

The Springettsbury Township Board of Supervisors held a meeting of the Police Pension Board on Thursday, May 28, 2020 at 6 p.m. by Zoom technology. Some participants were at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Mark Swomley, Chairman
George Dvoryak, Vice Chairman
Charles Wurster, Secretary
Don Bishop
Robert Cox
Corporal John Lawton, Police Department Representative

MEMBERS NOT

IN ATTENDANCE: Christopher Ford, Police Department Representative

ALSO IN

ATTENDANCE: Dori Bowders, Interim Township Manager
Mark Renzini, F.N.B. Wealth Management
Adam Runk, R.N.B. Wealth Management
Teresa Hummel, Finance Director
Lt. Todd King, Chief of Police
Jean Abreght, Stenographer

1. CALL TO ORDER

SWOMLEY Chairman Swomley called the meeting to order. He stated that a Quorum was present.

2. ACTION ON MINUTES

A. Police Pension Board Meeting Minutes – February 27, 2020

MR. DVORYAK MOVED TO APPROVE THE POLICE PENSION BOARD MEETING MINUTES OF FEBRUARY 27, 2020. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There were no public comments.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

A. Police Pension Reports:

- (1) Acknowledge Receipt of First Quarter Payroll Pension Contribution Reconciliation Report
- (2) Acknowledge Receipt of February, 2020 F.N.B. Management Report
- (3) Acknowledge Receipt of March, 2020 F.N.B. Management Report
- (4) Acknowledge Receipt of April, 2020 F.N.B. Management Report

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF THE FOUR ITEMS AS LISTED ON THE AGENDA. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

- A. Acknowledge Receipt of Conrad Siegel Actuarial Report as of December 31, 2019 (GSP 67 & 68)

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF CONRAD SIEGEL ACTUARIAL REPORT AS OF DECEMBER 31, 2019. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

B. F.N.B. Wealth Management

RENZINI Mark Renzini, F.N.B. Wealth Management presented the Net Asset Summary as of May 28th. Mr. Renzini reported the results of the Net Asset Summary. Beginning balance was \$18,962,268; contributions of \$65,000. Total distributions of \$434,713. Income and dividends totaled \$133,212.70 with Realized Gains of \$373,823.64 and those were some moves that were made. The Market Depreciation during this period was \$952,009.69 for ending balance of \$18,148,742.17. Mr. Renzini reported that the market so far with the pandemic and economy shutting down, despite all of that, the portfolio had held up pretty well. They are planning for the next phase.

RUNK Adam Runk noted on the Net Asset Summary that it was important to look at both the income, the realized gains, and the depreciation, which is a decrease of \$450,000 to understand the market impact and total return.

- Investment Review. The economic shutdown had very serious ramifications on the GDP. Unemployment was, at times, worse than the Great Depression. There was an economic pause in which many individuals still had their jobs, and many received bailouts from both the federal government and the Federal Reserve in the form of “unlimited monetary stimulus.” There is a lower mortality rate than original expected, and a vaccine timeline has gotten closer toward the end of the first quarter, 2021. Preliminary thoughts based on the Phase 1 Study.

- Quantitative easing with the additional lending by the Federal Reserve - There remains a possibility of a second round of infections; however, many analysts are viewing it as positive and looking at potentially negative second, third and possibly fourth quarter data for the U.S. into 2021. A breakdown in U.S./Chinese relationships could have a significant impact, as well as the election.
- Reason for the lead in benchmarks with the equity strategy is the fact that they are very service oriented. Many companies do not require in-person purchase. The work-from-home trend has become more common and will become more turbo-charged for its convenience. Amazon, Microsoft, Netflix and Apple were strongest making up 7% weight in the portfolio in individual stocks. Because of those high-weighted names and the S&P index, that is a big reason why the U.S. has out-performed the rest of the world with the quality of the companies and their immunity to people working from home
- Historic low interest rates and the Federal Reserve stimulus will affect the actuarial reports for the pension with Conrad Siegel in terms of determining the discount rate on the pension. Falling interest rates is a good thing for the bonds in the portfolio in terms of their rising price; however, it is very negative for the liabilities in the discount rates specifically used by the actuaries.
- Portfolio Allocations/Holdings and Asset Allocation is currently positioned at 47% in equities, 51% in Fixed Income and Cash. International holdings were reduced to the minimum weighting permitted in the Investment Policy Statement and added that allocation to the large cap U.S. A heavy U.S. focus in large, medium U.S. and international versus the benchmark in Equity exposure has resulted in an out performance. The Sector positioning resulted in having overweight in technology stocks, a major reason for having done well. Several different actions both on the tactical side as well as by company selection have led the out performance.

RENZINI Mr. Renzini noted it was important to highlight the performance because it is part of the calls that F.N.B. makes from the investment committees, which is important to the performance.

WURSTER Mr. Wurster asked Mr. Runk what his position would be moving forward with energy. He asked if it would be a sector to rotate further out of or would there be a consolidation toward bigger positions.

RUNK Mr. Runk responded that if the portfolio were more speculative some could be made in smaller to medium-sized energy companies. F.N.B's position would be they are at financial risk; not so much in the ones currently held. Long term there is a negative outlook on crude energy mostly due to the huge natural gas supply in the U.S. It is not linked to OPEC as it was in the past, and is based to supply and demand.

RUNK Mr. Runk reported on Investment Results Net of Fees versus the Blended Benchmark. There was about a percent out performance year-to-date coming

from the Equity position. Credit exposure on the Fixed Income vastly outweighed by the Equity exposure. On the whole it was a very good year. The Bond Portion did not do as well due to the credit exposure. The Equity side, including the blended benchmark between large, mid, small, international and emerging stocks resulted in about 4% out performance. The individual stock strategy, large cap U.S. added to the maximum allowed weight by the IPS in large cap U. S. strategy, which contributed to the out performance of the portfolio.

WURSTER Mr. Wurster requested Mr. Runk to describe the alternative investment positions in the portfolio.

RUNK Mr. Runk responded that it would be the Merger and Acquisition Fund in The portfolio. He referred to the Asset Allocation Report which is the merger arbitrage fund. This relates to companies that are about to be acquired for \$90 a share and are currently trading at \$85 a share, the strategy is that the fund will buy the one to be acquired in advance of the deal and then short the acquirer in the sense that the acquirer is probably paying too much money, sort of net neutral. There is no equity exposure. F.N.B. uses it as a Fixed Income Alternative because it is not sensitive to interest rates and does well during rising rate environments where a lot of mergers happen.

WURSTER Mr. Wurster questioned whether that is the best alternative for alternatives or defensive investments.

RUNK Mr. Runk responded that it is a defensive investment. It has a very low volatility, and a large positioning is not held. There are other funds, hedge funds, which have high fees. He added that this is not a bad alternative fund for the portfolio.

DVORYAK Mr. Dvoryak asked Mr. Runk if he had the year-to-date return as of March 31, 2020.

RUNK Mr. Runk indicated he could send it to him as a follow up. The overall positioning in the account was -9.98% year-to-date as of March 31st versus the blended benchmark at the time was -10.16%.

RENZINI Mr. Renzini asked for any additional questions. Hearing none, he indicated they would look forward to hopefully seeing everyone in person next time.

6. OLD BUSINESS

There was no Old Business

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting 6:40 p.m.

Respectfully submitted,

Charles Wurster
Secretary

ja