

**SPRINGETTSBURY TOWNSHIP  
POLICE PENSION BOARD**

**AUGUST 28, 2014  
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, August 28, 2014 at 6:15 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

**MEMBERS IN**

**ATTENDANCE:** George Dvoryak, Chairman  
Bill Schenck  
Mark Swomley  
Scott Altland, Police Department

**MEMBERS NOT**

**IN ATTENDANCE:** Julie Landis  
Kathleen Phan

**ALSO IN**

**ATTENDANCE:** Jack Hadge, Director of Finance  
Joe Paese, F.N.B. Wealth Management  
Renee Laychur, F.N.B. Wealth Management  
Karen Kenderdine, F.N.B. Wealth Management  
Tom Zimmerman, Conrad Siegel  
Jean Abreght, Stenographer

A. Call to Order

**DVORYAK** Chairman Dvoryak called the meeting of the Springettsbury Township Police Pension Board to order. He noted a Quorum was present.

B. Action on Minutes

1. Police Pension Board Regular Meeting of November 1, 2013 (Revised Draft)
2. Police Pension Board Regular Meeting of May 22, 2014

**MR. SCHENCK MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 1, 2013 AND THE MAY 22, 2014 MEETINGS OF THE POLICE PENSION BOARD. MR. SWOMLEY WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

C. Public Comment

There was no public comment.

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 F.N.B. Management Report for May 2014
- c. Acknowledge Receipt of F.N.B. Management Report for June 2014

d Acknowledge Receipt of F.N.B. Management Report for July 2014

**MR. SCHENCK MOVED TO ACKNOWLEDGE POLICE PENSION REPORTS A  
THROUGH D. MR. SWOMLEY WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

E. Reports from Financial Advisors

1. F.N.B.: Police Fund

**KENDERDINE** Karen Kenderdine, F.N.B. presented the Summary of Assets. The Market Value as of April 30, 2014 amounted to \$13,545,436.62. Employee Contributions were received of \$37,877.38 along with a small Class Action Litigation from Lehman Brothers of \$235.03 making Total Receipts \$38,112.41. Disbursements for the period were Fiduciary Fees of \$11,825.66. The Net Pension Payments of \$137,628.00; Tax Withholding of \$23,868.90; and the Insurance Withholding of \$4,929.42. The Total Disbursements amounted to \$178,251.98. Earned Income was \$48,950.92, one Realized Gain of \$2,336.28. Accrued Income is a negative \$7,452.10. Unrealized Appreciation was \$115,285.74; Net Investment change a positive \$159,120.84, with an Ending Market Value as of July 31, 2014 of \$13,564,417.89.

**LAYCHUR** Renee Laychur presented a brief report on the Economy and Investment Strategy. She reviewed each section of the report that was provided to the board. A summary of her report follows:

- Second quarter – Revised to 4.2%; economic activity is improving
- Emerging markets posted good return in second quarter; considered best performing.
- U. S. interest rates continued to trade lower; however, they are expected to be higher in the future.
- Unemployment Rate dropped to 6.2%; 200,000 jobs created/month for 12 months.
- Federal Reserve tapering should end in October.
- Bonds did worse than stocks in the second quarter; still positive.
- Mid-Cap doing the best; 15% of the portfolio equities are allocated to Mid-Cap.
- Overweight Corporate bonds; maintain shorter duration than benchmark.
- Portfolio has two components: Individual bonds (about 3.6 years) and Federated managed.
- Equity returns – S&P 500 up 8% year to date.
- Portfolio is overweight equity; underweight cash and fixed income; equal weight in growth and value.
- Current allocation: Equities – 57.8%; Fixed Income – 38%; Cash +4%.

- Bonds maturing every year from now until 2023.
- Investment results for the portfolio during June was up 1.21%; met benchmarks.
- Returns for the Quarter: Three months up 2.93%. Equities up 4.37%; Fixed Income up 1.4%; year to date up 4.31%; past year up almost 15%. Over three years up 9%; five years up almost 11% and 10 year is 6-3/4%.

**PAESE** Mr. Paese brought forward the Investment Policy Statement. Prior to Mr. Holman's departure, he asked F.N.B. to do a review of the Investment Policy. They had done so and redlined some areas for further discussion and comment. Mr. Paese wanted the board to have that documentation before Tom Zimmerman's presentation.

**DVORYAK** Chairman Dvoryak noted that the board had a chance to review the document; however no decision had been made. They wanted to postpone any decision until the meeting this date. He noted he had a question about the Asset Allocation. He questioned looking at the middle and the max of the chart, if equities have to be a minimum of 35% of the portfolio, how could any other asset class be more than 65; some are 70 and 90%.

**LAYCHUR** Ms. Laychur responded that they are sub-classes inside the main class.

**DVORYAK** Chairman Dvoryak stated for clarity that 79 is a percent of the Fixed Income Portfolio and not the total portfolio.

**PAESE** Mr. Paese responded that it is just a sub-class. The overall equity class is maintained but nothing is added to the sub-class.

**DVORYAK** Chairman Dvoryak questioned, within the Fixed Income category, how common or uncommon is it to have a maximum allocation of 90% in any one asset type.

**LAYCHUR** Ms. Laychur responded that she has government CDs in that class which are very safe investments.

**PAESE** Mr. Paese added that if they would come into a situation where there was a fight to quality and no longer hold any kind of corporate paper, the emphasis would be to be 100% in U. S. Government, and that provides the ability to do so.

F. Old Business

1. Investment Policy

1) Tom Zimmerman, Actuary

**ZIMMERMAN** Tom Zimmerman of Conrad Siegel reported that an Actuarial Report is done only every other year, so the next one will be done January 1, 2015. That will be available next spring. The Interest Rate Assumption is the most important

Assumption to determine the cost of the plan and the proper funding of the plan. What drives the assumption is how much equity is in the trust fund versus how much fixed income. Additional discussion points are summarized:

- The Fund is fairly conservative.
- History of the returns: 5.3% over 15 years; 6.2% over 10 years; Current Actuarial Assumption is 7.5%, which is not being met.
- Actuarial Assumption is set jointly by the pension board, the Actuary and in consultation with F.N.B.
- Currently the Investment Policy Statement has an average equity allocation of 47.5%. Equities earn 10%, and Fixed Income will earn about 4%.
- Current policy only justifies an interest rate of 6.9% versus the 7.5%.
- With more equity it would be reasonable to have higher interest rate assumption: A 50/50 portfolio can justify 7%; 55/45 – 7.36%; 60/40 – 7.6%.
- Conrad Siegel rule for equity allocation should be about 60%.
- More conservative approach would lower the rate by 7-1/2% or 7-1/4%.
- Lowering the rate a quarter of a percent raises the annual costs by about \$80,000 out of the General Fund.
- Next year may be a better time to change the rate due to investment gains from the prior two years. Estimate savings of roughly \$50,000 on the annual cost.

**ZIMMERMAN** Mr. Zimmerman indicated that a decision does not have to be made at this time. They will be using the current rate for the 1/1/15 evaluation, and he suggested that the board revisit this for a final decision next spring.

**DVORYAK** Chairman Dvoryak thanked him for the information, which mirrored an exercise the board had done. There are many factors and variables including life expectancy, etc. He asked if this particular fund is conservative in those considerations.

**ZIMMERMAN** Mr. Zimmerman responded that life expectancy is a standard assumption. The Springettsbury plan is neither aggressive or conservative. An additional assumption is salary and perspective salary, and the plan is at 5%; considered to be a good long-term assumption which could be 5-1/2%.

**Consensus of the board was to hold any decision on the matter until a future meeting. The current policy statement is not impeding the investment strategy at this time.**

**SCHENCK** Mr. Schenck asked whether the different allocations were because of the policy or a net effect of the policy.

**ZIMMERMAN** Mr. Zimmerman responded that it would relate to the level of aggression for the services and how much volatility the board directs. That decision drives the interest rate assumption.

G. New Business

1. Acknowledge start of payments to David Eshbach who resigned on June 7, 2011 and became eligible for pension payment on his annuity starting date of July 29, 2014. August 1, 2014 he should begin receiving a monthly payment in the amount of \$3,685 and should receive a partial payment for July 2014 in the amount of \$356.61
2. Acknowledge Payment to Conrad Siegel Actuaries in the amount of \$9,970 for the period January 1, 2013 through February 28, 2014. Copy of invoice attached.

**MR. SCHENCK MOVED TO ACKNOWLEDGE PAYMENTS TO DAVID ESHBACH AND CONRAD SIEGEL AS LISTED ON THE AGENDA. MR. SWOMLEY WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

H. Committee Motions

There were none for action.

I. Adjournment

**DVORYAK** Chairman Dvoryak adjourned the meeting at 6:54 p.m.

Respectfully submitted,

Doreen K. Bowders  
Interim Administrator

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