

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

**MAY 12, 2011
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, May 12, 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 Schenck
Don Bishop
Mike Bowman
Julie Landis (Arrived 5:40 p.m.)

ALSO IN

ATTENDANCE: John Holman, Township Manager
Joe Paese, F.N.B. Wealth Management
Rene Lachure, F.N.B. Wealth Management
Karen Kenderdine
Richard Diem, Fulton Financial
Lt. David Trott, Police Department
Jean Abreght, Stenographer

A. Call to Order

SCHENCK Chairman Bill Schenck called the meeting to order at 5:30 p.m. He welcomed the members. He noted that a Quorum was present.

B. Action on Minutes

1. February 24, 2011 Joint Fire/Pension Board Meeting

HOLMAN Mr. Holman noted that the Board set up joint meetings to occur throughout the year, as opposed to the individual meetings.

**MR. DVORAK MOVED TO ACCEPT THE MINUTES AS PRESENTED.
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 February 2011.
- C. Acknowledge Receipt of Fulton Financial Trust Report for March 2011.
- D. Acknowledge Receipt of F.N.B. Wealth Management Report for December 2010.

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- E. Acknowledge Receipt of F.N.B. Wealth Management Report for Fourth Quarter 2010.
- F. Acknowledge Receipt of F.N.B. Wealth Management Report for January 2011.
- G. Acknowledge Receipt of F.N.B. Wealth Management Report for March 2011.

2. Fire Pension Reports:

- A. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Fire Pension Fund.
- B. Acknowledge Receipt of Fulton Financial Trust Report for January 1 through December 31, 2010.
- C. Acknowledge Receipt of Fulton Financial Trust Report for February 2011.
- D. Acknowledge Receipt of Fulton Financial Trust Report for March 2011.

**MR. BOWMAN MOVED TO ACKNOWLEDGE RECEIPT OF THE
CORRESPONDENCE AND COMMUNICATIONS AS LISTED ON THE
AGENDA FOR THE POLICE AND FIRE PENSION REPORTS. MOTION
UNANIMOUSLY CARRIED.**

E. REPORTS FROM FINANCIAL ADVISORS

- A. F.N.B. Wealth Management

PAESE Joe Paese introduced Karen Kenderdine as the new Relationship Manager on the account. Mr. Paese gave a recap on Tab 3 of the documented report noting that the market value at the beginning of the year was \$5,233,054. He stated during the month they had fiduciary fees for the quarter and earned income plus appreciation so the account grew to approximately \$5.39 million for the quarter. He noted that they went through a fee increase for their group, which began 4th quarter last year and continued through March 31, 2011 but there had been no change to the township's account. He will be presenting a fee change, which will need approval, along with a new investment advisory document, which he advised was simply a formality and not a contract term. He will be sending it out well in advance of the next meeting to allow time for review, stating it will be a reasonable fee, not a significant increase. Mr. Paese stated he intentionally held off on that to stay in tune with when the account was received ten years ago. The fee had not been changed since the original contract was consummated with Springettsbury Township.

LACHURE Rene Lachure pointed out the documentation presented by their business partner Argus, noting its viewpoint and indicating it will come out quarterly and addresses components of the economy. Ms. Lachure continued that the world economy had exhibited some major difficulties in Egypt and Libya which added to increasing commodity prices. Gold and silver were stronger but the dollar was weaker. The price of oil impacted the economy as well. The overall quarter was good with the S&P 500 up almost 6% for the quarter. International markets lagged somewhat and the

mid and small cap portions of the market continued to do better than the large caps. The EFA was up 3.4% for the quarter, but the emerging market lagged at 2.1%. The most surprising sector that was up was energy, up over 16% for the quarter. Unemployment went down slightly but was back up in the ensuing month. Housing prices continue to dip and be problematic. Money market rates are where they were in the 1930's during the Great Depression. The inflation rate will be carefully watched going forward.

Ms. Lachure reviewed the tabbed report. She stated the positions in the account at 55% equities, 41% fixed income and about 4% cash. She noted that 70% of the stocks are large cap U. S. stocks. She reviewed the performance and stated that the account overall rate of return was 3.1% vs. a blended benchmark of 3.3%. The 12-month results were 10.3% vs. a benchmark of 11%; since inception in 2001, 5.8% vs. 6.2%.

LANDIS Ms. Landis asked how the Frank Dodd legislation might affect the investment portion of the portfolio.

PAESE Mr. Paese responded that the biggest issue recently was the custody ruling and more transparency of assets. He indicated it related more to the banking side rather than a trust company or investment advisor. The issue is the custody side of who has the assets.

LACHURE Ms. Lachure added that consumer protection is the watchword.

2. Fulton Financial: Police & Fire Funds

DIEM Richard Diem, Fulton Financial, began with Tab 3 of the report. Two sheets – one for the Police and one for the Firemen. The funds look exactly the same so there will not be much difference between the firemen and the police funds. As far as the overall strategic allocation in the asset class level, there are slight differences. The police fund is more aggressive. Current allocation in the portfolio is 52% in equities and 47.6% in the fixed income and a little bit in cash. The firemen fund is a more conservative portfolio, with an allocation of 47.8% in equities, 50.1% in fixed income and 2% in cash. In both cases the portfolios are more aggressive than the new benchmarks. As new funds are put into place, they will take it back to the target fixed income percentages in the portfolios.

Mr. Diem reviewed the performance for the police fund. Account rate of return was 3.2% for the quarter. The Barclays B Aggregate benchmark is 52.5%. The first quarter was ahead due to the equities outperforming at 6.1% vs. 5.92% for the S&P 500. International underperformed for the quarter. Eaton Vance was up only 1.13%. Foreign countries influenced the International markets favorably. Fixed income resulted in 49% vs. 42% and 34% vs. 38%. Mr. Diem projected that the equity markets may do

some better than fixed income moving forward. He continued a review of the performance numbers. One year reveals a 9.59% vs. 10.12; 9.86% vs. 9.78% Equities did well at 17.11% vs. 15.64% for the one-year period. Fixed income lagged slightly at 3.82%. For the firemen over the same one-year period the results were up 9.28%; three year numbers in line at 3.8%. Five year numbers continue to outperform with the portfolio up 4.34% per year.

Mr. Diem stated that he will be pulling back toward the target benchmarks as new funds are approved for the portfolio. He and Ms. Hose presented documentation with suggestions for future investments. Some of the commentary is listed below:

- Eaton Vance - Issue with tenure with it being shorter than the criteria of five years. The companies keep a management team or a process in place for a long time, but when they do switch managers, that could become an issue again.
- Cambiar – There are no issues.
- Edgewood - There are no issues; can be placed in portfolio at any time.
- Federated Strategic Value does have a performance issue. Must have three years of top 35% performance. They dropped down over the three years.
- Harbor International - Tenure becomes an issue. It meets all the other criteria, but their portfolio manager who ran the fund retired last year. It went from 25 years of tenure down to 1.6% on the Morningstar sheet.
- Welsh and Kotler – a new fund; tenure issue in ranking as far as performance.
- Manning & Napier – There are no issues.
- Natixis Vaughan – Tenure of the manager is an issue. This is a newer fund and the dollar amount of assets is still growing; does not meet the \$100 million mark.
- Perritt Micro Cap – There was some violation on performance over the last three years.

Mr. Diem noted that all the companies had been rated by the company Forgent that looks at these funds. They are the funds Fulton is using in most of their client portfolios. If they were selecting a new portfolio to put together, these would be the funds used to populate it. Mr. Diem added that if the board was uncomfortable in approving any of the above, they can use an index fund in any of the categories to populate that part of the portfolio.

LANDIS Ms. Landis asked Mr. Diem for his personal opinion with regard to the tenure issue.

DIEM Mr. Diem responded that just because a manager has left does not indicate that the team disappeared and the process is falling apart. Forgent's

approach to getting the managers is to make sure that their guiding tenants is to review the investment process that got great returns is still in place and that it is repeatable over time. They like to see a consistent approach and consistent outperformance. Tenure can be overdone; just because one person is lost, there is still a team of people working on it.

HOSE Ms. Hose interjected that the police and firemen policies seem to give some flexibility in its wording to say manager tenure, 5 years or more, and takes into consideration the management as a whole.

DIEM Mr. Diem noted that it makes good sense to have a higher level of scrutiny for such things. He asked the board to review the documentation for approval on the funds at a future meeting.

BOWMAN Mr. Bowman asked for clarification of oil prices affecting stock prices.

DIEM Mr. Diem responded typically oil prices act as a tax on consumers. Some recessions have been predicted by an oil price shock. A 33% increase in oil prices over a year to year period becomes a higher demand and pushes the price up. If oil falls off and markets go down, that may be more of an issue of the risk of trade and individuals removed some riskier assets and not because of any fundamental economic reason. Mr. Diem noted that there had been a lot of strange associations over the last few years. He indicated that the Federal Reserve won't likely raise interest rates until June of 2012.

Mr. Diem referred to the Channel Chart, which indicated that the funds are right in the middle zone, which is a somewhat comfortable place to be. He stated that the bond market is in a different place with rates getting down to 3.2%, and they won't be going up any time soon. Federated which runs the bond portfolio has reduced the duration of the portfolio to below the benchmark about 90%. They're buying shorter term bonds because rates have been beaten up so much. They will go up again but I think there's too much slack in the economy as far as labor markets and industrial capacity for inflation really to take a lot of root.

SCHENCK Chairman Schenck asked whether he was looking for action this date.

DIEM Mr. Diem responded that he was not looking for any action, but requested the board review the documentation and send some feedback within the next few weeks.

HOSE Ms. Hose presented a report that had been requested by Chairman Schenck. She had reviewed the funds and tracked the police fund back from 2002 at the inception of when Fulton began to manage that fund. The second page represented the firemen pension fund back to 2005 when Fulton began to manage that fund. She had broken it down by the contributions received noting the Employer would be Springettsbury

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Township's MMO obligation that was paid into the fund. The Employee would be the Officer's contributions into the fund. Other receipts, the numbers were from the years 2000 and 2006. The first five years Legacy would transfer money from their fund to Fulton's because Fulton was handling all the distributions. At some point that stopped and the employer contributions were funding it enough to cover the distributions of the fund.

Ms. Hose stated that Distributions would represent all the pension payments received and that bottom line difference showed the net difference between contributions less distributions. She noticed and pointed out as she scrutinized the numbers that it did not pick up the health insurance premium payments which are deducted from some of the retirees' pension distributions. Some of them opt to have a portion of their health insurance premium payment deducted from their pension payment and that is forwarded to the township which takes care of paying for the health insurance premiums for them. Those numbers are not reflected in the total distribution column. Under the police, it represents about \$35,000 annually of additional distributions that come out. Under the firemen pension fund it's about \$5,000 annually to come out of the distribution.

LANDIS Ms. Landis asked where that would be reflected on the balance sheet.

HOLMAN Mr. Holman responded that it becomes a reduction in what the township has to pay into the insurance claim funds. Instead of taking it out of the budget, it is the line item coming in that offsets what is to be paid. It will be documented on the revenue sheets under life insurance refunds.

SCHENCK Chairman Schenck thanked her and noted he appreciated her providing the report.

3. OLD BUSINESS

There was no Old Business for action.

4. NEW BUSINESS

1. Acknowledge monthly pension fund increase for Mr. Drawbaugh from \$3,540.35 to \$3,597.00.

MR. DVORAK MOVED TO ACKNOWLEDGE MONTHLY PENSION FUND INCREASE FOR MR. DRAWBAUGH FROM \$3,540.35 TO \$3,597.00. MOTION UNANIMOUSLY CARRIED.

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2. Ordinance Amending Police Pension Funds in the Municipal Code. This amendment brings the ordinance into compliance with Act 51 of the State Statutes which replaced Act 30.

HOLMAN Mr. Holman explained that action on item 2 is a housekeeping ordinance. Act 30 was superseded by Act 51 where the state took over the responsibility of paying funds due to an officer killed in service. Action will bring township ordinance into compliance with the state. He added that he had reviewed it with Lt. Trott and Sgt. King, President of the Police Bargaining Unit.

SCHENCK Chairman Schenck asked whether the item will come up on the Board of Supervisor's Agenda.

HOLMAN Mr. Holman responded that it would, in fact, come up for advertisement on the Board of Supervisors agenda. However, he wanted the Pension Board representatives, as well as Lt. Trott and Sgt. King of the committee to be aware that the change will be coming.

TROTT Lt. Trott stated that he was familiar with it and that it had been a long time in coming. He noted it will save money for the pension fund and they have no issues with it.

HOLMAN Mr. Holman added that it will save about \$8,000 a year.

SCHENCK Chairman Schenck indicated that the Pension Board would not have to take any action but that it would come up for advertisement approval with the Board of Supervisors.

I. Adjournment

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

Respectfully submitted,

John Holman, Secretary

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