

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 24, 2017
APPROVED**

The Springettsbury Township Board of Supervisors held a Police Pension Board Meeting on Thursday, August 24, 2017 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
Blanda Nace
Bill Schenck

MEMBERS NOT

IN ATTENDANCE: Kathleen Phan, Assistant Secretary/Treasurer

ALSO IN

ATTENDANCE: Ben Marchant, Township Manager
Terry Hummel, Finance Director
Sandy Ratcliffe, Deputy Finance Director
Rene Lachure, F.N.B. Wealth Management
Mark Renzini, F.N.B. Wealth Management
Jean Abreght, Stenographer

1. CALL TO ORDER

SWOMLEY Chairman Swomley called the Police Pension Board meeting to order. He certified that a Quorum was present.

2. ACTION ON MINUTES

MR. NACE MOVED TO APPROVE MINUTES OF POLICE PENSION BOARD MEETING OF MAY 25, 2017. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There were no public comments.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

A. Police Pension Reports:

- (1) Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund (2nd Quarter)
- (2) Acknowledge Receipt of FNB Management Report for May 2017
- (3) Acknowledge Receipt of FNB Management Report for June 2017
- (4) Acknowledge Receipt of FNB Management Report for July 2017

MR. NACE MOVED TO ACKNOWLEDGE RECEIPT OF REPORTS AND CONTRIBUTION REPORTS NOTED IN ITEMS 4 A, 1 THROUGH 4. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. FNB Wealth Management

RENZINI Mark Renzini of FNB Wealth Management provided an overview of the report, which included the Net Asset Summary for the Second Quarter, commentary on the portfolio and actions taken, plus a follow up conversation on the Investment Policy Statement. He began the reporting with the Net Asset Summary beginning 4/1/17 with a Market Value of \$15,271,457.40. Contributions and Distributions, Realized Gains and Market Appreciation provided an Ending Market Value as of 6/30/17 of \$15,516,133.05. Year-to-Date figures began with \$14,864,375.20 in the plan. Contributions and Distributions plus some gains and market appreciation of a little over $\frac{3}{4}$ of \$1 million resulted in the ending balance of \$15,516,133.05 as of 6/30/17.

LAYCHUR Renee Laychur began her review noting that stocks moved higher during the quarter. Technology stocks led the way with a NASDAQ return of 14 percent year to date through the first half of this year. International and Emerging Market stocks continue to do better than U.S. stocks. The 10-year traded in a range for the quarter of 2.13 to 2.42. Federal Reserve Board raised rates to 1 percent, and Ms. Laychur noted the rate probably will be raised again during 2017.

Second Quarter and Year-to-Date Market Highlights were very positive. Emerging Markets were the best performer and Bloomberg Barclays Intermediate Government Credit was the worst performer. Equity Indices revealed strong, positive numbers.

Total Fixed Income for the Quarter was up 1.34 vs. the benchmark of 0.94. Governments were the worst performers, and Fixed Income funds were the best with year-to-date results of 2.44 versus a benchmark of 1.73.

Equity Returns revealed the best performers were Foreign Mutual Funds both for the quarter at 7.13 versus the benchmark of 6.37 and year-to-date of 17.12 versus a benchmark of 14.82.

Sector Returns indicated that energy was the worst performer with negative double digits followed by TeleCom also negative by double digits. Techs were the best performer year-to-date; Healthcare was a best performer in the second quarter. Healthcare was affected by the lack of action from Washington on the AFA.

Portfolio Allocation Report –

Ms. Laychur reported the total portfolio allocations as follows: Equities 50.61; Fixed at 46.04 and Cash 3.35. SubAsset Classes are: Investment Grade and Large Cap are the larger segments at 12 and 23 percent. Investment Grade is the largest at 29.65.

Fixed Allocation – Mostly Investment Grade at 66.33 percent with some Governments and Agencies at 20.20.

Equity Allocation – Large Cap at 45.71; International 24.10.

Sector Overview – Information Technology at 23.13 and industrials 12.14 did very well, along with Health Care at 14.13.

Investment Results Net of Fees, Year-to-date Equities were 11.09 as of June 30th, Fixed was 2.44. As of July 31st Equities were 13.80 and Fixed were 3.01. Year over year, right about on the benchmark. Three-Year Returns average over 7 percent in five years and 5.28 in 10 years; 6.29 since inception.

Ms. Laychur had provided a Mutual Fund Exceptions report showing exceptions, such as Manager Tenure and averages that are exceptions.

Ms. Laychur noted several economic comments, such as employment, which is strong at 4.3/4.4 percent. Housing is somewhat slow but inventory of existing homes for sale is low. Auto sales have risen slightly. After Labor Day talks will continue for tax reform.

Investment Policy Statement –

RENZINI

Mr. Renzini had provided the board with a separate handout of the current Investment Policy Statement. Comments are summarized:

- Asset Allocation of Stocks and Bonds – Current Allocation: Money Market – 5.00%; Fixed Income – 47.50%; Domestic Equities – 33.50%; International Equities – 14.00%. Can be +/- 10% in any class.
- Sub Asset Classes – Cash – 5%; Fixed Income – 47.50%; U.S. Large Cap Equity – 23.87%; U.S. Mid Cap Equity – 6.50%; U.S. Small Cap Equity – 5%; Developed Int'l Equity – 10.50%.
- Possible increase of Asset Allocation for target of 60% lining up with other pension plans and endowments centering on 60/40 mix. Currently in the 50/70 mix.
- **Proposed Asset Allocation** – Money Market – 5.00%; Fixed Income – 35.00%; Domestic Equities – 42.50%; International Equities – 17.50%. Variance of +/- 10%.
- **Proposed Sub Asset Classes** – Cash 5.00%; Fixed Income – 35.00%; U.S. Large Cap Equity – 30.15%; U.S. Mid Cap Equity – 8.25%; U.S. Small Cap

Equity – 5.00%; Developed Int'l Equity – 13.25% and Emerging Markets Equity – 3.95%.

- Adding another 10% in Equities will result in about 50 basis points in increased returns over the long term. Assumed rate is 7-1/4%.
- Municipal pension plan survey to be provided to board along with some financial planning software information. Also a report on standard deviations showing best and worst stocks in portfolio.
- Suggested to make adjustments effective 1/1/18.
- Upper bands need to be higher.

DVORYAK Mr. Dvoryak stated that, based on how F.N.B. has managed the portfolio, he had no reservations whatsoever about moving toward their target allocations.

SCHENCK Mr. Schenck agreed and noting Chairman Swomley's comment about making a decision, he suggested the board provide direction and then at the next meeting, take action and implement their recommendations. The Investment Policy Statement may have to be re-written, and it could be ready for the next meeting. He noted that the targets are fine, but the range is more important.

LAYCHUR Ms. Laychur noted that it could be as low as 7 and as high as 27. She thought that range would be fine.

RENZINI Mr. Renzini commented that as Interest Rates continue to normalize and they can get a better return on the Fixed Income side that will help with the risk factor as well as getting the same return with a little bit less risk.

MR. SCHENCK MOVED TO DIRECT THE APPROPRIATE PARTY TO REVISE THE CURRENT INVESTMENT POLICY TO REFLECT THE VALUES THAT ARE IN THE PROPOSED ASSET ALLOCATION PRESENTED THIS DATE TO BE READY FOR THE NEXT QUARTERLY MEETING. MR. NACE WAS SECOND.

LAYCHUR Ms. Laychur questioned whether the target is to be 60 or 55.

SWOMLEY Chairman Swomley stated he would go to 60.

SCHENCK Mr. Schenck agreed to go to 60.

NACE Mr. Nace commented that he liked that 7-1/2 to 27.

MOTION UNANIMOUSLY CARRIED.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting at 6:45 p.m.

Respectfully submitted,

Kathleen Phan,
Secretary

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