

**SPRINGETTSBURY TOWNSHIP
FIRE/POLICE PENSION BOARD JOINT MEETING**

**FEBRUARY 9, 2012
APPROVED**

The Fire and Police Pension Boards of Springettsbury Township held a meeting on Thursday, February 9, 2012 at 5 p.m. at the township offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Don Bishop, Vice Chairman
Mike Bowman
George Dvoryak
Julie Landis

ALSO IN

ATTENDANCE: John Holman, Township Manager
Greg Hadfield, Police Department
Scott Altland, Police Department
Rene Lachure, F.N.B. Management
Elizabeth Peris, Fulton Financial
Jean Abreght, Stenographer

A. Call to Order

SCHENCK Chairman Schenck called the meeting to order.

HOLMAN Mr. Holman certified that a Quorum was present both of the police and fire pension funds.

B. Action on Minutes.

- a. Fire/Police Pension Board Meeting of November 4, 2011 and Reorganization Meeting of January 3, 2012.

MS. LANDIS MOVED FOR APPROVAL OF THE MINUTES OF NOVEMBER 4, 2011 AND JANUARY 3, 2012. MOTION UNANIMOUSLY CARRIED.

C. Public Comment.

There was no public comment.

D. Correspondence and Other Communications.

1. Police Pension Reports:

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- a. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund.
 - b. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2011 through December 31, 2011.
 - c. Acknowledge Receipt of Fulton Financial Trust Report for October 2011.
 - d. Acknowledge Receipt of Fulton Financial Trust Report for November 2011.
 - e. Acknowledge Receipt of Fulton Financial Trust Report for December 2011.
 - f. Acknowledge Receipt of F.N.B. Wealth Management Report for October 2011.
 - g. Acknowledge Receipt of F.N.B. Wealth Management Report for November 2011.
 - h. Acknowledge Receipt of F.N.B. Wealth Management Report for December 2011.
2. Fire Pension Reports:
- a. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Fire Pension Fund.
 - b. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2011 through December 31, 2011.
 - c. Acknowledge Receipt of Fulton Financial Trust Report for October 2011.
 - d. Acknowledge Receipt of Fulton Financial Trust Report for November 2011.
 - e. Acknowledge Receipt of Fulton Financial Trust Report for December 2011.

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF ALL THE REPORTS IN SECTION D OF THE AGENDA. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors.

a. Fulton Financial: Police & Fire Fund

- a. Investment Presentation for: Springettsbury Township Police.

HOSE Ms. Hose provided an overview of the fund from October 1, 2011 through December 31, 2011. Market value as of October 1, 2011 was \$5,327,253.64. Receipts from contributions, investment income and realized gains in the portfolio netted \$261,584.23. Disbursements for pension payments, management and actuarial fees netted \$157,234.22, which resulted in the portfolio value as of December 31, 2011 of \$5,431,603.65. Ms. Hose reported that Richard Diem had left Fulton Financial. She introduced Elizabeth Peris who will take over as portfolio Manager.

PERIS Ms. Peris noted that she had been in working in business and finance for 25 plus years. She presented a brief review of the economic outlook, summarized:

- Global economic growth had been decelerating in the emerging markets.
- Europe heading into recession.
- Chinese inflation rate rose higher than expected.
- Domestic markets and economy somewhat better than anticipated and employment is improving.
- Federal Reserve expected to keep interest rates low for much extended period.

Ms. Peris reported that Fulton is structuring the portfolios in the near term to be overweight in domestics relative to the international markets primarily due to the European crisis. They will be overweight in the large cap sector and neutral to the mid and small cap and favoring growth style over value style funds. Dividend paying stocks will be favored as a substitute for the fixed income fund.

Ms. Peris reviewed the police portfolio, which was at \$5.6 million. She noted a need to raise cash to provide for upcoming pensions. Fixed income is on target, and the equity position is over allocated. Equities will be turned within the near future. There were no changes in the asset holdings during the last quarter. Performance summary indicated a 4.39% return with a benchmark of 6.15%. Fixed Income returned 8.6%; equities returned 8.57%; S&P was up 11.8%. Since inception the portfolio has returned 4.82% exceeding the benchmark of 4.47%. During the quarter there was strong equity performance, and the Federated Strategic Dividend Fund was 14.9%.

Ms. Peris brought forward the policy exceptions. One criteria is that no more than 20% of the portfolio matures in any one year. During 2012 it is expected that about 27% will mature within 2012. Other factors for concern are credit qualities, international exposures and firm history. She itemized the individual items, also revealed in the written report. She asked the board to approve the specific exceptions reported.

MR. BISHOP MOVED TO APPROVE THE PROPOSED CHANGES. MR. DVORYAK VOTED NO. MOTION CARRIED 4/1.

DVORYAK Mr. Dvoryak brought forward the matter of the actuarial work done on the pension plans and the assumption to generate 6-1/2% to 7% annually whether within the police or the fire pension funds. He asked whether the board should be dialing down its expectations of those percentages going forward.

PERIS Ms. Peris responded that they annually review expectations within the markets and employ alternatives. She indicated that 7% for the police fund is relatively high given the asset allocation.

BISHOP Mr. Bishop commented that the asset allocation could be adjusted at any time the board approved it.

PERIS Ms. Peris added that for a 7% return, there would be approximately 60 to 65% exposure to equities, and the Investment Policy target is 50%. She added that the restrictions placed on the portfolio with investment choices make it very difficult at times to outperform the market without much leeway resulting in a market-performing portfolio. The allocation is what drives the returns.

b. Investment Presentation for: Springettsbury Township Fire.

HOSE Ms. Hose presented the accounting for the Fire pension fund. The Market Value as of October 1, 2011 was \$3,064,131.57. Total receipts with contributions, investment income and realized gains were \$282,852.81. Total disbursements for the quarter between the pension payments, management and actuarial fees to Conrad Siegel totaled \$50,061.13. Market Value as of December 31, 2011 was \$3,296,923.25.

PERIS Ms. Peris stated that the Market Value as of January 31, 2012 amounted to \$3.4 million. She called attention to the Asset Allocation Analysis, which revealed an elevated cash position due to a contribution made to the pension fund. The monies were not put to use due to the lack of approval for some of the exceptions to the policy. Equities remain above the target, but fixed income is below the target. The written report of the holdings remained the same. She noted that the Strategic Growth Portfolio, formerly referred to as the Retirement Common Stock Fund, had been dissolved and re-distributed.

Ms. Peris reviewed the Performance Summary as of December 31, 2011. Fixed Income return was .87%; Equities 9.71%, and the Total Managed portfolio return was 4.38% compared with the benchmark of 5.35%. Since inception the portfolio has returned 4.43% against the index of 4.36%.

Ms. Peris reviewed the exceptions to the Fixed Income portfolio, which were similar to those in the police pension fund. All of this detail was provided in the written report. She requested the board approve the exceptions to ranking within the fire pension fund.

SCHENCK Chairman Schenck questioned whether there was a problem within the policy.

PERIS Ms. Peris responded that Fulton identifies those mutual fund holdings and the manager style to determine which will provided better results in the current market environment. Some managers provide a bottoms up approach versus others who do a top down approach. Fulton believes that during this 2012 year the managers that do the bottom up analysis will have better results because they do a fundamental analysis and results will be driven by that more so than what is happening in the markets.

BISHOP Mr. Bishop commented that he understood that the changes being made would better the performance. He referred to Chairman Schenck's question as to whether the exceptions are an issue with the mechanics of the Investment Policy.

SCHENCK Chairman Schenck added that the board had made an exceptional effort to redo the Policy, and he questioned whether the Policy had "choked" the investment managers.

LACHURE Ms. Lachure of F.N.B. stated that the Investment Policy was very onerous.

PERIS Ms. Peris stated that one would have to be an index manager to not have an exception. In order to meet and exceed the benchmark periodically additional risks need to be taken within the portfolio, such as going outside the parameters of what is strictly allowed within the Policy. That is how the good managers succeed.

HOLMAN Mr. Holman noted that the purpose of the policy was to allow for the exceptions but that the fund managers would come in to justify the reasons for the exceptions. The board wanted to understand more of the reasons why investments moved from one fund to another fund. In allowing the exceptions the board will understand why the move was justified.

PERIS Ms. Peris assumed that part of the reason for the exceptions may have been to control the risks. However, risks can be controlled in other ways.

DVORYAK Mr. Dvoryak questioned the equity holdings with Apple at 7.25% and IBM at 13% and whether it would be common for a municipal pension fund to have that much risk concentration in two equities.

PERIS Ms. Peris responded that looking at the entire portfolio, Apple and IBM are miniscule. It is a part, however, the risk is diversified away with other holdings within the portfolio.

MR. BISHOP MOVED TO APPROVE THE EXCEPTIONS AS REQUESTED. MOTION CARRIED. MR. DVORYAK VOTED NO. MOTION CARRIED 4/1.

b. F.N.B. Police Fund

a. Investment Presentation for: Springettsbury Township Police

LACHURE Ms. Lachure provided an economic overview which indicated a slightly better picture. Employment and housing are two indicators and neither sector had sufficiently recovered. However, new unemployment numbers noted this date were at 360,000 which was great news and a good sign. Consumer confidence seemed a little better in recent months. Existing home sales were up slightly.

Ms. Lachure reviewed the F.N.B. report. She noted that the higher risk investments had better results. The summary of the account showed the Beginning Market Value as of October 1, 2011 at \$5,036,102.72. There was a minor disbursement, earned income and appreciation on securities ending the year 2011 at \$5,310,715.12. She reviewed the Asset Allocation with Cash and Equivalents at 8.91%; Fixed Income at 37.46% and Equity at 53.63%. The overall picture of the Equities reveals 66.14% in large cap in a tactical maneuver. Fixed income overview at 95% of the account is in Investment Grade, and 5% in Government and Agencies. Yield on the Fixed Income is approximately 3.50%. Dividend paying stocks represent very good value. Portfolio performance results showed over the last three months Fixed at 7%, Equity at 10.5%, Cash at 0%. The overall return was 5.6%. For the 12 month return Fixed Income underperformed at 4% versus the benchmark of 5.8%; Equities .7% versus a benchmark of minus 2.3% with a net of 2% over the benchmark of 1.2%. Ten year returns at 5.2%, slightly below the benchmark of 5.5%.

DVORYAK Mr. Dvoryak questioned where the cash will be invested.

LACHURE Ms. Lachure responded that it will be invested in the Money Market fund.

DVORYAK Mr. Dvoryak asked where he would find the return information of that piece.

- LACHURE** Ms. Lachure responded that it would be dollar in/dollar out at .21. She offered to provide additional information to Mr. Dvoryak.
- DVORYAK** Mr. Dvoryak asked whether that would be after the fees or whether it included the fees.
- LACHURE** Ms. Lachure responded that it was the actual return. It is an institutional share of class and there are no fees that take it down under zero.
- LANDIS** Ms. Landis referred to the Summary of Account in Section III. She noted the disbursement in Security Sales with Gains/Losses. She questioned whether that was from the disbursement.
- LACHURE** Ms. Lachure responded that would have resulted from the sale of an investment, which was sold at less than the purchased price.

F. Old Business

a. Draft Investment RFP

- HOLMAN** Mr. Holman had provided the board with a draft Resolution No. 2012-27 for their consideration. A requirement of Act 44 is to agree to certain specific procedures in accordance with the statutes any time an RFP is done. Mr. Holman indicated he had been working with the Solicitor and the State Auditors, and the board would adopt the Resolution to put these procedures into compliance. The requirements of Act 44 pertain to anyone whose pension fund is less than fully funded, defined as 90% or above funded. Springettsbury is funded at approximately 89.6%. Mr. Holman requested that the board review the Resolution, then advertise the RFP. He wanted to review it further with Mr. Dvoryak, and then with the Chairman of the Pension Fund Board and then to the Board of Supervisors, followed by authorization to go out with the RFP.
- SCHENCK** Chairman Schenck asked whether the Board of Supervisors actually does the RFP.
- HOLMAN** Mr. Holman responded that the Board of Supervisors will authorize the advertisement of the RFP and approve the RFP.
- SCHENCK** Chairman Schenck asked who selects who brings that outside of the pension board.

- HOLMAN** Mr. Holman stated that the Pension Board will do the interviews of the selections, score the people who come in and give a percentage on the score sheet. The Pension Board will make a recommendation to the Board of Supervisors for award of contract.
- SCHENCK** Chairman Schenck asked if that was the way it had to be handled or the way that Mr. Holman recommended.
- HOLMAN** Mr. Holman responded that was the way it was to be handled and documented in Act 44.
- DVORYAK** Mr. Dvoryak noted that there had been an unresolved question raised in the past as it pertained to the fire pension and whether it was Springettsbury's or YAUFRR's fire pension.
- HOLMAN** Mr. Holman responded that there is an ordinance he needed to review with YAUFRR and the Solicitor. He noted he had recommendations from Tom Zimmerman. It will come back to the Board of Supervisors to determine any changes. Mr. Holman noted he planned to provide a recommendation to change the ordinance. The questions surround who will sit on the board and who will be the Chief Administrative Officer of the fund. At this time the Auditors are fine with the way it has been handled. Mr. Holman indicated that the item was on the agenda for information purposes; however, when the time comes for the investment planning or the fund management plan, then that will go out with the RFP. During the interviews the board can discuss fund management, etc. He added that the current fund managers would not be included. Mr. Holman indicated that he would expect a decision could be made by the end of summer.
- LANDIS** Ms. Landis asked whether the board members would be able to see the interview scoring sheet prior to the interviews.
- HOLMAN** Mr. Holman responded that they will receive the scoring sheet for each proposal.
- LANDIS** Ms. Landis asked whether an annual report and balance sheet would be requested from each active team.
- HOLMAN** Mr. Holman responded that their D&B, five and ten year performance, their experience in managing municipal pension funds in Pennsylvania, etc.

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SCHENCK Chairman Schenck asked whether Mr. Holman thought he could have the RFP in the board's hands a month before the next meeting.

HOLMAN Mr. Holman responded that he thought he could unless there was something else in Act 44 that surfaced as he worked through it.

SCHENCK Chairman Schenck asked for further clarification with regard to the YAUFRR question.

HOLMAN Mr. Holman responded that the YAUFRR answer is that everything is coming back through the township for approval, such as payments, funds, fund management because that is how the township ordinance is set up.

DVORYAK Mr. Dvoryak asked whether it was something that was missed in the merger.

HOLMAN Mr. Holman responded that it wasn't missed. It was planned to be finished this year. The auditors are fine with it moving forward.

G. New Business

There was none for discussion.

H. Committee Motions:

- a. Acknowledge Payment to Conrad Siegel Actuaries from Fire Pension Fund in the Amount of \$4,890.00 for Services Rendered from September 1, 2011 through December 31, 2011.

**MR. BOWMAN MOVED TO ACKNOWLEDGE PAYMENT TO CONRAD SIEGEL
ACTUARIES FROM FIRE PENSION FUND IN THE AMOUNT OF \$4,890.00.
MOTION UNANIMOUSLY CARRIED.**

I. Adjournment

SCHENCK Chairman Schenck adjourned the meeting at 5:20 p.m.

Respectfully submitted,

John Holman

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Secretary

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