SPRINGETTSBURY TOWNSHIP **FEBRUARY 25, 2021**
POLICE PENSION BOARD **APPROVED**

The Springettsbury Township Board of Supervisors held a meeting of the Police Pension Board on Thursday, February 25, 2021 at 6:00 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA in person and by Zoom technology.

MEMBERS IN ATTENDANCE:
Mark Swomley, Chairman
George Dvoryak, Vice Chairman
Charles Wurster, Secretary/Treasurer
Don Bishop
Robert Cox
Christopher Ford, Police Department Representative
John Lawton, Police Department Representative

ALSO IN ATTENDANCE:
Mark Hodgkinson, Township Manager
Mark Renzini, F.N.B. Management
Adam Runk, F.N.B. Management
Teresa Hummel, Director of Finance
Todd King, Police Chief
Jean Abreght, Stenographer

1. CALL TO ORDER

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

2. ACTION ON MINUTES

A. Police Pension Board Meeting Minutes – November 18, 2020
B. Police Pension Board Reorganization Meeting Minutes – January 4, 2021

MR. BISHOP MOVED TO APPROVE MINUTES OF THE NOVEMBER 18 AND JANUARY 4 MEETING MINUTES. MR. WURSTER 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 Fourth Quarter Payroll Pension Contribution Reconciliation Report
(2) Acknowledge Receipt of November 30, 2020 F.N.B. Management Report
(3) Acknowledge Receipt of December 31, 2020 F.N.B. Management Report
(4) Acknowledge Receipt of January 31, 2020 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

RENZINI Mark Renzini, F.N.B. Wealth Management, provided an overall description of year-end 2020 as unique in the financial markets. He reported that the year began with a massive selloff in the Equity market as the U. S. economy, as well as in other countries, slowed to stop. The remainder of 2020 was a slow move, which F.N.B. navigated well. Mr. Renzini reported that everyone looked forward to beginning 2021; however, there were different dynamics in the Interest Rate market and Stock market. The Federal Reserve pushed the front end of the curve down in turn pushing up the longer end to a rate where the market was becoming slightly uneasy.

Mr. Renzini reviewed the Net Asset Summary 2020 with a Beginning Market Value of $18,962,286.93. Contributions and Distributions were nearly equivalent. Total Income generated by interest and dividends was slightly over $371,000 in gains. Value of the holdings over the year increased over $1.5 million for an ending balance of $21,448,667; through February, 2021; $21,609,725. Mr. Renzini noted that they, with the board's direction, continue to modify based on changing market conditions and will propose some adjustments within the Investment Policy Statement.

RUNK Adam Runk, F.N.B. Wealth Management, provided a detailed review of the portfolio, the economy and the outlook for 2021. He noted that the pandemic out of China upset the markets, which theme for the market has been unprecedented government fiscal stimulus along with a very accommodative Federal Reserve, which has been pumping money into the economy. The GDP growth was in excess of 6% along with very high inflation of over 2%. A 10 year Treasury Rate began to rise from a low of .5% up to 1.5%. The focus is to reduce some of the growth names that have done well realizing a continued risk of interest rates rising along with higher inflation from the Stimulus Bill. The quantitative easing has begun and will end towards the second half of 2021. It is believed that the U. S. economy is such that there was no need for the stimulus. It is hoped that energy prices remain in check to ease the inflationary burden. Workers return to factories; the vaccine is distributed; the supply chain strengthens and inflation becomes temporary and stays low which would be a big positive.

Mr. Runk stated that they intend to take a positive approach in the portfolio to reduce some of the names that did really well in 2020 and add some slower growth names that focus on sensors and self-driving cars; TE Connectivity. If interest rates continue to rise, they will back off of the equity exposure and lighten that in order to prepare for the second half of the year.

Performance

Mr. Runk reviewed a Portfolio Snapshot. Account Returns as of December 31, 2020 Performance was 13.08% net of fees, which compared very favorably versus the Blended Benchmark. Fixed Income Performance did very well versus our Intermediate Benchmark by about 70 basis points. Returns were 7.19% versus our benchmark of 6.43%. The main driver of the 2% out performance comes from the equity side and particularly the Common Stock Segment. Large equities, as compared with the S&P at 18.4%; there was 24.31% return, 6% out performance in the large US stock portion of the portfolio, which drove the overall results through the Equity side completing the Total Portfolio 2020.

Investments through January have resulted in ½% of under-performance, which was due to the pull back of growth names to value names. The concern is interest rates being higher and reducing the valuation. They are planning to cut some of the earlier winners in the portfolio.

Portfolio Asset Allocation

RUNK Mr. Runk brought forward a discussion concerning the Portfolio Asset Allocation in terms of a stock/bond mix. They had spoken with the Actuarial firm and discussed the return assumption. The Actuary noted it was not up to them but it was more of a committee-based decision in terms of how it will affect the funding of the pension plan. He indicated it warranted a discussion. He noted that where valuations are today the result would be closer to 6% to 8%. For the Bond market, where interest rates are today at 2% returns to 3% interest rates eventually will rise long-term. That is for a more 50/50 portfolio blend. They are looking at 5.5% to 6% returns long-term in this type of an asset allocation. He noted that was a rough forecast. To gain an expected return, the Equity Allocation must be raised or the return assumption decreased.

SWOMLEY Chairman Swomley questioned Mr. Runk that the allocation is 50/50 between bonds and equities. He noted he didn't think they were that equal.

RUNK Mr. Runk pulled up the Investment Policy Statement. He noted within the Investment Policy Statement it had more in equities, but within the Policy it indicated that the targeted strategic asset allocation is: Money Market 5%, Fixed Income 47.5%. When the Money Market is combined with Fixed Income it can be plus or minus 10% for every asset class. With this equity target, adding up Domestic Equities and International the neutral point is 47.5% Equities, which he considered conservative. He suggested to consider becoming more aggressive and increasing the ranges higher still having the plus or minus 10%. This would give more flexibility to move the equity percentage higher over time as they see opportunities, and it would lead to a better return.

RENZINI Mr. Renzini noted that currently the fund is 54% in Equities.

WURSTER Mr. Wurster noted that part of the unprecedented success in equities, despite efforts to pick some gains earlier this year, the market from an equity standpoint is difficult to keep within the target with that performance.

RENZINI Mr. Renzini stated that in order to keep the portfolio in line with what the Actuarial Assumptions are, the board should consider allowing the constraints to be a little wider apart in the equities section. The tighter it is then the more difficult it might be to achieve the return assumption that the Actuary has.

RUNK Mr. Runk commented that if the fund were 100% in equities right now, a decent forecast for equities would be 7% to 8%. He noted the Actuarial Return Assumptions are slightly high given where equity valuations and interest rates are. He suggested a slight increase on the equity side or increase in the range upward.

SWOMLEY Chairman Swomley commented that during 2020 the same assumption was in place, but the results were "out of the park." He indicated that reasoned judgement is to be made when things aren't moving a lot.

BISHOP Mr. Bishop noted that professionals are hired to manage the investments. He questioned the rationale for boxing them in to this narrow range and then giving them flexibility. Mr. Bishop assumed that they could react a whole lot more quickly to market realities than to the Investment Policy.

SWOMLEY Chairman Swomley commented that they had never seen anyone have issues with someone withholding some type of information or fooling seasoned experts, and so there is some reason to have guidelines. He agreed with Mr. Bishop but noted that perhaps they should not restrict this quite as much.

WURSTER Mr. Wurster agreed as well.

RENZINI Mr. Renzini noted that there are two sides, the Portfolio Management side, widening the range but on the Actuarial side watching that the assumptions are holding.

The Board had a lengthy discussion concerning the IPS versus the Actuarial Assumption. The following is a summary of the discussion:

- With interest rates low, a 7% return assumption might not be realistic.
- Decreasing the discount rate by ½% possible.

- Valuations are higher today than they were in previous years and interest rates are lower.
- Suggestion to slightly increase the equity target in the IPS and slightly decrease the discounted rate/return assumption within the Actuarial rate.
- A decision regarding the Investment Policy/Actuarial Assumption to be made; further discussion.
- Consider two partial decisions rather than a dramatic change on either.
- Other clients are closer to the 60/40 ratio.
- Target rates closer to 6.5%
- Changing the discount rate will affect the present value of liabilities with a larger fund.

WURSTER Mr. Wurster noted that the Springettsbury Township Fire Pension for YAUFR went into the year with an actuarial assumption at 6.5%; however, the fund is slightly smaller. The Fund Balance is smaller, as well as the number of participants. Even though this was for the Fire Pension, he would value the opinion of the Police Department members. It is one of importance for their money. He welcomed their comments.

FORD Officer Christopher Ford stated that he had been involved during the creation of the initial Investment Policy Statement about 10 years ago. They have been discussing this for several months. He agreed with Mr. Bishop that they put trust in the professionals that are paid to invest this wisely. If they are saying that they need this to be a little more responsible with our money, he would support that. He asked Mr. Lawton if he had anything to add.

LAWTON Officer John Lawton responded that he agreed with Officer Ford.

SWOMLEY Chairman Swomley asked Ms. Hummel to review the current picture and the funds available to determine what the obligation would be. His question was whether it would it change much if it were 6.5%.

HUMMEL Ms. Hummel responded that it would be something that the Actuary would need to calculate.

SWOMLEY Chairman Swomley asked Ms. Hummel to work with them to determine whatever numbers they need. The Board can make a decision at the next meeting.

HUMMEL Ms. Hummel responded that she would.

WURSTER Mr. Wurster noted that there is a rising rate environment, and it will be important to watch what the Federal Reserve Board does. Providing for more latitude in the equities, strategies could be taken in the short run to protect the portfolio from what is probably a very transitional and choppy environment.

RUNK Mr. Runk responded that they would probably not make a move immediately in terms of increasing the equity exposure with the risk of rising rates. They would look on the bond side to increase some of the positioning on the shorter end of the curve, which they believe will be more stable. He suggested reducing the Fixed Income within the Investment Policy Statement on the Asset Allocation and increase the domestic equities by the same amount.. Currently the target is 47.5% plus or minus 10%.

FORD Officer Ford questioned the 60/40 blend. He asked if it was a conservative, realistic investment policy standpoint to provide the best return with the current market. He heard what was said of other pension plans of similar size and where they are. He referred back to Mr. Bishop's comment that the managers need to do the best job for this pension plan and he supported that.

DVORYAK Mr. Dvoryak noted that they have the flexibility to increase exposure to equities now. He recommended a red-lined review of the proposed changes so the Board can make a decision at the next meeting.

WURSTER Mr. Wurster agreed with Mr. Dvoryak and added that policies are put into place for a particular reason. He supported being more aggressive with equities; however, he stated the importance of having the right terminology written within the policy. In addition, this is an important opportunity to consider a third bucket for alternative investments.

SWOMLEY Chairman Swomley agreed as it will provide for an opportunity to have the Actuary review the balance and be a guide as to what the obligation would look like.

RENZINI Mr. Renzini agreed with the direction the Board was taking. He noted it would be the best of both worlds as it will provide the Board time to have the Actuary review along with their willingness to move the rate, and the blending of the two might make their job a little easier.

WURSTER Mr. Wurster questioned whether the Pension Board could meet outside of just their quarterlies to really address that because it might be wise to have that timing and decision on the Investment Policy change sooner than the next quarter.

RENZINI Mr. Renzini noted they could get some feedback from them and then come back and figure out what timing works for everyone and get back together with both sets of information.

BISHOP Mr. Bishop asked who was going to do what in order to know what to expect in three months.

RENZINI Mr. Renzini indicated they could review the Investment Policy Statement. He reiterated that what he heard was to be increasing the ranges, changing them on the equity side up and on the fixed down, and adding a section as Mr. Wurster suggested to specifically allow for a small portion 0% to 5% of alternative investments.

SWOMLEY Chairman Swomley noted that Ms. Hummel will be contacting the Actuary, and then the Board could have a meeting in two weeks to decide the timing for the next Pension Board meeting based on what she says the Actuary suggests.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

A. Acknowledge COLA Payment Increase to David Trott from $4,898.19 to $4,966.76 effective April 1, 2021 as stated in Mr. Cramer's attached letter. Mr. Trott should also receive a one-time lump sum payment of $73.47 for the month of March and two days in February.

B. Acknowledge COLA Payment Increase to Michael Sciangula from $4,093.89 to $4,155.18 effective March 1, 2021 as stated in Mr. Cramer's letter. Mr. Sciangula should also receive a one-time lump sum payment of $114.67 for the month of February and 27 days in January.

C. Acknowledge COLA Payment Increase to William Hazeley from $3,758.06 to $4,115.08 effective January 1, 2021 as stated in Mr. Cramer's attached letter. Mr. Hazeley should also receive a one-time lump sum payment of $714.04 for the months of November and December.

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF THE THREE COLA PAYMENT ADJUSTMENT INCREASES NOTED ON THE AGENDA. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNM,ENT

SWOMLEY Chairman Swomley adjourned the meeting at 7 p.m.

Respectfully submitted,

Charles Wurster
Secretary

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