

**SPRINGETTSBURY TOWNSHIP  
POLICE PENSION BOARD**

**MAY 25, 2017  
APPROVED**

The Springettsbury Township Board of Supervisors held a Police Pension Board Meeting on Thursday, May 25, 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  
Kathleen Phan, Assistant Secretary/Treasurer  
Bill Schenck  
Blanda Nace

**ALSO IN**

**ATTENDANCE:** Benjamin Marchant, Township Manager  
Charles Rausch, Solicitor  
Jessica Fieldhouse, Director of Community Development  
Sandra Ratcliffe, Deputy Finance Director  
Cory Landis, Police Department  
Renee Laychur, FNB Wealth Management  
Mark Renzini, FNB Wealth Management  
Tom Zimmerman, Conrad Siegel  
John Cramer, Conrad Siegel  
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**

A. Police Pension Board Meeting Minutes – February 23, 2017

**MR. SCHENCK MOVED FOR APPROVAL OF THE POLICE PENSION BOARD MINUTES OF FEBRUARY 23, 2017. MR. NACE 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 FNB Management Report for January 1, 2016 through December 31, 2016
- (2) Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund (1<sup>st</sup> Quarter)
- (3) Acknowledge Receipt of FNB Management Report for February 2017
- (4) Acknowledge Receipt of FNB Management Report for March 2017
- (5) Acknowledge Receipt of FNB Management Report – April 2017

**MR. SCHENCK MOVED TO ACKNOWLEDGE POLICE PENSION REPORTS 1 THROUGH 5. MR. NACE WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**5. REPORTS FROM FINANCIAL ADVISORS**

A. F.N.B. Wealth Management

**RENZINI** Mark Renzini stated that the board had been provided with written documentation of the portfolio. He presented the Net Asset Summary for the 1<sup>st</sup> Quarter of 2017. The Beginning Market Value as of 1/1/17 was \$14,864,375.20. Total Contributions were \$37,291.89; Total Distributions were \$213,154.50; Total Income was \$83,528.28; Non-Cash Charges, Realized Gains, Accrued Income and Market Appreciation amounted to \$478,980.10 for an Ending Market Value as of 3/31/17 of \$15,271,457.40.

**LAYCHUR** Renee Laychur discussed 2017 First Quarter Highlights. Interest rates for the U. S. 10-year Treasury Yield closed at 2.39% versus 2.44% at the start of the quarter. 10-Year Trading Range for the Quarter was 2.31% to 2.63%. Higher rates are expected during 2017. Foreign Equities were best performers in the 1<sup>st</sup> Quarter; MSCI EAFE and MSCI Emerging Markets up 7.25% and 11.45%. Fixed Income ended quarter slightly higher. Equity returns included foreign stocks outperforming the U. S. issues for the Quarter.

Ms. Laychur reviewed the Asset Allocations in the portfolio. Cash and Equivalents are allocated at 1.86%; Fixed Income at 44.21% and Equity at 53.93%. She reviewed the Overview of holdings showing the highest Investment Grade at 28.42% and Large Cap at 26.16%. The lower Investment Grades include Governments and Agencies, Mid Cap and Small Cap. The Fixed Income investments indicated the highest in Investment Grade at 65.30%. Equity Investments show Large Cap at 49.15%. Ms. Laychur stated the Market Value as of 4/30/17 was \$15,379,342.87.

Ms. Laychur reviewed the Economic Overview and noted that the market has gone up; however, they are being very cautious. The unemployment rate was lower and housing

market looks good but there is a lack of existing homes for sale. Retail sales for autos are up slightly. U. S. consumer confidence is up.

The Investment Policy Statement was provided with the allocations, which are Money Market 5%; Fixed Income 47.5% and U. S. and International Equities 47.5%. Variance can be + or – 10% in any asset class. Also provided was the Portfolio Diversification and Performance for the portfolio.

**DVORYAK** Mr. Dvoryak expressed his concern about how distressed the pension plan is becoming with actual performance. The board had discussed the topic in depth as to how changes could be made with asset allocation. He indicated it seemed problematic because 44% of the portfolio in Fixed Income is earning less than 3% with the pension plan valuation at 11%. He was certain not many individuals are earning 11% in the stock market. He suggested that it might be time to have a real discussion about the asset allocation.

**LAYCHUR** Ms. Laychur responded that there are several different scenarios. In the past there were discussions on targeting 60% in equities or bigger ranges. There are rules of the road for her, and the lines are there for a reason. However, if the board wanted to make changes, she would be comfortable with that.

**DVORYAK** Mr. Dvoryak added that it is always easier to talk about it when the market is at a new high, but it might not be the best time. He would like her thoughts on where to direct the plan in the future or the position in light of other pension plans.

**LAYCHUR** Ms. Laychur indicated she would be happy to discuss as far as other pension plans and balance at the next meeting.

**B. Conrad Siegel Actuaries**

**ZIMMERMAN** Tom Zimmerman, Actuary from Conrad Siegel announced that he will retire later this year (2017). He had been working on the Springettsbury Township Pension Plan for 20 plus years. He introduced his partner, John Cramer, who will be replacing him. Mr. Cramer had been Mr. Zimmerman's partner for 20 years. He is a York County resident.

Mr. Zimmerman provided a review of the background on the actuarial side of the pension plan in accordance with Act 205. He had provided the board with a copy of the valuation draft, and for the board's review this date he had highlighted several pages. First, he reviewed the Actuarial Assumption, which had been lowered two years ago from 7-1/2% to 7-1/4%, which puts a bit more money in the plan and relates to Mr. Dvoryak's discussion of the asset allocation.

The Mortality Payroll Assumption was changed as Americans are living longer and healthcare is better. The retirement age was changed from 50 with 25 years of service to age 53 with 25 years of service.

Receipts and Disbursements (1/1/15-12/31/15) – Returns were 0.99%. In 2016 that same driver is 4.8%, which is compared to the 7.25% assumption.

Summary of Plan Membership indicates 31 active members, 3 vested former members, who have terminated with 12 years of service and when they reach retirement age will start their pensions. There are 21 retirees and one spouse beneficiary as of 1/1/17. The plan is paying out about \$788,800 (\$800,000) a year of pensions. In the next six years, he anticipates another \$350,000 per year; about \$1.1 million/year paid in 6 years.

Unfunded Actuarial Accrued Liability discusses the pension plan liability. The Actuarial Accrued Liability is \$18,301,414. The Actuarial Value of Assets (\$14,872,625), and the Unfunded Actuarial Accrued Liability is \$3,428,789. The normal cost is \$478,648, which is the cost accrued by the 31 active members in 2017. Active members gain a year of service this year with pay increases and future pay increases, one-year cost \$478,648 or about 17.3%. The general terms, in order to know how effective this plan is as it is, the value of the plan is 17.3%. That's a decent approximation when you replaced this plan with a Defined Contribution Plan. This plan falls under Act 600.

The Unfunded Liability from the last valuation of 1/1/15 to 1/1/17 includes several drivers, one being the new mortality change, which increased by \$611,087. The second driver includes the investment losses from 2015 to 2016, which compared to the 7.25% assumption the plan lost \$1,630,395. There was a small Experience Gain of \$421,585 due to 4 officers terminating mid-career over those two years. The loss over those same two years was about \$1.3 million plus the \$600,000 mortality change amounted to about \$1.9 million hit over two years.

Act 205 advises how to amortize each change. January 1, 2017 - \$611,000 and \$1.2 million. They get amortized over 15 years, and amount to roughly 10% of the liability. So we're adding \$63,000 to \$132,000 for future MMO's for a total of about \$197,000 to future MMO's. In one year \$136,000 will be removed from the cost.

The unknown number is the Minimum Municipal Obligation contribution under Act 205. Normal costs and administrative expenses, amortization is \$1,050,000. The members contribute 5% of pay at about \$137,000; MMO is about \$912,000. The State continues to pay a portion from 2015 to 2016, which actually went up about 12%, which was \$270,000. Next township obligation is about \$640,000. For 2017 the amount is locked in at \$728,359. MMO-2018: \$735,000 (estimate); 2019 MMO, including the increase- \$945,000 (est.); 2020 MMO will depend mainly on investment returns in 2017 and 2018. In 2020 the \$136,000 will be removed.

**DVORYAK** Mr. Dvoryak noted the negative return of .99% and the 4.77% return. He thought it was calculated differently than what the board had seen. He asked if he expected the result to be close.

**ZIMMERMAN** Mr. Zimmerman responded that the FNB might be Net of Expenses.

**LAYCHURE** Ms. Laychur indicated it is Net of Expenses and is time weighted, not dollars.

**ZIMMERMAN** Mr. Zimmerman noted that his was not Net of Expenses and that FNB's should be more accurate. Act 205 expenses are loaded separately. Mr. Zimmerman continued with the Actuarial Valuation as of January 1, 2017, which includes the Funded Ratio. Two years ago the funded ratio was 87.9%. Unfortunately, because of the investments, but partially because of the mortality table, it is now 81.3%, which affects the distressed rating. Two years ago the combination of the pension plan with the non-union plan yielded 92%, which was not in a distressed category. It appears that it will drop to about 88%, which will put it back in the minimally distressed category. This is common with hundreds of other townships and boroughs across the state. It has no other impact other than the listing.

He asked about the interest rate assumption. Two years ago it was lowered to 7-1/4%, which added about \$80,000 to the MMO. He asked whether the board would be interested to add any more. He is comfortable with the 7-1/4; 50/50 is a pretty low equity allocation.

**PHAN** Ms. Phan noted that the mortality rate is something the board can't control, but regardless it's something the board has to prepare for. She asked whether anyone had ever considered more contributions from the members.

**ZIMMERMAN** Mr. Zimmerman indicated it could be considered. The maximum contribution is 5%.

**PHAN** Ms. Phan indicated she is very comfortable with the 7-1/4% as it is right now.

**SWOMLEY** Chairman Swomley asked whether he was talking about interest rate target and not the distribution.

**ZIMMERMAN** Mr. Zimmerman responded that he was talking about the specific 7-1/4% and whether the board might want to change it.

**DVORYAK** Mr. Dvoryak indicated he would want to leave it where it is.

**ZIMMERMAN** Mr. Zimmerman indicated he would finalize it for the report.

## **6. OLD BUSINESS**

There was no Old Business

**7. NEW BUSINESS**

- A. Acknowledge COLA Payment Increase to Robert Drawbaugh from \$3,870.37 to \$3,967.13 effective April 1, 2017 as stated in Mr. Zimmerman's attached letter. Mr. Drawbaugh should also receive a one-time payment for February and March, 2017 totaling \$193.52.

**MR. DVORYAK MOVED TO ACKNOWLEDGE COLA PAYMENT INCREASE TO ROBERT DRAWBAUGH IN THE AMOUNT OF \$3,870.37 AND A ONE-TIME PAYMENT FOR FEBRUARY AND MARCH 2017 TOTALING \$193.52. MR. NACE WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

- B. Acknowledge COLA Payment Increase to David Trott from \$4,301.33 to \$4,606.72 effective April 1, 2017 as stated in Mr. Zimmerman's attached letter. Mr. Trott should also receive a one-time payment for February and March, 2017 totaling \$327.20.

**MR. DVORYAK MOVED TO ACKNOWLEDGE COLA PAYMENT INCREASE TO DAVID TROTT FROM \$4,301.33 TO \$4,606.72 AND A ONE-TIME PAYMENT FOR FEBRUARY AND MARCH 2017 TOTALING \$327.20. MS. PHAN 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,

Kathleen Phan  
Secretary

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