

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 22, 2019
APPROVED**

The Springettsbury Township Board of Supervisors held a Regular Meeting of the Police Pension Board on Thursday, August 22, 2019 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
Charles Wurster, Assistant Secretary/Treasurer
Robert Cox
Brian Wilbur, Police Department Representative
John Lawton, Police Department Representative

MEMBERS NOT

IN ATTENDANCE: Justin Tomevi

ALSO IN

ATTENDANCE: Ben Marchant, Township Manager
Mark Renzini, F.N.B. Wealth Management
Renee Laychur, F.N.B. Wealth Management
Jonathan Cramer, Conrad Siegel
Teresa Hummel, Finance Director
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 – May 23, 2019

MR. DVORYAK MOVED TO APPROVE THE POLICE PENSION BOARD MEETING MINUTES OF MAY 23, 2019. 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 Second Quarter Payroll Pension Contribution Reconciliation Report
 - (2) Acknowledge Receipt of May 2019 F.N.B. Management Report
 - (3) Acknowledge Receipt of June 2019 F.N.B. Management Report
 - (4) Acknowledge Receipt of July 2019 F.N.B. Management Report

MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF THE FOUR REPORTS LISTED ON THE AGENDA. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

RENZINI Mark Renzini presented the Net Asset Summary, Section 1, summary for both the Second Quarter and the Year to Date. The quarter began with \$17,143,859.22; Contributions from employees of \$36,464.40; Distributions of \$223,682.72; Interest and Dividends/Total Income \$93,728.55; Market Appreciation for the Quarter of \$69,608.23; Total Ending Market Value as of 6/30/19 of \$17,476,411.25.

Year To Date: Beginning Market Value as of 1/1/19 - \$16,016,655.99; Contributions \$79,880.01; Distributions \$424,262.85; Interest Income \$177,877.31; Market Appreciation for the first six months \$1,567,142.86; Ending Market Value 6/30/19 \$17, \$486,411.25. This shows a recovery from the Fourth Quarter of 2018 and the first two Quarters of 2019.

LAYCHUR Renee Laychur reviewed the 2019 Second Quarter Highlights. The board was provided with a written report for the Second Quarter. She reported that there was one negative month during the quarter in May, which largely was attributed to trade and tariff issues. Stocks rebounded in June for a solid quarter. The S&P 500 recorded its best six months in over 20 years. European markets posted the best gains in the S&P500 chart. Interest rates came down substantially during the quarter. The 10-year Treasury was over 3.25. The FOMC left short-term rates unchanged at its June meeting.

The Second Quarter Index Returns showed that technology continues to be the best performer for the year up 27%. Financials had the highest returns at 80%. Equities were strong during the quarter. The S&P500 was up over 4%. Growth stocks outperformed value stocks. U. S. Large Caps were the best performers along with International Emerging Markets. Fixed Income continued to be positive. Fixed Income returns were up 2.15%; year-to-date +5.33% better than the benchmark of 4.9%. Government issues performed the best in the quarter as interest rates for Treasuries fell. Fixed Income funds did well year-to-date; total duration 3.4 years.

Equity results were positive up 4.15%; benchmark 3.50%; year-to-date 18.32%; benchmark 16.97%.

Third Quarter highlights showed the U. S. economic expansion officially the longest ever on record topping records from back in the 1700's. The GDP was 2.1% in the Second Quarter down from 3% in the First Quarter. Employment was very positive.

Ten-year Treasury rates fell to 1.59%. In 2012 and 2016 the 10-year fell slightly lower than that. Global rates have declined at \$16 Trillion.

Portfolio Asset Allocation – Equities are just under 49%; Fixed Income 46.50% and 4.7 in Cash and Equivalents. Sub-Asset Classes, Investment Grade Fixed Income 37.30%, and Large Cap U. S. Stocks 26.40%. International is underweight 10.05%; no Alternative Market Exposure for over a year 1.32%. Equity exposure Investment Grade bonds 82.54%; Mortgage-Backed funds 9.08%; Equity Allocation: Large Cap 54.10%; International 20.61%; Small Cap 7.48% and Mid Cap 17.82%. Individual Sector Allocations, Information Technology is doing very well 26.68%.

Investment Results Net of Fees from June 30th for the Overall Account 2.09%, YTD up 11.35%; Year over year 5.37%; average 7.19% for three years; 4.44% over 5%; and 7.57% for 10 years. Same format for July results. Year to Date as of July 11.81%; Fixed Income up 5.59% and Equities up 19.07%; Year over Year 4.13%; average 6.53% over three years; 4.84% over five years; 10 years 7.20%. Equity 11.39 year-to-date.

Economic and Market Overview showed an economy that is growing. Interest rates are lower, which should be positive for economic activity going forward. She did not see any indication of a recession.

DVORYAK Mr. Dvoryak questioned the expected long-term rate based on the current asset allocation rate.

LAYCHUR Ms. Laychur had provided documentation on a Long-Term Study done by Morningstar, which noted results of 8% since 1926.

6. OLD BUSINESS

SWOMLEY Chairman Swomley brought the MMO discussion to the floor.

CRAMER Jonathan Cramer, Actuary with Conrad Seigel had provided a grid for the board's review. During the Pension Board meeting in May, he had presented a thorough review of the Actuarial Evaluation of the plan as of January 1, 2019. He had provided three possible changes to the assumption for determining the liability and the contribution that is due to the plan. The one that he presented was an update to the Mortality Table. Life Expectancies are increasing across all human life. There is a new Mortality Table available specific to public safety workers. It

was recommended to adopt that plan for this or the next valuation. It also was recommended that a Five-Year Smoothing Method be adopted toward determining the asset value for purposes of funding the plan.

During the May meeting a question was raised as to whether the 7-1/4% interest rate that's used to value the liability is still appropriate. A review was conducted as to what would result at the 7% rate. Lowering the interest rate does increase the liability value of the plan and would increase the MMO due to the plan each year.

The board reviewed the chart provided by Mr. Cramer. If no changes were made, the annual MMO would be just over \$900,000, slightly lower than the 2019 obligation. Lowering the interest rate increases the MMO about \$100,000. Increasing the mortality/life expectancy assumption does not have much of an impact raising the MMO to \$975,000.

Document smoothing provides for recognition of a higher value of assets as of the valuation date. Several other combinations of assumption changes and mortality were provided and discussed.

- WURSTER** Mr. Wurster commented that adopting all three scenarios would not be much of a change, but has longer-term implications. He asked how often the Pension Board had made changes to the underlying valuations.
- CRAMER** Mr. Cramer responded that the last valuation was 1/1/17 when the Mortality Table had been updated. The public safety specific table was not available at that time. Additionally, the interest rate was lowered from 7-1/2 to 7-1/4 on 1/1/15. He added that it is not uncommon to tweak the assumptions every valuation or every other valuation.
- DVORYAK** Mr. Dvoryak noted that based on what he observed, as well as what he sees in his other investment work, the last column made perfect sense.
- CRAMER** Mr. Cramer noted there is a definite trend to lower the expected rate of return on assets. Most of their clients are at 7, 7-1/2 range.
- LAWTON** Corporal Lawton questioned what the previous assumption was for the public workers.
- CRAMER** Mr. Cramer responded that an example would be for a 60-year old male who is retiring. Under the current table, the life expectancy would be until age 85. The new table takes it to about age 86 and a fraction, so about a year, year and a half additional life expectancy. It is a more pronounced increase for non-safety employees. A comparable general employee life expectancy went up two years.

MR. DVORYAK MOVED TO ADOPT THE LAST COLUMN METHOD OF MEASURING THE MINIMUM MUNICIPAL OBLIGATION IN THE POLICE PENSION PLAN WHICH IS SEVEN PERCENT (7%) EXPECTED RETURN WITH

FIVE YEAR SMOOTHING BY USING THE SOA PUBLIC SAFETY MORTALITY RATE. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

7. NEW BUSINESS

- A. Acknowledge COLA Payment Increase to Scott Laird from \$4,284.20 to \$4,352.75 effective July 7, 2019 as stated in Mr. Cramer's attached letter. Mr. Laird should also receive a one-time partial payment for July and full payment for August totaling \$123.83

MR. WURSTER MOVED TO APPROVE THE COLA PAYMENT INCREASE TO SCOTT LAIRD FROM \$4,284.20 TO \$4,352.75 EFFECTIVE JULY 7, 2019. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- B. Acknowledge COLA Payment Increase to David Eshbach from \$3,685 to \$3,961.38 effective July 29, 2019 as stated in Mr. Cramer's attached letter. Mr. Eshbach should also receive a one-time partial payment for July and full payment for August totaling \$303.13.

MR. WURSTER MOVED TO ACKNOWLEDGE THE COLA PAYMENT INCREASE TO DAVID ESHBACH FROM \$3,685 TO \$3,961.48 EFFECTIVE JULY 29, 2019 AS STATED IN MR. CRAMER'S ATTACHED LETTER. MR. COX WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- C. Approval of Actuarial Assumptions for Annual Minimum Municipal Obligation Evaluation

This item was acted upon previously during the meeting.

8. COMMITTEE MOTIONS

There were none for action.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting at 6:30 p.m.

Respectfully submitted,

Charles Wurster
Secretary

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