

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**FEBRUARY 23, 2023
APPROVED**

The Springettsbury Township Board of Supervisors held a Police Pension Board Meeting on Wednesday, February 23, 2023 at 6:00 p.m. at the offices of York Area United Fire and Rescue located at 50 Commons Drive, York, Pennsylvania.

MEMBERS IN

ATTENDANCE: Mark Swomley, Chairman
George Dvoryak, Vice Chairman
Charles Wurster
Robert Cox
Don Bishop (Zoom)

ALSO IN

ATTENDANCE: Mark Hodgkinson, Township Manager
Tessa Miller, Detective
Alex Schrift, Police Representative
Mark Renzini, F.N.B.
Adam Runk, F.N.B.
Teresa Hummel, Director of Finance
Dori Bowders, Director of Administrative Operations
Todd King, Chief of Police
Abby Gibb, Communications Manager

1. CALL TO ORDER

SWOMLEY Chairman Swomley called the Police Pension Board Meeting to order. A quorum was established.

2. ACTION ON MINUTES

- A. Police Pension Board Meeting Minutes - November 16, 2022
- B. Police Pension Board Reorganization Meeting Minutes - January 3, 2023

MR. WURSTER MOVED FOR APPROVAL OF THE NOVEMBER 16, 2022 AND JANUARY 3, 2023 MINUTES AS PRESENTED. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There were no Public Comments.

4. CORRESPONDENCE AND OTHER COMMUNICATION

- A. Police Pension Reports:

- (1) Acknowledge Receipt of Fourth Quarter Payroll Pension Contribution Reconciliation Report
- (2) Acknowledge Receipt of November 30, 2022 F.N.B. Management Report
- (3) Acknowledge Receipt of December 31, 2022 F.N.B. Management Report
- (4) Acknowledge Receipt of January 1, 2022 through December 31, 2022 F.N.B. Management Report

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF THE FOUR REPORTS LISTED ON THE AGENDA. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. F.N.B. Wealth Management

RUNK Mr. Runk discussed the current situation with the labor market and the period between when the Federal Reserve hikes rates and when the economic slowdown is seen. He noted they will start to see those hikes present themselves in the economic data. He indicated there is the possibility the Fed could overdo things, the result of which will appear in the economic outlooks during fourth quarter earnings. Although they did see evidence of slowdowns, there is no prediction for a significant recession. In addition, real GDP in the fourth quarter rose 2.9%. Payroll data came in to be very strong in terms of unemployment rate which shrunk. They have seen broad based inflation slow down.

He referred to the chart in the report which pointed out the CPI ratings over the past 2 years, which have gone down to 6.5%. The drop has been from the commodity-based portion of inflation.

He discussed the labor market and how the different generations affect it. He noted they believe the Fed will have to hike rates higher than expected with recent data showing inflation to take longer to get to the Fed's 2% target with the possibility of upward adjustment target to 3%.

RENZINI Mr. Renzini pointed out in looking for a shallow recession between the service industry and the labor market and with unemployment at 3.4%, it is unlikely a recession will occur.

SWOMLEY Chairman Swomley asked what the participation rate looks like and how does it compare to results in the labor market.

RENZINI Mr. Renzini stated a part of it is the inter-generational inflow and outflows.

RUNK Mr. Runk further explained in terms of participation rates they define it as the core employment to population ratio as a measure of slack within the labor market.

Mr. Runk referred to debt loads and defaults within the U.S. They look at entry into 30-day, 60 day and 90-day delinquencies as a warning sign for slowing of consumer spending. He indicated it is notable to say the consumer on a credit basis in terms of defaulting or being delinquent is in a good position. The health of the consumer is stronger than in previous economic downturns. They are seeing increases in debt, but it will be a while before that ends. The Federal Reserve hiking rates will be the only mechanism to stop consumer spending. He noted when layoffs start happening that will slow down consumer spending.

DVORYAK Mr. Dvoryak referred to layoffs, noting a recent announcement for inception of artificial intelligence (AI), which experts are saying how dramatically that will change the labor market over the next 18 months. He asked how that is factored into the investment market.

RUNK Mr. Runk stated in terms of AI they are looking critically into the search revenue. He noted AI has potential to sidestep traditional search cross functions. He believed there is potential to monetize it and create revenue, but on the short term it can have a negative effect on advertising revenue, particularly for Alphabet. He thought it would not affect the U.S. job market as heavily as it will job markets in India and overseas. He referred to Chatbot as being used as a service representative instead of an actual person.

WURSTER Mr. Wurster asked if he has seen how AI connects with Blockchain, distributed ledger and AI.

RUNK Mr. Runk indicated he has not seen any connection yet. He noted there are no significant amounts of connection currently. He felt it could have potential over the next three years.

Mr. Runk in discussing the international market indicated there are several international developments that have happened which will have a significant effect on why things are higher than expected:

- China re-opened their economy after protests
- Europe came through with a mild winter which prevented a more serious recession.
- While still slightly underweight internationally they moved to only a slight underweight particularly in emerging markets. This is because the energy situation in Europe is essentially resolved and they have good supply.
- Several economic bodies, World Bank and IMF have adjusted their global growth forecast upward.
- The Bank of England which expected the worst recession, has now revised it to a more moderate recession.

- Overall, on the International side things are looking better.
- They are still slightly underweight Internationally – overweight in U.S. stocks and slightly underweight in fixed income

Mr. Runk stated they are becoming concerned if the Fed does continue to raise rates and inflation continues to remain strong within the services section for the next few years. He noted longer term interest rates, particularly the 10 year may continue to rise. They have seen the 10 year rise recently to about 4% and as it continues to rise it could compress further. They are keeping a close eye on the 10% since that is a good indicator of the market's confidence and the Federal Reserve to keep bringing inflation down to 2%. If things continue to point towards more persistent inflation, that 10 year could continue to climb which will pressure equities. They are looking to move to a mutual weight with the equity overweight at this point.

DVORYAK Mr. Dvoryak asked if there was a point in time when they will shift to longer maturities in fixed income or shift to a higher allocation of portfolio in fixed income.

RUNK Mr. Runk indicated a time is coming for that, but with service inflation where it is, the 10 year has higher to go. When they begin to see the 10 year start to go to 4½%, that will cause them to be aware since at that point it is a pessimistic view of the direction of inflation.

Mr. Runk referred to the performance section of the report - Investment Summary.

- Under Selected Period Performance he noted the portfolio for the past 12 months was down approximately 8½%.
- The Equity portion was down 8.4%
- The Bond portion is down 7½%
- Over the past year to date the portfolio was up 4.24%.
- 62.2% is coming from the equity portion and 2% from the fixed portion
- Since inception the accounts performed 4½% overall
- Under performance that happened relative to the benchmark over the past 12 months occurred both within the fixed income portion and equity portion of the account.
- Within the fixed income portion, they were affected by slightly higher than average credit exposure along with slightly higher than average maturity exposure with the benchmark, magnified by the sheer movement of interest rates.
- On the equity side the beginning parts of the year having slightly higher than growth exposure with the portfolio, per aggregate results and in the later part of the year the market recovered, and they were affected by being more conservative in the average market within the equity position.
- Added Wal-Mart, Costco and Exxon to the portfolio which tend to do better in slowing economic markets.

- When they had the market rise in the last month of the year into the first month of 2023 it was primarily within the more aggressive growth names which they reduced their exposure to guard against the more severe recession.

SWOMLEY Chairman Swomley asked if they believe they have the right tool set to manage appropriately moving forward in the market.

RUNK Mr. Runk stated he believed the while changes they made to be slightly more flexible, they do allow the portfolio to be managed appropriately and not overly restrictive and are appropriate to how a pension should be managed. He also noted over the long run that mix will get closer to the rate needed for the assets to match the liabilities.

SWOMLEY Chairman Swomley thanked Mr. Renzini and Mr. Runk for their presentation.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

- A. Acknowledge COLA Payment Increase to William Hazeley from \$4,370.21 to \$4,706.72 effective January 1, 2023 as stated in Mr. Cramer's letter. Mr. Hazeley should also receive a one-time lump sum payment of \$673.02 for the months of November and December, 2022.

MR. WURSTER MOVED TO ACKNOWLEDGE THE COLA PAYMENT INCREASE TO WILLIAM HAZELEY AS OUTLINED. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting at 6:50 p.m.

Respectfully submitted,

Charles Wurster
Secretary
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