

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**MAY 25, 2023
APPROVED**

The Springettsbury Township Board of Supervisors held a Police Pension Board Meeting on Thursday, May 25, 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
Adam Runk, F.N.B.
Dori Bowders, Director of Administrative Operations
Teresa Hummel, Director of Finance
Todd King, Chief of Police
Abby Gibb, Communications Manager
Sue Sipe, Stenographer

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 – February 23, 2023

MR. WURSTER MOVED FOR APPROVAL OF THE FEBRUARY 23, 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 First Quarter Payroll Pension Contribution Reconciliation Report
- (2) Acknowledge Receipt of January 31, 2023 F.N.B. Management Report

- (3) Acknowledge Receipt of February 28, 2023 F.N.B. Management Report
- (4) Acknowledge Receipt of March 31, 2023 F.N.B. Management Report
- (5) Acknowledge Receipt of April 30, 2023 F.N.B. Management Report

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF THE FIVE 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 indicated Mr. Renzini is on vacation. He referred to the report which was forwarded to the Board.

- YTD figures as of the end of April – 5½% vs. benchmark of 5.6%
- Equity results as of May have come from the Technology side of the portfolio
- Addressed how AI has affected the market and is anticipated to change the way technology is accessed and managed.
- Discussed inflation and how economic numbers have been affected in relation to the labor market with the Fed raising rates
- Still seeing on the employment side cost index – which is a measure of wage growth – still elevated at 4.8%
- Addressed the major changes in the labor force participation rate over the age of 60 as well as changes to the Gen Z which is a smaller population demographic
- Supply chain resolution has resulted in a higher demand creating backlogs
- On the international side – seeing inflation in Europe high
- European Central Banks as well as UK banks are behind the U.S. in raising rates
- Continue to be positive on the U.S. position wise, vs. International - 2% underweight for international equities - will continue to back that off this year since the market is driven by the U.S. in technology space.
- Overweight large U.S. stocks which tend to be more diversified and defensive
- Underweight in international markets
- Expect inflation to persist into 2024
- Discussed Taiwan semi-conductor producer of advanced chips - building a plant in Arizona, to be on-line 2026.
- Discussed debt ceiling negotiations
- Noted increasing talk in the portfolio group looking to add CD's to the allocations which are longer term
- Discussed commercial real estate risks and hybrid work environment becoming more normal. Noted they do not have significant regional banking exposure at this time.

B. Conrad Siegel – Jonathan Cramer

CRAMER Mr. Cramer referred to Page 2 of the report which shows where the Assumptions were two years ago. He noted the evaluations are done for funding purposes every other odd year. 1/1/2021 the committee adopted a lower interest rate of 6.75%.

- Salary scale 5% assumed per year
- Mortality table is current and available for valuing pension plans in the public sector
- Five-year smoothing method – what that means and the effect of that in this valuation.
- Asset returns – 2021 at 12%; 2022 -15.8%
- Actuarial value of assets – smooths out the results of the investment gains and losses that were planned experiences
- 1/1/2021 valuation results shown on the left column and right column is the preliminary results for 1/1/2023 assuming no assumption changes
- 1/1/2021 the plan was approximately 89% funded on a market value basis and using the smooth market value it was at 84%
- With the core investment performance of 2022 those ratios flipped as shown on page 13 which provides details on how the smooth value is calculated
 - For each of the last four calendar years they developed an expected market value of assets, taking the known market at the beginning of the year, adding the known contribution for benefit payments, then calculate what the expected investment return is using the 6¾ assumption term. This is compared to the actual market value resulting at the end of the year.
 - Those unexpected gains and losses are recognized into the market value over a 5-year period.
 - For 2019 they recognized the gain as 80% - in 2022 only recognizing 20% of that loss – 80% is deferred recognition.
 - With the large deferred loss recognition, the smooth market value will be higher than the market value.
 - For purposes of determining the unfunded actuarial liability uses the smooth market value which is 22.9 million which makes the unfunded liability on the smooth market value basis only being 2.5 million. If using market value for purposes of funding the unfunded liability would be over 5 million with much larger amortization costs going forward.
- Pointed out normal costs is flat at \$595,000 compared to \$592,000. Normal cost is the annual cost of benefit accruals.
- Covered payroll is up slightly
- Expenses are relatively flat
- Amortization of the unfunded liability has come down from 4.89 to 4.08
- Non-investment positive experience gain – result of some positive experience with respect to salary increases
- Salary in total covered payrolls not up 5% year over year

- Positive experience due to retirements
- Two years ago, the rate was lowered from 7% to 6¾%
- Geometric average over 30 years – 6.54%
- Page 3 – illustration of the MMO based on this valuation assuming no assumption changes
- MMO is comprised of the normal cost of benefit accruals for one year
- Expenses in the amortization of the unfunded liability – subtract the expected number of contributions which was 5% of pay
- Based on this valuation of the MMO – 900,000 which is in line with the last 5-6 years.
- Page 4 – history of who funds the plan
- Annual financial requirement of \$1 to 1.1 million
- Subtract officers 5% contributions which is \$150,000 of the cost of the plan – this is the MMO which is the obligation to be satisfied by a combination of state and Township aid
- State aid is attributable to police officers which is the unit value the auditor general develops each year as they dole out state aid
- Multiply the unit value by the number of officers x 2 = state aid attributable to the police force
- State aid is covering approximately \$300,000 and the Township is picking up the other \$600,000
- He noted because the Township is paying a major portion of the costs, they do not feel employee contributions should be eliminated at this time
- On the last page a table shows a 10-year history of the funded ratio and where the plan has been – this is on a market value basis.
- He indicated if the Board were interested in considering lowering the interest rate another ¼ % that would increase the MMO by approximately \$100,000-\$120,000. He noted he would not recommend it at this time since they are at the conservative end already.

- C. Acknowledge Receipt of Conrad Siegel Actuarial Report as of December 31, 2022 (GASB 67 & 68)

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF CONRAD SIEGEL ACTUARIAL REPORT AS OF DECEMBER 31, 2022. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

- A. Acknowledge COLA Payment Increase to David Trott from \$5,339.27 to \$5,591.73 effective April 1, 2023 as stated in Mr. Cramer's letter. Mr. Trott should also receive a one-time lump sum payment of \$270.49 for the month of March and 2 days in February 2023 (Final COLA).

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**MAY 25, 2023
APPROVED**

CRAMER Mr. Cramer explained the process for the distribution of the lump sum payment for the COLA payment increase.

MR. WURSTER MOVED TO ACKNOWLEDGE COLA PAYMENT INCREASE TO DAVID TROTT AS PRESENTED. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting at 7:00 p.m.

Respectfully submitted,

Charles Wurster
Secretary
/ses