

**SPRINGETTSBURY TOWNSHIP  
POLICE PENSION BOARD**

**MAY 23, 2019  
APPROVED**

The Springettsbury Township Board of Supervisors held a Regular Meeting of the Police Pension Board on Thursday, May 23, 2019 at 6:00 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

**MEMBERS IN**

**ATTENDANCE:** Mark Swomley, Chairman  
George Dvoryak, Vice Chairman  
Robert Cox

**MEMBERS NOT**

**IN ATTENDANCE:** Charles Wurster, Secretary/Treasurer  
Justin Tomevi  
Brian Wilbur, Police Department Representative

**ALSO IN**

**ATTENDANCE:** Ben Marchant, Township Manager  
Corporal John Lawton, Police Department Representative  
Mark Renzini, F.N.B. Wealth Management  
Renee Laychur, F.N.B. Wealth Management  
Jonathan Cramer, Conrad Siegel  
Jessica Fieldhouse, Director of Community Development  
Jean Abreght, Stenographer

**1. CALL TO ORDER**

**SWOMLEY** Chairman Swomley called the Police Pension Board meeting to order and determined that a Quorum was present.

**2. ACTION ON MINUTES**

A. Police Pension Board Meeting Minutes – February 28, 2019

**MR. DVORYAK MOVED TO APPROVE THE MINUTES. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**3. PUBLIC COMMENT**

There was no public comment.

**4. CORRESPONDENCE AND OTHER COMMUNICATIONS**

A. Police Pension Reports:

- (1) Acknowledge Receipt of First Quarter Payroll Pension Contribution Reconciliation Report
- (2) Acknowledge Receipt of February, 2019 F.N.B. Management Report
- (3) Acknowledge Receipt of March, 2019 F.N.B. Management Report
- (4) Acknowledge Receipt of April, 2019 F.N.B. Management Report
- (5) Acknowledge Receipt of Police Pension, Death and Disability Fund Actuarial Reporting as of December 31, 2018 from Conrad Siegel Actuaries (GASB 67 and 68)
- (6) Acknowledge Receipt of Postretirement Benefits Plan Actuarial Valuation as of January 1, 2018 from Conrad Siegel Actuaries (GASB 75)

**MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF ITEMS A(1) THROUGH (6) AS LISTED ON THE AGENDA. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

## **5. REPORTS FROM FINANCIAL ADVISORS**

### **A. F.N.B. Wealth Management**

**RENZINI** Mark Renzini, Market Manager, F.N.B. Wealth Management presented the portfolio results to the end of the First Quarter. He noted that F.N.B. had committed to being the township's Partner for the Sounds of Summer Concert Series Fireworks Series.

**SWOMLEY** Chairman Swomley thanked him.

**RENZINI** Mr. Renzini reported on Section I of the books presented to the board. The Net Asset Summary for the First Quarter had a beginning market value of \$16,016,655.99. Contributions were \$43,415.61 and Distributions of \$210,580.13. Total Income \$84,148.76 with some Gains and Accrued Income and a significant Market Appreciation almost \$1.2 million dollars for an ending balance of \$17,143,859.22. It was a very good Quarter.

**LAYCHUR** Renee Laychur, Director of Portfolio Management of F.N.B. provided a shortened presentation due to the report coming from the representative from Conrad Siegel. She noted that the First Quarter had been great. A review of the investment results revealed the following Year-To-Date results: Cash & Equivalents 0.56, Fixed Income 3.11, Equities 13.61, overall account 8.13 versus a benchmark of 7.16. Additionally April's results were equally good with Cash & Equivalents at 0.75, Fixed Income 3.45, Equities 17.91, overall account at 10.43 versus the benchmark of 10.43. Ms. Laychur stated they do not see a recession in the U.S. The U. S. has been 10 years without a recession.

B. Conrad Siegel

**CRAMER** Jonathan Cramer of Conrad Siegel presented a Preliminary Actuarial Valuation Result as of January 1, 2019. He noted the valuation is a picture of the financial status of the Pension Plan as far as assets and liabilities are concerned. The valuation takes place every January 1<sup>st</sup> of odd number of years, such as in 2017, 2019, etc. The results are important as they help determine the Minimum Municipal Obligation that the township will contribute, along with State Aid, for the Pension Plan in 2021, 2022 and perhaps 2020. Mr. Cramer had provided a handout to the board members, as well as a PowerPoint for the overheads.

For the purpose of these minutes some highlights of Mr. Cramer's presentation follow:

- Key assumption made toward the Assumed Rate of Return on the investments; currently 7-1/4%.
- Salary increases for the Officers over the long term average 5% annually. Cost-of-Living increases are 3% annually. Officers who were retired for five years receive Cost-of-Living adjustments every year based on inflation.
- Rate of Return was 13.66% in 2017.
- Active Membership went up by one Officer from 2017 to 2019. Former Vested Members and Retirees remain level.
- Accrued Liability as of 1/1/19 is approximately \$19.8 million; two years ago it was \$18.3 million.
- Unfunded Liability at beginning of valuation on 1/1/17 was \$3.4 million; as of 1/1/19 \$3.8 million. Increase due to dip in the assets at the end of 2018.
- How to pay for the Unfunded Liability of \$3.8 million by an Amortization Basis; township amount now is \$472,000. Two years ago the figure was \$513,000.
- Actuarial Loss for two-year period of \$859,000 due to poor market return and not meeting that 7-1/4%.
- Normal cost of the plan is the cost for one year of benefits accrued, about 17.2% of pay.
- MMO – take Normal Cost of Benefits for one year - \$527,000; added Administrative Expenses based on average expenses (cost for Actuary and Investment Management: \$59,000). The Amortization component is \$472,000. Subtract Expected Member Contribution providing the MMO for the year.

**CRAMER** Mr. Cramer discussed the Funded Ratio over the last 10 years or the last five valuations. The Funded Ratio has been fairly steady in the 80% to 90% range. The Funded Ratio is important because when combined with other retirement plans for non-uniformed employees, that determines the Distress Level of the

plans for the township. Below 90% is a Distress Level 1; most plans are in that range. Falling below 70% calls for taking other actions.

Mr. Cramer discussed Actuarial Assumptions. The assumed rate of interest or rate of return on the fund currently is 7-1/4%. There is a trend with valuations to push that downward mainly because it is getting harder to meet a 7-1/2 or 8 percent return. Mr. Cramer did not recommend that any depression be done at this point but to review again 1/1/21 at which time it might be appropriate to drop to 7%.

Mr. Cramer stated that another key assumption is the Mortality Table Assumption, which is a projection of how long people will live. The Society of Actuaries has published new mortality tables specific to public sector employees. There is a table for general employees and a table specific to public safety which includes police officers, firemen, correctional officers. It anticipates additional life expectancy when compared with the current table. The table they are using is labeled IRS 2017 Small Plan Combined Static Table. A male is expected to live from age 60 to 84; a female from 60 to 85.7. The public safety table has increased life expectancy from age 60 – a man 85.6 and a female 87.5, which reflects improved life expectancy. Mr. Cramer did not recommend that the township make any changes at this time but to give strong consideration on the rate of return.

Mr. Cramer mentioned the Five Year Asset Smoothing Method, which allows for any time there is an unexpected gain or loss in the asset return. The asset value can be smoothed out over time. He did not recommend any approval on this, but consideration for approval in August to adopt the New Mortality Table and the Five Year Smoothing Method. If this were done, the MMO purposes and the illustrated MMO would be about \$820,000; less than \$905,000 and not as great as \$974,000.

**SWOMLEY** Chairman Swomley asked if the smoothing is a rolling number continued every five years.

**CRAMER** Mr. Cramer responded that it is done every five years. On January 1, 2021 there would be a review of the last four year gains and losses and smooth them.

**SWOMLEY** Chairman Swomley asked what the downside would be.

**CRAMER** Mr. Cramer responded that if there were a couple of great years in a row, the asset value for the valuation would be less than market value. You can flip back to market value but probably should maintain it for a few valuations.

**DVORYAK** Mr. Dvoryak commented that he understood the fund is at 80% funded level.

**CRAMER** Mr. Cramer responded that it is just under 80 percent.

**DVORYAK** Mr. Dvoryak questioned whether adopting that would affect the under-funded level as well.

**CRAMER** Mr. Cramer responded that the reported funded ratio would then jump up due to reflecting a higher Asset Value. Reported Funded Ratio would be 87%.

**DVORYAK** Mr. Dvoryak noted his recommendation is to do the Five Year Smoothing.

**CRAMER** Mr. Cramer responded that the Five Year Smoothing must be done in conjunction with the Mortality Table.

**SWOMLEY** Chairman Swomley proposed doing the smoothing with the mortality rate and drop the interest rate to 7%.

**CRAMER** Mr. Cramer noted he had not calculated that, but it might be up a little over \$900,000.

**LAYCHUR** Ms. Laychur commented that the smoothing is often used by endowments and perpetual funds. It's pretty common in that world, so it does make some sense and levels things.

**LAWTON** Corporal Lawton asked whether he had compared it to just individual studies of Police Officers.

**CRAMER** Mr. Cramer responded that they have that question a lot because Police Officers do face additional hazards. The Mortality Rate might be higher while working from age 30 to 55, but once retired, officers generally have kept themselves in good health. That lends itself to a longer life expectancy in retirement years.

**DVORYAK** Mr. Dvoryak commented on all the assumptions that go into this calculation. The one number over which the board has control is how the funds are invested. If there is a 7-1/4% target, adjustments were made about 50% Fixed Income and 50% Equity. The 50% Fixed income is generating a return of 3%. That means we have to generate over 11% average annual return on Equities to achieve that. He didn't know anyone who is projecting that kind of a return.

**LAYCHUR** Ms. Laychur indicated at the next meeting she would share from their Financial Planning Software the Capital Market Assumptions going forward along with the Historical Assumptions.

**CRAMER** Mr. Cramer recommended that no decision be made this date but consider it for the next meeting. He will be briefing Ms. Hummel when she returns from vacation.

**SWOMLEY** Chairman Swomley requested that the item be placed on the Agenda for the next Pension Board Meeting.

**6. OLD BUSINESS**

There was no Old Business

**7. NEW BUSINESS**

- A. Acknowledge COLA Payment Increase to Gregory Witmer from \$4,288.16 to \$4,403.94 effective September 1, 2018 as stated in Mr. Cramer's attached letter. Mr. Witmer should also receive a one-time payment for the period September 1, 2018 through May 1, 2019 totaling \$1,042.02.
- B. Acknowledge COLA Payment Increase to David Trott from \$4,703.46 to \$4,778.72 effective February 27, 2019 as stated in Mr. Cramer's attached letter. Mr. Trott should also receive a one-time partial payment for February and full payment for March totaling \$80.64.

**CORPORAL LAWTON MOVED TO ACKNOWLEDGE COLA PAYMENTS TO GREGORY WITMER AND DAVID TROTT AS SHOWN ON THE AGENDA. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**8. COMMITTEE MOTIONS**

There were no Committee Motions

**9. ADJOURNMENT**

**SWOMLEY** Chairman Swomley adjourned the meeting at 6:58 p.m.

Respectfully submitted,

Charles Wurster  
Secretary

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