

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 26, 2021
APPROVED**

The Springettsbury Township Board of Supervisors held a Police Pension Board Meeting on Thursday, August 26, 2021 at 6:00 p.m. at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA in person and by Zoom technology.

MEMBERS IN

ATTENDANCE: Mark Swomley, Chairman
George Dvoryak, Vice Chairman
Charles Wurster, Assistant Secretary/Treasurer
Don Bishop via Zoom
Christopher Ford, Police Department Representative

MEMBERS NOT

IN ATTENDANCE: Robert Cox
John Lawton, Police Department Representative

ALSO IN

ATTENDANCE: Mark Hodgkinson, Township Manager
Mark Renzini, F.N.B.
Adam Runk, F.N.B.
Jon Cramer, Conrad Siegel Actuaries
Terry Hummel, Director of Finance
Todd King, Police Chief
Dan Hoff, YAUFRA Chief
Abby Gibb, Communications Manager
Jean Abrecht, 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 – May 27, 2021

MR. WURSTER MOVED FOR APPROVAL OF THE MINUTES AS PRESENTED. MR. DVORYAK 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 Second Quarter Payroll Pension Contribution Reconciliation Report
- (2) Acknowledge Receipt of May 31, 2021 F.N.B. Management Report
- (3) Acknowledge Receipt of June 30, 2021 F.N.B. Management Report
- (4) Acknowledge Receipt of July 31, 2021 F.N.B. Management Report

MR. WURSTER MOVED FOR ACCEPTANCE OF POLICE PENSION REPORTS AS PRESENTED, ITEMS 1, 2, 3, AND 4 ON THE AGENDA. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. F.N.B. Wealth Management

RENZINI Mark Renzini, F. N. B. Wealth Management greeted the members of the Pension Board. He provided a report on the Net Asset Summary with a beginning balance of \$21,448,667; Employee Contributions of \$92,000; and Distributions of \$739,000. Total Income is \$193,335; Realized Gains from Portfolio Changes of \$54,465; Market Appreciation \$1,765,473 with an ending August Balance of \$22,814,988.

Investment and Portfolio Review

RUNK Adam Runk, F.N.B. Wealth Management presented the Investment Review. A summary of his report follows:

- COVID/Delta Variant has spiked deaths and raised concern but has not greatly affected the market.
- Chinese regulation has influenced U. S. electric cars/vehicles in favor of U. S. production.
- Federal Reserve is likely to begin messaging about tapering its asset purchases; Quantitative Easing.
- U.S. technology company outlook very positive, climbing in the 3rd quarter; about 5% rise.
- Interest rates have fallen from 1.56% in 2nd quarter down to 1.25% in the 3rd quarter.
- Ten-year Treasury Yields fell in line with inflation concerns.

Portfolio Performance

RUNK Adam Runk discussed the Portfolio Performance as follows:

- Jobs have recovered; also the Euro beginning to recover some.
- Vaccination rates have improved.
- Commensurate improvement with GDP in Europe.
- Treasury Yields are low due to foreign yields lower than U. S. yields.
- Federal Reserve purchasing with a very, very low interest rate environment.
- Quantitative Easing tapering expecting yields to rise; however, to be checked by Central Bank action on a global scale.
- Performance continues to excel year-to-date; ahead of the Blended Benchmark by about 2%.
- Equity allocation outperformed year-to-date; overweight benefitted.
- Fixed Income exposure outperformed year-to-date.
- S&P 500 performance driven by select companies affected performance in both Year-to-Date and over 3 years.
- Portfolio additions:
 - Tesla – about doubled in value since purchase.
 - Tesla technology, “T Connectivity” sensors for electric cars. Strong rise in value.
 - Nvidia, graphics processing chip, has quadrupled since purchase.
 - Microsoft tripled since its addition.

WURSTER Mr. Wurster questioned whether Mr. Runk is comfortable with the current Asset Allocation looking forward into the next six to 12 months.

RUNK Mr. Runk responded that within the next six to 12 months he expects to pare back to be closer to the target. The question of a federal stimulus and the size of it is to be determined, which will affect the market. He expects upward movements within the next several months. He noted that the Bond side is not having much affect on interest rates. Market timing is the key.

RENZINI Mr. Renzini echoed Mr. Runk’s comment that in the near term they will be watchful especially in the Fixed Income portion of the portfolio dealing with a pension plan. It is challenging to make that segment contribute to the overall performance while staying within all of the guidelines and parameters. He offered to provide a Market Outlook chart for the Board.

- B. Acknowledge Receipt of Conrad Siegel Actuarial Report as of December 31, 2020 (GASB 57 & 68)
- C. Acknowledge Receipt of Conrad Siegel Actuarial Valuation as of December 31, 2020 (GASB 75)

No action was taken.

6. OLD BUSINESS

- A. Police Pension Discount Rate Evaluation

CRAMER Jon Cramer, Conrad Siegel stated that his partner, John Vargo, had presented some actuarial results at the last meeting, which he reviewed again. He indicated that the Board review would enable them to determine the calculation of the Minimum Municipal Obligation for the next few years. He provided a handout for the Board's review, which itemized discount rates, annual obligation and cash contributions, etc.

Mr. Cramer reviewed what the Board had approved two years ago:

- Overhauled the actuarial assumptions.
- Decreased the Interest Rate or Discount Rate from 7.5% to 7%; keep salary scale at 5%.
- Asset Value Method stays at the Five Year Smoothing.
- Adopted the Mortality Table and an Actuarial Evaluation of Assets Methodology called Five Year Smoothing.

A Sensitivity Analysis provided showing the impact of lowering interest rate further.

Mr. Cramer recommended that the Board should not change any of the previous decisions. The impact on the MMO for the year would be approximately \$875,000 to \$900,000 depending upon the 2022 numbers. He recommended that the salary scale stay at 5%; lower the Discount Rate to 6.75%. for a 50%/55% equity.

FORD Mr. Christopher Ford questioned how the salary scales would be applied with regard to the Collective Bargaining Agreements that are in place. Traditionally the increases range between 2.5% and 3% annually.

CRAMER Mr. Cramer responded that the salary scale is a long-term assumption to attempt to measure the increase in an officer's pay over their whole career. That is taking into account that there will be some merit growth up the scale, but it is not reflective of a short-term CBA that might be in place for the next three or four years.

FORD Mr. Ford noted that he had not seen any increases close to 4.75 to 5% since the early 2000's.

SWOMLEY Chairman Swomley commented that this reviews an officer's salary over his lifetime, not just the current Bargaining Agreement. That is why there is a difference between that number and the number that is in the Bargaining Agreement. He noted that he would be in favor of continuing with the 5% for salary scale and not dropping that.

The Board continued the discussion concerning the necessary steps to take. The comments are summarized:

- The Investment Allocation had not been changed. The Investment Policy Statement had been reviewed but not changed to increase the equity risk.
- Review with the Investment Managers to see what the asset mix of 55/45 allocation will be based on their simulations; provide an indication of how close they expect to come to the 6.75% rate.
- Adjusting the Investment Policy should have a positive effect on the return or at least the potential for a return. In the proposed Investment Policy there was a range, e.g. 10% \pm on any category for more leniency.
- YAUFR's target for equities is 65% with a range of 40% to 65%, fixed income at 30% and 5% alternatives.

MR. DVORYAK MOVED THAT THE BOARD LOWER THE ACTUARIAL ASSUMPTION INTEREST RATE TO 6.75%, KEEPING THE SALARY SCALE ASSUMPTION AT 5% AND FURTHER DIRECT THE INVESTMENT ADVISORS TO COME BACK TO THE NEXT PENSION MEETING WITH AN ANALYSIS SHOWING THAT THE CURRENT ASSET ALLOCATION MIX MEETS THE EXPECTATION OF FUTURE RETURNS BASED ON THE CURRENT ALLOCATION MIX. IF IT DOES NOT MEET THE 6.75% TARGET, THEN BRING A RECOMMENDED MIX THAT WILL DO SO. MR. WURSTER WAS SECOND.

BISHOP Mr. Bishop questioned whether more timing should be given for receiving information from the Investment Advisors, such as draft 30 days prior to the next Pension Board meeting in order that the Board could actually review it and vote on it at that meeting.

MR. DVORYAK AMENDED HIS MOTION TO STATE THAT A DRAFT WOULD BE PROVIDED TO THE PENSION BOARD 30 DAYS PRIOR TO THE NEXT PENSION MEETING. MR. WURSTER WAS SECOND TO THE AMENDMENT. MOTION UNANIMOUSLY CARRIED.

SWOMLEY Chairman Swomley thanked Mr. Cramer for his attendance at the meeting.

7. NEW BUSINESS

- A. Acknowledge COLA Payment Increase to Robert Soop from \$1,007.22 to \$1,057.58 effective August 1, 2021 as stated in Mr. Cramer's attached letter. Mr. Soop should also receive a one-time lump sum payment of \$82.25 for the month of July and 19 days in June, 2021
- B. Acknowledge COLA Payment Increase to David Eshbach from \$3,985.15 to \$4,200.35 effective September 1, 2021 as stated in Mr. Cramer's attached letter. Mr. Eshbach should also receive a one-time lump sum payment of \$236.03 for the month of August and three days in July, 2021.
- C. Acknowledge COLA Payment Increase to Scott Laird from \$4,378.87 to \$4,615.33 effective September 1, 2021 as stated in Mr. Cramer's attached letter. Mr. Laird should also receive a one-time lump sum payment of \$427.15 for the months of July and August, 2021.

MR.DVORYAK MOVED TO ACKNOWLEDGE THE PAYMENT INCREASES AS NOTED ON THE AGENDA, A. B. AND C UNDER NEW BUSINESS. MR. WURSTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SWOMLEY Chairman Swomley adjourned the meeting at 6:48 p.m.

Respectfully submitted,

Charles Wurster
Secretary

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