funds which were judged to be exceptions to the newly-established Investment Policy Statement. FFA is working with a new strategy group, Fortigent, which recommended some different mutual funds for use within the portfolio, some of which remain the same, and some will change. He noted the list of fund recommendations: Federated Strategic Value, Edgewood Growth, Managers AMG Renaissance, Natixis Vaughan Nelson, Managers AMG GW&K Small Cap, Harbor International, Manning & Napier, Eaton Vance and Federated Bond SMA. Within that list, several are exceptions within the new Investment Policy Statement. A lengthy discussion took place involving the pros and cons of the funds which are exceptions, for example Federated Strategic Value fund,

which encompassed a large portion of the current portfolio and had been a quality performer year-to-date. Some additional points discussed:

- Performance would be re-evaluated in six months time for results; additionally reviewed quarterly.
- Money and time was spent in developing the Investment Policy Statement; very detailed, somewhat restrictive.
- Actuarial assumptions are built into portfolio plans; board has fiduciary responsibility for results.
- Combining police portfolios into one under one manager may increase holdings.
- Comparison of proposed portfolio against benchmarks would assist in understanding.
- Evaluation of common benchmarks; eliminating moving benchmarks.

**MR. DVORYAK MOVED TO DELAY IMPLEMENTATION OF ANY EXCEPTIONS AT THIS TIME PENDING REQUEST FOR PROPOSALS FROM FIRMS TO COMBINE THE TWO PORTFOLIOS FOR THE POLICE PENSION FUND AND AT THAT TIME TO REQUEST AS ONE OF THE REQUIRED RESPONSES HOW THAT FIRM AND WHAT EXCEPTIONS THEY WOULD WANT TO SEE TO OUR EXISTING INVESTMENT POLICY STATEMENT IN ORDER TO MANAGE THE PORTFOLIO AND TO GENERATE THE TYPE OF RETURN THE HURDLE RATE THAT WE'VE BUILT INTO OUR ACTUARIAL ASSUMPTIONS.**

**TROTT** Lt. Trott asked how that would affect the current holdings, for example, would some of the holdings have to be removed or could some be held. He added that some action would have to be taken with that motion.

**DIEM** Mr. Diem responded that he was correct in that the bond portfolio and likely most of the current mutual funds would have to be removed. He noted that one portfolio could be provided that would meet all the criteria.

**BOWMAN** Mr. Bowman asked whether there would be an expense with going into and out of the mutual funds.

**DIEM** Mr. Diem responded that there would be no expense as they would be institutional no load funds. Individual stocks or bonds would have a brokerage fee, not a fee to FFA.

**DVORYAK** Mr. Dvoryak commented that his intent with his motion would be to meet the board's fiduciary responsibility and conform with the Investment Policy Statement that was recently re-designed. He was not comfortable with personal liability in making exceptions.

**MESSRS. TROTT AND BOWMAN VOTED IN FAVOR; MESSRS. SCHENCK, DVORYAK AND LANDIS VOTED AGAINST. MOTION FAILED 2/3.**

**MS. LANDIS MOVED TO GO AHEAD AND RECOMMEND THE FFA PROPOSED FUNDS WITH THE EXCEPTIONS TO CHANGE THE EXISTING FUNDS THAT ARE CURRENTLY IN THE PORTFOLIO. MS. LANDIS, MR. BOWMAN AND LT. TROTT VOTED IN FAVOR; MESSRS. DVORYAK AND SCHENCK VOTED AGAINST. MOTION CARRIED 3/2.**

**SCHENCK** Chairman Schenck noted the time and indicated that it was necessary to cover the Fire Pension portfolio and receive a report from Tom ZIMMERMAN, Actuary. He asked Mr. Diem if he would have the same questions for the Fire portion.

**DIEM** Mr. Diem responded that he would make the same presentation for the Fire Pension portfolio, as well as the same recommendations suggested by FFA.

**SCHENCK** Chairman Schenck commented that it a separate motion would be required, but Lieutenant Trott would not be able to vote. If no board member changes their vote, it would be a stalemate. There was no representative present for the Fire Pension Board so action concerning the recommended FFA list for fire was tabled.

**SCHENCK** Chairman Schenck asked whether there was any interest in Mr. Dvoryak's suggested motion regarding combining the police funds and having some review work done toward having one fund with one manager.

**HOLMAN** Mr. Holman responded that he could begin the preparation work.

**DIEM** Mr. Diem asked whether there would be one or two portfolios.

**SCHENCK** Chairman Schenck responded there would be two portfolios as the Police and Fire have to be separate. It would be to not have two accounts for the police.

b. Investment Presentation for: Springettsbury Township Fire

**DIEM** Mr. Diem provided the report for the pension portfolio of the Springettsbury Township Fire Department. A written report had been provided to the board, which he reviewed in detail. Some highlights follow:

- Asset Categories - Cash \$11,521.83 (0.4%); Fixed Income \$1,672,835.06 (56.8%); and Equities \$1,262,358.94 (42.8%). Total Market Value: \$2,946,715.82.
- Estimated Portfolio Yield, 2.16% generating approximately \$64,000 a year.
- Performance for three months revealed Cash .0% versus benchmark of .02%; Fixed 1.74% versus benchmark of 2.12%; Equities 0.68% versus benchmark of 0.10% for a three month Total of 1.21% versus benchmark of 1.43%.

- Since inception the Total Managed fund was 5.12% versus a benchmark of 4.79%.

**DIEM** Mr. Diem stated he would work on the changes for the police portfolio and table any changes within the fire portfolio.

**HOLMAN** Mr. Holman stated he would begin work on the RFP.

2. F.N.B.: Police Fund

There was no further report.

E. Report from Actuary

1. Actuarial Assumption Change Recommendations.
  - a. Utilizing year 2000 mortality table.
  - b. Authorize use of disability table.

**ZIMMERMAN** Tom Zimmerman, Conrad Siegel Actuary, presented the board with his report as of January 1, 2011, a report which is prepared every other year. His report determines the MMO, the Minimum Municipal Obligation, or cost of the plan for 2012, 2013 and perhaps 2014. The reconciliation of assets exceeded the benchmark of 7.5% in annual return. He reviewed a summary of plan membership which included 16 retirees paid \$540,000 a year and one spouse receiving \$12,000 a year for a total of \$550,000 going out of the fund.

- Actuarial funding calculations and assumptions – Investment return assumption 7.5%; Salary Increase assumption 5% each year.
- Retirement age established at 53 years and 25 years of service.
- Mortality assumption – Using RP2000 table; Retirement Pension using life expectancy improvement.
- Disability – More explicit use of disability table estimating probability of disability at each age. Decreases cost of the plan slightly.
- Changes to Mortality and Disability Assumptions need board approval.

**ZIMMERMAN** Mr. Zimmerman reviewed the valuation results. Documentation had been presented to the board for their review. Following is a summary:

- Cost of benefits earned in 2011 for active officers: \$400,000; % of 2010 pay; 15.5% compared with 15.6% 1/1/09.
- Unfunded liability from 1/1/09 to 1/1/11 - \$3.2 million (09) to \$2.1 million (11). Single biggest reason for decrease is good investment gains which exceeded the 7.5% assumption; benefits of not using asset smoothing
- Killed In Service Benefit – Eliminated. Pennsylvania will now provide payments to spouses of officers killed in the line of duty; liability lowered by \$67,000. Assumption change amortized over 15 to 17 years, lowers the cost starting in 2012 by \$78,000.

- Funding mediation - \$391,000 – Valuation time lag; Act 205 valuation for MMO.
- Cost of the plan: Amortization of unfunded liability, \$741,000; Officers pay 5% of pay toward MMO or \$612,000; Actual 2012 MMO is \$612,225; Township should receive \$207,000
- Net cost for General Fund, about \$405,000 in 2012 and potentially 2013.
- Funding Radio – 1/1/09@72%; 1/1/11@83%; Township at Distress Level 1 or minimally distressed in the 70% to 90% range. No implications on this.

**DVORYAK** Mr. Dvoryak asked for Mr. Zimmerman’s comment on the 7-1/2% actuarial assumption return. He noted Mr. Diem’s report over the past nine years that generated an average annual return of 5-1/2%.

**ZIMMERMAN** Mr. Zimmerman responded that most portfolios with 60 to 65% equity would have an 8% assumption. The township’s plan was historically more conservative than many plans. He did not see any reason that the stock market would not revert to its mean. The challenge in the next few years is the return on fixed income.

**MR. SCHENCK MOVED TO ACCEPT THE CHANGES IN THE MORTALITY TABLE AND THE DISABILITY TABLES PER THE ACTUARIAL ASSUMPTIONS. MOTION UNANIMOUSLY CARRIED.**

**ZIMMERMAN** Mr. Zimmerman moved into the Fire Pension report. He reported that the fund was intentionally invested more conservatively, which had produced a 9.2% good return. The assumption is 6.5% so the fund is exceeding the assumption. He reviewed the following:

- Summary of Plan Membership – Six retirees receiving \$162,000 a year.
- The same two assumption changes in the mortality and the disability tables were recommended.
- Assumptions offset each other with the two changes. Raises the cost slightly \$2,000 a year, but normal cost is 15% of payroll up from 14.4% because of the mortality table.
- Unfunded liability from 2009 to 2011 \$1.3 million down to \$700,000; nice investment gain; Battalion Chief left this plan and joined YAUFRR plan.
- Net result about a \$400,000 gain. Amortized along with the assumption change saves about \$40,000.
- MMO – members pay 5% of pay or \$237,000 MMO. Actual MMO was done for 2012 and came in at \$213,000. Reason – payroll dropped from 2010 to 2011 due to less overtime or approximately \$58,000 lower than the prior year.
- Funding ratios – YAUFRR Plan increased from 66% to 82%. YAUFRR also considered minimally distressed. No implications or decisions associated.

**MR. DVORYAK MOVED TO ACCEPT THE MORTALITY TABLES AND THE DISABILITY TABLES PER THE ACTUARIAL ASSUMPTIONS FOR THE FIRE PENSION PLAN. MOTION UNANIMOUSLY CARRIED.**

F. Old Business

There was no Old Business for discussion.

G. New Business

There was no New Business for discussion.

H. Committee Motions:

1. Motion to accept Conrad Siegel Actuaries' recommendation for changes to the actuarial assumptions for the January 1, 2011 valuation report, Mortality and Disability Tables.

This action was taken above.

**I. ADJOURNMENT**

**SCHENCK** Chairman Schenck adjourned the meeting at 6:55 p.m.

Respectfully,

John Holman  
Secretary

ja