

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**NOVEMBER 1, 2013
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Friday, November 1, 2013 at Noon at the offices of Springettsbury Township located at 1501 Mt. Zion Road, York, PA

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Don Bishop
George Dvoryak
Greg Hadfield, Police Department
Scott Altland, Police Department

MEMBERS NOT

IN ATTENDANCE: Mike Bowman
Julie Landis

ALSO IN

ATTENDANCE: John Holman, Township Manager
Joe Paese, F.N.B. Wealth Management
Rene Laychur, F.N.B. Wealth Management
Karen Kenderdine, F.N.B. Wealth Management
Jean Abreght, Stenographer

A. Call to Order

SCHENCK Chairman Schenck called the meeting to order. He stated that a Quorum of the Police Pension Board was present with five members.

B. Action on Minutes

1. Police Pension Board Regular Meeting of August 22, 2013

MR. DVORYAK MOVED TO APPROVE THE MINUTES OF THE POLICE PENSION BOARD MEETING AUGUST 22, 2013. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There was no Public Comment.

D. Correspondence and Communications.

1. Police Pension Reports:

- a. Acknowledge Receipt of Payroll Pension Contribution Reconciliation Report for Police Pension Fund.
- b. Acknowledge Receipt of Fulton Financial Trust Report for August 2013.
- c. Acknowledge Receipt of Fulton Financial Trust Report for September 2013.
- d. Acknowledge Receipt of F.N.B. Management Report for August 2013.
- e. Acknowledge Receipt of F.N.B. Management Report for September 2013.

**MR. BISHOP MOVED TO ACKNOWLEDGE ITEMS A THROUGH E. MOTION
UNANIMOUSLY CARRIED.**

E. Reports from Financial Advisors:

1. Fulton Financial: Police
2. F.N.B.: Police Fund

HOLMAN Mr. Holman reported that representatives of Fulton Financial would not be in attendance, and that the majority of funds had been transferred over to F.N.B.

PAESE Joe Paese, F.N.B. Wealth Management provided a status update. He stated that they are confident in all the assets that were moved at this point. He noted that Annette Hose had been great in assisting that the transfers move forward. He and Mr. Holman had discussed the Act 44 Disclosure Notification.

HOLMAN Mr. Holman noted that he would send Mr. Paese the documentation from Tom Zimmerman of Conrad Siegel.

PAESE Mr. Paese noted that Conrad Siegel would then go through the proper process of acknowledging F.N.B. as Trustees effective January 1, 2014. He noted that Fulton would handle the 2013 tax documentation, and F.N.B. would pick it up for 2014 as of January 1st.

KENDERDINE Ms. Kenderdine reported that the transfer of assets had been enacted. All of the assets were transferred with the exception of cash, which will be transferred after the final interest is received. Following that Fulton will hold \$250,000 in reserve to make the final payment for the year. After January 4, the final balance will accurately complete all transfers.

LAYCHUR Ms. Laychur provided a summarized report of the portfolio, as documented in the written report. The appreciation was significant. The Net Asset Summary:

- Beginning Market Value as of July 1, 2013 was \$6,128,733.72.
- Distribution of Fees was \$7,504.16.
- Earned Income was \$25,065.30.
- Realized Gains/losses \$34.48.
- Accrued Income \$2,530.23.
- Unrealized appreciation of assets \$245,118.95.
- Total of \$272,748.96.
- Ending Market Value as of September 30, 2013 was \$6,393,978.52.

LAYCHUR Section II encompassed the Financial Market and Economic Overview. She noted several economic indicators:

- Government shutdown with added debt ceiling delayed economic data and affected employment and unemployment numbers affected.

- ISM numbers were up at the highest level of 2013 at 56.2.
- President Obama nominated Vice Chairman Janet Yellen to replace Ben Bernanke as Chair of the FRB. It is expected she will continue the Bernanke policies.
- Expected taper of the FRB did not take place; markets were negatively affected.
- September results were up between five and seven percent; exceptionally good result. Bond rates were very positive.
- October stock markets up between three and four percent.
- Unemployment Rate and NonFarm Payrolls are up for the year; however, numbers for job creation were disappointing (138,000); not enough to boost economy.
- Existing Home Sales slower but still positive; rise in interest rates.
- Home prices still going up slowly according to Case Shiller Home Price Index.
- Retail Sales – People buying big ticket items, not apparel.
- Auto Sales – 16 million sold in August; average age of American car, 11.4 years.
- Manufacturing results very positive.
- Consumer Confidence and Sentiment is down due to drama in Washington.
- Household Net Worth is higher than before the recession.
- Oil prices below 100; gas prices in areas surrounding York and Harrisburg \$3.14 a gallon; positive for consumers.

LAYCHUR Ms. Laychur focused on the Investment Results as of September 30, 2013. Total account was up three percent. All results outperformed the benchmarks.

DVORYAK Mr. Dvoryak questioned whether the returns were net of fees in consideration of the seven percent target.

LAYCHUR Ms. Laychur responded that they are working on that and by going back to their previous performance reporting system, that information should be available at the February 2014 meeting.

LAYCHUR Ms. Laychur reviewed the Portfolio Holdings. She had invested the \$600,000 that had been transferred; 38 percent in Fixed Income and 51 percent in Equity. Allocation of Fixed Income is in Investment Grade Bonds and Government Agencies. All individual issues provide excellent coupon yields in a short time period. Equity Allocation is 52 percent in Large Cap US.

PAESE Mr. Paese called attention to a Mutual Fund handout he had provided to the board. He reiterated that they are carrying about \$280,000 in cash, and with the \$600,000 having been invested, which captures nearly all of the Fulton assets with a few exceptions. They are going from Fulton's system to F.N.B.'s system, and it will be necessary to categorize everything properly.

SCHENCK Chairman Schenck questioned how the types of assets are transferred and whether they are converted over to the F.N.B. classification.

LAYCHUR Ms. Laychur responded that the classes are mixed and are to be reviewed.

PAESE Mr. Paese added that only one asset had to be liquidated that couldn't transfer, Federated, as it is an outside money manager that both Fulton and F.N.B. use. That Fixed Income piece needed to be liquidated and will transfer over as cash.

LAYCHUR Ms. Laychur commented that there will be some dividends that will apply as well.

PAESE Mr. Paese noted that from a performance standpoint, the good news is that the continuity of performance will be good.

LAYCHUR Ms. Laychur reported that the Mutual Fund Detail reporting includes the funds that F.N.B. held as of September 30th and do not include the funds transferred.

She commented on the Mutual Fund Exception Report and pointed out a few issues:

- A pool of funds are above the 35 average.
- Baron Small Cap will be replaced over time.
- Federated Strategic Dividend Value is a deep value dividend fund, lagging slightly.
- Goldman Sach's Mid-Cap Value Fund, also lagging.
- Federated Ultrashort Bond and Federated Total Return Bond funds BBB rated versus A.
- Most of the funds have a spectacular three-year average; just a few below 25 percent.

F. Old Business

1. Investment Policy

PAESE Mr. Paese noted that he and Ms. Laychur had reviewed the Investment Policy Statement and had presented a updated draft for the board. They had redlined the areas that would be worth discussion. They did not have any major concerns.

HOLMAN Mr. Holman commented that the board will review the update, and he and Mr. Hadge will review comments made from various groups.

DVORYAK Mr. Dvoryak stated that he had reviewed the document and his biggest concern was that in the asset allocation targets and ranges, he questioned whether it was too conservative. He did not think 45 percent of the portfolio would be in Fixed Income in order to achieve the seven percent. He was not sure if the goal of seven percent would match up with the asset allocation.

- LAYCHUR** Ms. Laychur responded that the current policy is even more restrictive in the maximum 57 percent.
- PAESE** Mr. Paese pointed out that over the last three years with the asset allocation, they had produced the seven percent per year. He noted that the alternative strategies in place will help.
- BISHOP** Mr. Bishop commented that he wanted F.N.B. to make that decision and not the board. He stated that, even if the target of a 10 percent range were adjusted, it would not change their ability to manage the portfolio.
- LAYCHUR** Ms. Laychur noted that she manages a number of pension funds and some are in the 60/40 range; others 50/50.
- DVORYAK** Mr. Dvoryak stated that, if there is an ability to look back 10, 20 or 30 years, and pick 50/50 or 60/40, would there be a seven percent annual return. He indicated he was interested in a long-term history.
- LAYCHUR** Ms. Laychur responded that they have the ability to do that very easily.
- PAESE** Mr. Paese noted that he was very comfortable with the portfolio from an asset allocation perspective. With approval, they could go as high as 70 if they felt it would not be a problem.
- LAYCHUR** Ms. Laychur noted that she thought, as a top range, 57 is a little low. However, they will run some back tests, Fixed, 60/35; 50/45/5 and 60/35/5 and perhaps some lower and higher ones.
- PAESE** Mr. Paese noted that they know they always have the ability to come in and talk with the board about their perspectives. He stated again that he was not overly concerned at this time. He asked if there was anything specific to any of the categories.
- SCHENCK** Chairman Schenck noted the Market Cap, \$2 billion, and asked whether that would restrict them, and would that apply only to an individual stock.
- LAYCHUR** Ms. Laychur responded that it would be in individual stocks.
- SCHENCK** Chairman Schenck commented that they could still use the Small Cap funds as well.
- LAYCHUR** Ms. Laychur noted that \$500 million is way too low when it comes to buying individual stocks.
- HOLMAN** Mr. Holman stated that if an exception were made, he would suggest 35/65 because that exception can be granted to go 35/65.

LAYCHUR Ms. Laychur added that the \$2 billion at the Mid-Cap level still provides a lot of latitude.

SCHENCK Chairman Schenck commented that there is a balance; however, he thought the data that Mr. Dvoryak requested would be very valuable. He asked whether that would be something the board could have in between meetings.

LAYCHUR Ms. Laychur responded that they would provide that information shortly.

PAESE Mr. Paese added that it would be easy to do that but they need to be sure that everything is classified in the proper categories.

G. New Business

1. Acknowledge COLA payment increase to Gregory A. Witmer from \$4,024.30 to \$4,084.66 effective November 1, 2013. Letter from Consulting Actuary is attached.

MR. DVORYAK MOVED TO ACKNOWLEDGE THE COST OF LIVING PAYMENT INCREASE TO GREG WITMER FROM \$4,024.30 TO \$4,084.66, EFFECTIVE NOVEMBER 1, 2013. MOTION UNANIMOUSLY CARRIED.

H. Committee Motions

There were no Committee Motions for action.

DVORYAK Mr. Dvoryak mentioned that he had reviewed the IPS document, and there was nothing on the list that gave him cause for concern.

SCHENCK Chairman Schenck agreed with Mr. Dvoryak.

I. Adjournment

SCHENCK Chairman Schenck adjourned the meeting at 12:45 p.m.

Respectfully submitted,

John Holman
Secretary

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