

**SPRINGETTSBURY TOWNSHIP
FIRE PENSION BOARD**

**NOVEMBER 2, 2005
APPROVED**

The Fire Pension Board of Springettsbury Township held a meeting on Wednesday, November 2, 2005 at 10:00 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Mike Bowman, Chairman
Nick Gurreri, Vice Chairman
Don Bishop
George Mount, Springettsbury Fire Department
Andrew Stern, Interim Fire Chief, Springettsbury Fire Department

ALSO IN

ATTENDANCE: Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
Annette Hose, Fulton Financial Advisors
Richard Diem, Fulton Financial Advisors
John Holman, Township Manager
Jean Abreght, Stenographer

A. Call to Order

BOWMAN Chairman Bowman called the meeting to order at 10:25 a.m. He announced that a Quorum was present.

B. Action on Minutes

MR. GURRERI MOVED FOR APPROVAL OF MINUTES OF THE AUGUST 3, 2005 FIRE PENSION BOARD MEETING. MR. BISHOP WAS SECOND. MOTION CARRIED. MR. BOWMAN ABSTAINED AS HE WAS NOT PRESENT.

C. Public Comment

There was no public comment.

D. Correspondence and Other Communications

1. Acceptance of Fulton Financial Quarterly Report for the Period July 1, 2005 through September 30, 2005

MR. GURRERI MOVED TO ACCEPT THE FULTON FINANCIAL QUARTERLY REPORT FOR JULY 1 THROUGH SEPTEMBER 30, 2005. MR. BISHOP WAS SECOND. MOTION CARRIED.

2. Acknowledgment of pension billing costs paid from Fire Pension Trust Fund – Invoice No. 0005623 to Fulton Financial in the amount of \$1,075.26

BOWMAN Chairman Bowman noted for the record that the invoice had been received and billing costs had been paid. No motion was necessary.

E. Reports from Financial Advisors

1. Fulton Financial

HOSE

Ms. Annette Hose provided a review of the Pension Plan performance from July 1 to September 30, 2005. She reported that the beginning market value on July 1 was \$1,759,127.90. Employer contributions were \$179,000.00; employee contributions were \$10,403.36. Total Investment Income for the plan was \$3,344.60, and Total Gains were \$37,067.00 for Total Receipts of \$229,814.96. Disbursements included Pension Payment distributions of \$(6,444.66). Expenses included the Management fee of \$(3,132.65) and Actuarial fee of \$(4,760.00) for Total Disbursements of \$(14,337.31). Market Value as of September 30, 2005 is \$1,974,605.55.

Ms. Hose introduced Richard Diem of Fulton Financial. Mr. Diem joined Fulton following Kevin Kayser's resignation.

DIEM

Mr. Diem stated that he had been working approximately 18 years in portfolio management and banking. He provided some details concerning his career and indicated he had been working for Fulton on the Springettsbury account for approximately three months.

Mr. Diem reviewed the Investment Performance Analysis, as documented in the written report. Account Rate of Return – Quarterly at 2.08% and Year-To-Date at 2.39% above the benchmarks of 1.41% and 1.86%. The FFA Retirement Common Stock Fund was up 2% and Fidelity Equity Income up 3.77%; both outperformed the benchmarks due to allocations to Small Cap and International stocks. The FFA Retirement Fixed Income Fund showed a loss down .39% for the quarter in the bond fund, compared with the benchmark, Lehman Government Intermediate, which showed a loss of .52%. The Vanguard European and Pacific Stock Index Fund performed well; fixed income lagged behind slightly; however equity results beat the benchmark. He added that overall the benchmark had been met both quarterly and year to date.

Mr. Diem reported that the total allocation of the portfolio revealed 50% of the holdings in fixed income; equities at 45% and 5% in cash. The total value of the portfolio as of October 16th was \$1,940,443.58.

BISHOP

Mr. Bishop commented that a 5% cash position seemed high in a plan does not have significant expenses. He observed that there are not many retirees and not much need for liquidity. He asked whether more of the money should be invested.

DIEM Mr. Diem responded that he had been somewhat cautious due to the higher interest rates.

BISHOP Mr. Bishop asked whether that was a policy decision rather than an investment decision.

DIEM Mr. Diem responded that it was more of a tactical position.

HOSE Ms. Hose noted that, with just one pensioner at this time, within the next two to five years there will be additional income.

HOLMAN Mr. Holman stated that at least six are expected.

HOSE Ms. Hose commented that, the investment policy was finalized during the last quarter.

STERN Mr. Stern asked where the cash return was reflected in the report.

DIEM Mr. Diem responded that the current yield on the money market was reported on page 2 at 3.64.

STERN Mr. Stern noted that the cash actually was showing a better return than the investments.

DIEM Mr. Diem responded that it would be as an initial position.

BISHOP Mr. Bishop noted it would be a short term situation. He added that he was not advocating that there would be no cash in the fund; simply that the 5% number seemed like a mechanical number for the liquidity of the fund. He was not concerned if it was an investment decision.

DIEM Mr. Diem responded that it was a good point. The optimal level of conservative liquidity as well as an added investment component is necessary with the fixed income.

Mr. Diem reported on the performance allocation. The Retirement Common Stock Fund was 50% of the equity holdings. The Fidelity Equity Income Fund, the value component of the holdings was 22%, along with the Pacific and European Funds there. The Small Cap Fund made up about 5% of the portfolio.

Mr. Diem briefly reviewed the Goldman Sachs Financial Square Prime Obligations Fund report and the Vanguard Short Term Bond Index Fund. He reviewed the Retirement Fixed Income Fund as of September 30, 2005 in detail. He noted that the fund was diversified between corporate and government with a three to five year duration. The Retirement Common

Stock Fund revealed that Industrials, Consumer Staples and Healthcare are favored and Financials, Energy and Consumer Discretionary are underweighted with the market. The focus is to select companies that will grow faster than the market. The Fidelity Equity Income holdings value orientation is expected to be increased. Vanguard European Stock Index performed well against the benchmark, along with the Vanguard Pacific Stock Index.

Mr. Diem concluded that the International and Small Cap funds had been carrying the portfolio. However, the Large Cap and Retirement Common Stock fund also had done well.

STERN Mr. Stern asked about the energy component within the investments.

DIEM Mr. Diem responded that energy included approximately 8% of the portfolio. Some of the energy holdings include Exxon, Mobile, and a driller, Transocean.

F. Old business.

1. Fire Pension Investment Policy.

HOLMAN Mr. Holman reported that the Fire Pension Investment Policy, which was approved during the previous meeting, had been distributed. The Chairman had signed the policy, and Mr. Holman attested his signature.

G. New Business

1. Report on Joint Fire Study.

HOLMAN Mr. Holman reported that, as part of the Joint Fire Study, a review of pensions of both Spring Garden and Springettsbury will be made, and he wanted the Board to be aware of that.

ZIMMERMAN Mr. Zimmerman stated that he had been contacted to review the funds.

2. Meeting Schedule for 2006

The 2006 Meeting Schedule was tabled until a future date.

Pension Plan Question

MOUNT Mr. Mount stated that he had a copy of the Pension Ordinance, however, he did not have a copy of the actual Pension Plan.

HOLMAN Mr. Holman responded that he would forward a copy of the Pension Plan to him.

MOUNT Mr. Mount indicated that some of the firemen do not understand the way the benefits are paid. He thought the Pension Plan would be able to define that. He posed several instances where individuals had worked many years, but might leave before age 55 and asked what type of personal retirement benefit they would receive.

HOLMAN Mr. Holman suggested that a session be scheduled for them to have a review of how the Pension Plan worked.

MOUNT Mr. Mount asked whether a person who retires at the end of the year would receive something automatically.

ZIMMERMAN Mr. Zimmerman responded that the individual needed to request an estimate.

HOLMAN Mr. Holman indicated that a letter should be sent to his attention to initiate the request.

I. Adjournment:

BOWMAN Chairman Bowman adjourned the meeting at 11 a.m.

Respectfully submitted,

George Mount
Secretary

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**SPRINGETTSBURY TOWNSHIP
FIRE PENSION BOARD**

**AUGUST 3, 2005
APPROVED**

The Fire Pension Board of Springettsbury Township held a meeting on Wednesday, August 3, 2005 at 10:00 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Nick Gurreri, Vice Chairman
Bill Schenck
George Mount, Springettsbury Fire Department
Rob Carpenter, Springettsbury Fire Department

MEMBERS NOT

IN ATTENDANCE: Mike Bowman, Chairman

ALSO IN Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
ATTENDANCE: Sharon Hake, Fulton Financial Advisors
Tom Weber, Fulton Financial Advisors
Andrew Stern, Interim Fire Chief, Springettsbury FD
Jean Abreght, Stenographer

1. Call to Order:

GURRERI Vice Chairman Gurreri called the meeting to order at 10:10 a.m. A quorum was established. Mr. Gurreri asked that information in support of the meeting be provided to the members ahead of time.

B. Action on Minutes:

1. May 4, 2005 Fire Pension Board Meeting

MR. SCHENCK MOVED TO APPROVE MINUTES OF THE MAY 4, 2005 FIRE PENSION BOARD MEETING AS PRESENTED. MR. MOUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There were no public comments.

D. Correspondence and other Communications

- 1. Acceptance of Fulton Financial Quarterly Report for the Period April 1, 2005 through June 30, 2005. Forwarded to the board by Mr. Holman in a memorandum dated July 11, 2005.**
- 2. Springettsbury Township Paid Firemen Pension Plan-January 1, 2005 Actuarial Valuation.**
- 3. Acknowledgement of pension billing costs paid from Fire Pension Trust Fund – Invoice No. 0005350 to Fulton Financial in the amount of \$985.97.**

MR. SCHENCK MOVED TO ACCEPT THE FULTON FINANCIAL QUARTERLY REPORT. MR. MOUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

MR. SCHENCK MOVED TO ACCEPT BOTH ITEMS OF CORRSPONDENCE AND COMMUNICATIONS ITEMS D.2. AND 3. MR. CARPENTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial

HAKE Ms. Sharon Hake, Fulton Financial Advisors, asked whether the board members wanted the Fulton reports quarterly or monthly.

Consensus of the members was agreement to receive Fulton's reports quarterly.

HAKE Ms. Hake began with a review of the Pension Plan from April 1 to June 30, 2005. Beginning Market Value as of April 1, 2005 was \$1,730,472.86. Receipts included Employee contributions of \$10,329.57. Investment Income Received was \$1,731.36; Accrued Interest from Prior Period of (\$327.71); Current Accruals of \$349.08 for a Net Investment Income of \$1,752.73. Capital Gains/Realized of (\$534.76); Unrealized Gains of \$26,482.57 for a Net Gain of \$25,947.81. Net Income for the account was \$38,030.11. Disbursements included Pension Payments of (\$6,444.66), Management Fee (\$2,930.41) for Total Expenses of (\$9,375.07) leaving the account Market Value as of June 30, 2005 at \$1,759,127.90.

Ms. Hake introduced Tom Weber of Fulton Financial to review the results of the past quarter. She explained that Kevin Kayser was no longer with Fulton Financial as he had returned to his home area in Chicago, Illinois.

WEBER Mr. Weber explained that he would focus on the performance of the account and the details of that performance, as well as the challenges faced for the balance of the year. He noted that the account is currently positioned for a 40% equity plus or minus 10% range. He noted that Fulton did not have the official paperwork for the equity selection.

SCHENCK Mr. Schenck commented that the item would be acted upon during Agenda Item H.1., "Approval of Fire Pension Investment Policy."

WEBER Mr. Weber reviewed the Investment Performance Analysis. The account return for this last quarter was 1.6% vs. a benchmark of 1.84%. That is a static benchmark of 50/45/5. Retirement Fixed Income did well during the quarter up 1.10% vs. 1.59%. Large cap growth had been down nearly 7% per year for the last five years. Small cap values went up almost 20% a year for the last five years. There was strength in fixed.

ZIMMERMAN Mr. Zimmerman questioned whether it would be scaled back to 40%.

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WEBER Mr. Weber responded that he was prepared to do so. Cash in the account was a little bit high, which was intentional. He discussed the Federal Reserve raising rates and longer rates had been going down. They had made determinations on how to invest the assets and anticipate going to 40% rather quickly, as well as extending the fixed income portfolio. Mr. Weber provided details on the accounts as documented in the report. He noted that Total Equity was almost 49%.

SCHENCK Mr. Schenck commented on the discussion regarding benchmarks and asked whether there was any logic to having the benchmark relative to the policy.

WEBER Mr. Weber responded that one particular benchmark is a static benchmark based on the policy. That will change, and they will show a benchmark that changes mid-year. To understand what that will look like, they will develop a seven month at 50/50 and a five month at 40/40. By year end it will be a mixture of the two. Mr. Weber reviewed the Goldman Sachs Financial Square Prime Obligations Fund detail concerning each of the holdings. He noted the detail of the Fulton newsletter. He explained that some weakening in the economy is expected for the balance of the year. To the contrary they had some recent information that suggested the economy will strengthen for the third and fourth quarters. Revised inflation numbers had been released by the government, and the number that Mr. Greenspan follows has moved up .6% per year for the last several years. That has helped the bond market to become weak. With a stronger economy and the Fed raising rates there will be pressure on the bond market. Mr. Weber reviewed several charts provided as addendums to their report showing Yields, Volatility Calculations for U. S. Treasuries, Junk to Treasury, and the Confidence Ratio. He stated that the bottom line for Fulton's approach was somewhat more conservative in the benchmarks, and they intend to remain there until the rates rise.

GURRERI Mr. Gurreri asked Mr. Zimmerman what was meant by the term 'approximate' net dollar rate of return of 7.05% in his Actuary Value Report for January 1, 2005, Receipts and Disbursements.

ZIMMERMAN Mr. Zimmerman pointed out that it is ICMA figures. Unlike the banks or ICMA they don't have access to exactly what days the money comes in and out. They're a standard way of estimating. He added that he intended to review his report, although he had not seen it on the Agenda.

GURRERI Mr. Gurreri suggested going through it under Old Business.

F. Old Business

ZIMMERMAN Mr. Zimmerman referred to the Actuarial Report as presented to the Township in a letter dated July 18, 2005. Mr. Zimmerman indicated he would provide the highlights of his report. It was the first actuarial evaluation that had been done for this plan due to the switch January 1, 2005 from the defined contribution approach at ICMA to the traditional pension plan. Because it is now a traditional pension plan, this report is necessary and prepared under state guidelines, specifically Act 205, and will be provided every other year. The next report will

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be done January 1, 2007. This report will determine the cost for 2005, 2006, 2007 and may be even 2008. He also provided his commentary, a summary of plan provisions and his actuarial assumptions. Two big assumptions are (1) interest rate of 6.5% and (2) salary increase. Pension funding is a long-term proposition, out 10, 20, 30 years. Remaining assumptions are fairly standard in the pension industry. He noted the receipts and disbursements for 2004, nearly all from ICMA. It had been directed by each individual firefighter. The money now is invested through Fulton, along with ICMA plan funds of \$328,000. Some retired firefighters still have their money at ICMA and for state recording purposes technically that money is in this pension plan, and it needed to be tracked. The \$328,000 is not available to pay the benefits of this new plan and will be tracked as a separate asset and a separate liability. He noted that there are 17 active members and one retiree, Lynn Bortner, who retired January 1, 2005.

Mr. Zimmerman reported that Section 2 contained the actuarial calculations. The results were consistent with the studies done last year as expected. The unfunded actuarial liability was \$938,047. Normal costs were \$112,012 (cost of benefits that are earned in a given year), which was 13.0% of payroll. The amortization was \$938,000 unfunded liability amortized over 15 years which adds \$93,000 to the annual cost of the plan.

Mr. Zimmerman stated that Act 205 language indicated the annual cost is called the Minimal Municipal Obligation, referred to as the MMO. Cost is made up of three components: Normal Costs of \$112,012 Administrative Expenses, Amortization of \$93,675, Total Cost \$221,000. Members contributed 5% a pay for \$38,313. That leaves a cost of \$183,000; State Aid for the 17 active firefighters, approximately \$100,000, and the Township's general fund obligation would be \$83,374. Percentages from the report will be used to determine the 2006, 2007 costs.

SCHENCK Mr. Schenck asked when the Township will receive the figures for budgeting for 2006; when the Township will start the funding.

ZIMMERMAN Mr. Zimmerman responded that the \$179,000 for this year had already been paid. The State Aid of about \$100,000 was received the end of September, beginning of October. Monies in the General Fund will offset what had already been paid. He planned to send Mr. Holman an MMO worksheet to determine the 2006 amounts.

SCHENCK Mr. Schenck commented that the number was fairly consistent with what they thought it would be.

ZIMMERMAN Mr. Zimmerman noted that if there were any surprises, it was that more of the State Aid came in a lot higher than expected.

MOUNT Mr. Mount asked about the Total Net Assets figure, which included a figure of approximately \$2 million. He asked whether that included the \$300,000 that the retirees had in their ICMA prior to the new plan.

ZIMMERMAN Mr. Zimmerman responded that he was correct.

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MOUNT Mr. Mount asked about a specific request of a fireman. He planned to retire, but wondered whether he could get a report from Mr. Zimmerman now to determine the estimate that he would receive.

ZIMMERMAN Mr. Zimmerman responded that he could provide an updated estimate. He suggested contacting Betty Speicher and requesting an estimated rate of pay. He provided the formula: 36 months of pay divided by 12 times 50%.

MOUNT Mr. Mount added that the man wanted to see it in writing.

ZIMMERMAN Mr. Zimmerman noted that it assumes the work stops at a specific date this is. But it also assumes that the individual worked full time all the way back to age 20. If an individual worked full time his entire career, it's a decent estimate at age 60.

MOUNT Mr. Mount commented that perhaps from age 55 to age 62 he did not work, it would still be an estimate of what he would receive.

ZIMMERMAN Mr. Zimmerman responded that it would still be a decent estimate assuming he started working full time when he was about 20.

MOUNT Mr. Mount indicated he had 32 years of service.

ZIMMERMAN Mr. Zimmerman noted that Social Security used 35 years. If an individual worked 35 years full time it would max out the social security.

MOUNT Mr. Mount understood and indicated he would refer the gentleman to Betty Speicher.

GURRERI Mr. Gurreri asked for his opinion on how Fulton was doing this past year on the projected 7.2%

ZIMMERMAN Mr. Zimmerman responded that as of mid-year they're lagging with the 6.5% actual assumption. Looking at Legacy's 5% halfway through the year that's an unbelievably good number for the first six months because they made that bet on the bonds and they were correct. But Fulton does not have a bad return compared to some others he had seen. There are 18 months to go before the next actuarial report, so hopefully this year and next year will add 6.5%.

G. New Business

There was no New Business for discussion.

H. Committee Motions

1. Approval of Fire Pension Investment Policy dated August 3, 2005.

GURRERI Mr. Gurreri asked about the return of 6.5% annually and commented that the Police Pension Board goes to 7.5%.

WEBER Mr. Weber responded that the Fire Pension goal is intentionally less to be conservative.

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- MOUNT** Mr. Mount commented that the policy had been discussed during the last meeting. It had been retyped with the percentage changes.
- WEBER** Mr. Weber commented that the most important thing for Fulton is the instruction concerning the asset allocation of 40% stock plus or minus 10% of the portfolio.
- MOUNT** Mr. Mount asked whether he thought the 6.5% could be achieved.
- WEBER** Mr. Weber responded that, based on long term averages, it would be doable. There are some challenges but they're implicit with lower interest rates. How long they will stay low and whether they'll go up or not is a question. Fulton will approach that on how they manage the portfolio based on long term averages. If the direction would be to go to 7.5% the equity closure will have to be raised commensurately up based on averages.
- MOUNT** Mr. Mount commented that it wouldn't mean it couldn't be changed in two or three years.
- WEBER** Mr. Weber responded that it could be changed any time.
- MOUNT** Mr. Mount noted that it is just a policy for right now.
- SCHENCK** Mr. Schenck added that there is quite a bit of flexibility. It will continue to be reported quarterly so it is documented.

MR. SCHENCK MOVED TO APPROVE THE FIRE PENSION INVESTMENT POLICY DATED AUGUST 3, 2005. MR. MOUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

I. Adjournment

- GURRERI** Mr. Gurreri thanked Mr. Schenck for attending the meeting and providing a Quorum. He explained that Mr. Bowman had to attend a meeting at his workplace. Meeting adjourned at 10:50 a.m.

Respectfully submitted,

John Holman
Secretary

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**SPRINGETTSBURY TOWNSHIP
FIRE PENSION BOARD**

**MAY 4, 2005
APPROVED**

The Fire Pension Board of Springettsbury Township held a meeting on Wednesday, May 4, 2005 at 10:30 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN Mike Bowman, Chairman
ATTENDANCE: Nick Gurreri, Vice Chairman
Bill Schenck

ALSO IN
ATTENDANCE: Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
Tom Weber, Fulton Financial Advisors
Annette Hose, VP, Retirement Services, Fulton Financial Advisors
Andrew Stern, Fire Department Representative
George Mount, Fire Department Representative
Jean Abreght, Stenographer

1. Call to Order:

BOWMAN Chairman Bowman called the meeting to order at 10:10 a.m. He asked each individual to state their names and affiliation for the record. A Quorum was established.

B. Action on Minutes:

1. February 2, 2005 Fire Pension Board Meeting

MR. GURRERI MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 2, 2005 FIRE PENSION BOARD AS AMENDED. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There were no Public Comments.

D. Correspondence and other Communications

- 1. Acceptance of Fulton Financial Quarterly Report for the Period January 1, 2005 through March 31, 2005. Forwarded to the Board by Mr. Holman in a memorandum dated April 11, 2005.**
- 2. Acceptance of Fulton Financial Audit Report for the Year Ending June 30, 2004. Forwarded to the Board by Mr. Holman in a memorandum dated February 25, 2005.**
- 3. Acknowledgement of pension billing costs paid from Fire Pension Trust Fund – Invoice No. 0004512 to Fulton Financial in the amount of \$823.43.**

HOLMAN Mr. Holman stated that items 1 and 2 represented Fulton Financials audit which had nothing to do with Springettsbury, and no action

was required. Item 3 stated an acknowledgment that the pension billing costs were paid to Fulton.

MR. SCHENCK MOVED TO ACCEPT THE CORRESPONDENCE AND OTHER COMMUNICATIONS LIST AS DETAILED ON THE AGENDA, ITEMS D1 THROUGH 3. MR. GURRERI WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial

HOSE Ms. Annette Hose, Fulton Financial, presented the financial report. She stated that market value as of 1/05 amounted to \$1,711,940.98 with residual transfers from the old ICMA 401 plan of \$45,802.58. The bulk of the transfer from ICMA was made in December; however, there were residual transfers during the first quarter of 2005 of \$45,802.58. Employee contributions represented the payroll withholding from the firemen group of \$85,962.68, Investment income of \$3,207.10 and Unrealized Loss of \$25,345.03. Disbursements included one pensioner from the plan, Mr. Bortner. His quarterly disbursement totaled \$6,444.66. The management fee of \$2,765.79 was paid for the quarter, along with the actuarial fee to Conrad Seigel, which was for drafting and getting the plan up and running in the amount of \$4,875. Market value of the portfolio as of March 31, 2005 was \$1,730,472.86.

SCHENCK Mr. Schenck asked how income is derived when it is shown as investment income received. He wondered whether that was directly through the sale of stock.

HOSE Ms. Hose responded that generally it was from the money market interest income at the end of the quarter. The assets in the portfolio are invested in mutual funds. When dividends are paid on those mutual funds they are reinvested and do not show under the income.

HOLMAN Mr. Holman noted that there had been some confusion with the ICMA regarding vested and unvested. The unvested funds were the portions of the fund that had not been transferred over initially. Those were cleared out and transferred.

MOUNT Mr. Mount asked how often an actuarial fee would occur.

HOLMAN Mr. Holman responded that the amount shown was larger than normal due to the cost of review of documents for Retiree Lynn

Bortner. The actuary reviews and double checks all the figures to be sure he is getting the correct amount,

MOUNT Mr. Mount asked whether the fee is submitted monthly or quarterly.

ZIMMERMAN Mr. Zimmerman responded that an invoice is submitted twice a year. The \$4,800 fee was an exception.

MOUNT Mr. Mount asked whether the Trustee/Management Fee is a monthly fee.

HOSE Ms. Hose responded that it is a monthly fee.

MOUNT Mr. Mount explained that he wanted to understand in order to be able to answer any questions from the firefighter group.

HOLMAN Mr. Holman indicated that there should be a copy of the financial agreement with Fulton Financial detailing all the costs associated with their management of the funds. Mr. Holman stated that he would provide a copy if Mr. Mount did not have access to one.

MOUNT Mr. Mount asked whether Fulton Financial withholds Federal taxes when someone received a payment.

HOSE Ms. Hose responded that the individual would have to elect to do so.

MOUNT Mr. Mount had noticed that there had been an increase from one month to another in Mr. Bortner's case.

HOSE Ms. Hose indicated that Mr. Bortner requested the increase in withholding.

HOSE Ms. Hose indicated that during the last meeting they had not done an in-depth review of the portfolio because at that time the money had just been received. This is the initial review of the portfolio.

WEBER Mr. Tom Weber of Fulton Financial stated that he was filling in for Kevin Kayser, who was out of town. Mr. Weber reviewed the Investment Performance Analysis. He reported that the account was down for the first quarter by 1.28%. If that were benchmarked against 50% stocks as though they were invested in the S&P 500, 45% LBIGC, and 5% Cash, the result is 1.46%. The account had done a bit better for the quarter than the benchmark. Individual assets held in the portfolio were reviewed. The International

component, which had done somewhat better, was driven by the flat European markets. He stated that the bond market did not do well because yields rose for the first quarter. The total return, which included the interest income and the price appreciation or depreciation was down .88% with a benchmark of .87%. He reviewed the pie chart showing cash, equity and fixed income. The Federated Ultra Short Bond Fund had a current yield of 1.95%. The Fixed Income Fund had a current yield of 4.47%. The two combined make up about 45% of the portfolio. Similarly for the equity component the retirement common stock fund is one of the internal funds. The gain and loss reflected the movement of the fund from initial inception, i.e., the purchase date to the appraisal date. This is not a March 31, 2005 reconciliation. This is a picture of the account on or about 4/25/05.

- SCHENCK** Mr. Schenck asked about the Fixed Income figure with a yield of 4.27%.
- WEBER** Mr. Weber responded that it would be an annualized return calculation.
- SCHENCK** Mr. Schenck asked where that would show up as an annualized calculation.
- WEBER** Mr. Weber responded it would be in the reconciliation sheet. The mutual fund dividends are reinvested back into the fund.
- SCHENCK** Mr. Schenck commented for clarification that when the value is shown, it's the value of the portfolio and not necessarily value with earnings.
- HOSE** Ms. Hose stated that the value of the portfolio will also include any cash earnings that have been paid and will be reflected in any dividends that have been paid by mutual funds that have been reinvested because in essence the value of that mutual fund has increased.
- SCHENCK** Mr. Schenck asked whether that would show up in the overall yield or whether only the yield would be the value.
- WEBER** Mr. Weber stated that the yield page reflected that although it is received as income, it does not reflect that it is being reinvested.
- ZIMMERMAN** Mr. Zimmerman stated that in the year end report, the common trust funds show up as dividends, which is the bulk of it.

- WEBER** Mr. Weber stated that they are broken out for the purposes of actuary compilations.
- ZIMMERMAN** Mr. Zimmerman noted that in the year-end reconciliation, if the report were for an entire year it would be in a different format and those same numbers would be called dividends. In this three-month reconciliation it actually must be unrealized.
- HOSE** Mr. Hose stated that it re-shows because it re-values the mutual funds. As of March 31st, it showed up in unrealized gains or losses.
- WEBER** Mr. Weber indicated it wouldn't affect the overall rate of return. The rates of return are calculated as of a specific date. It takes a picture at the end of the three-month period. Whatever monies came into the account or out, and then it time weights those entrances or exits from the account, and from that it can calculate a time weighted rate of return.
- WEBER** Mr. Weber reported that the Portfolio Holdings reflect the traditional yields on each of the assets and the asset classes. The report shows what it looks like for each of the assets. For example, the Ultra-Short Bond Fund yield is 2.95% currently, and that's traditional SEC assumptions. If re-invested the value will go up 2.95%, all other things being equal after one year's time. The way Ms. Hose has shown it, it would not be seen as investment income received; it would be revealed in the appreciation of the asset.
- WEBER** Mr. Weber reviewed the Historical Returns for the Past 79 Years highlighting the fact that the challenge is always for investments to have a longer-term time horizon. He reviewed the Retirement Common Stock Fund highlighting the Energy holdings representing 4.71% of the portfolio. The Retirement Fixed Income Fund reported the ratings with more than half of the account in Governments and Agency Paper. The Equity Income Fund Report showed a composition of a variety of International funds.
- GURRERI** Mr. Gurreri asked about the risk factor in the bond portfolio as it related to the AAA ratings. He thought it was very conservative.
- WEBER** Mr. Weber responded that the portfolio is quite conservative. Corporate paper comprises 42% and Governments and Agency

paper is over 50%. Overall the portfolio is in a very strong position in terms of credits.

BOWMAN Chairman Bowman stated that the Township will be funding the portfolio in July with \$179,000.

HOLMAN Mr. Holman added that the funds will be transferred from the state, and they are automatically transferred to the portfolio.

MOUNT Mr. Mount clarified that it would be a once-a-year contribution usually about the same time.

HOLMAN Mr. Holman responded that he was correct and that it represented the Township's share.

MOUNT Mr. Mount noted that with the previous plan, ICMA, the Township had contributed.

HOSE Ms. Hose noted that was the individual contribution.

HOLMAN Mr. Holman stated that it related to the 401C contributions.

F. Old Business:

1. Formal establishment of investment guidelines and investment policy.

BOWMAN Chairman Bowman requested that Mr. Holman provide some input.

HOLMAN Mr. Holman provided some history as to the process that had been completed in preparation for the Police Department Investment Policy. It had been determined to stay with the 65/75 maximum equity numbers, which could shift 65/35 depending on the markets. He had drafted the Fire Pension Investment Policy based on the Police Department Investment Policy. Following a lengthy discussion, the changes listed were made to the draft provided:

Page 1, BASIC INVESTMENT PHILOSOPHY AND GOALS,
Second paragraph: "It is the aim of the Pension Board that the investment portfolio will provide on a consistent basis a return of 6.5% annually from interest, dividends and net realized capital gains."

Page 2, PARAMETERS OF PORTFOLIO CONSTRUCTION,
Second paragraph: "It is the policy of the pension board, subject to review and modification when deemed appropriate, to designate

40% of the market value of the portfolio for equity, plus or minus 10%, investment, and 60% fixed income, plus or minus 10%, which will include no more than 10% in cash of which the fixed income shall include no more than 10% in cash.”

Page 3, FIXED INCOME INVESTMENT POLICY, delete last sentence: “The investment manager has discretion to vary the proportion of the portfolio which is invested in fixed income investments with maturities in excess of one year between (%) and (%) of the market value of the total portfolio.”

Page 5, PROHIBITED TRANSACTIONS, “The purchase of realty property, commodities, mineral rights, warrants and foreign securities, not having American Depository Receipts (ADR’s) is specifically prohibited.”

HOLMAN Mr. Holman stated he would provide a new draft to Mr. Zimmerman for review, as well as the personnel attorney, Ballard Spahr, for review. With this Board’s recommendation, he will provide it to the Board of Supervisors for final approval.

MR. SCHENCK MOVED TO APPROVE THE FIRE PENSION INVESTMENT POLICY AS DRAFTED BASED ON FINAL REVIEW BY THE MANAGER AND PERSONNEL ATTORNEY. MR. GURRERI WAS SECOND.

GURRERI Mr. Gurreri asked how many voting members are on the Fire Pension board.

HOLMAN Mr. Holman responded that there are a total of 7 voting members, 4 of which were present. There are 5 members of the Board of Supervisors and 2 members of the bargaining unit.

GURRERI Mr. Gurreri questioned whether the Fire Pension board was considered only an advisory board.

SCHENCK Mr. Schenck agreed with Mr. Gurreri that in both the Police Pension and the Fire Pension boards the decisions were made and that decisions did not have to be approved by the Board of Supervisors.

HOLMAN Mr. Holman stated that he would review that documentation. He added that he planned to review the Police Pension Investment Policy as well.

MOTION UNANIMOUSLY CARRIED.

2. Final transfer of funds from ICMA 401 Plan

BOWMAN Chairman Bowman asked whether the final transfer of funds had been done.

HOSE Ms. Hose responded that the funds had been transferred.

G. New Business:

There was no New Business for discussion.

H. Committee Motions:

There were no Committee Motions.

ZIMMERMAN Mr. Zimmerman stated that the actuarial report will be presented at a later date.

I. Adjournment:

BOWMAN Chairman Bowman adjourned the meeting at 11:15 a.m.

Respectfully,

John Holman
Secretary

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**SPRINGETTSBURY TOWNSHIP
FIRE PENSION BOARD**

**FEBRUARY 2, 2005
APPROVED**

The Fire Pension Board of Springettsbury Township held a meeting on Wednesday, February 2, 2005 at 10:30 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN ATTENDANCE: Mike Bowman, Chairman
Nick Gurreri, Vice Chairman

ALSO IN ATTENDANCE: Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
Kevin Kayser, VP, Portfolio Manager, Fulton Financial Advisors
Annette Hose, VP, Retirement Services, Fulton Financial Advisors
Rob Carpenter, Fire Department Representative
George Mount, Fire Department Representative
Jean Abreght, Stenographer

1. CALL TO ORDER:

BOWMAN Chairman Bowman called the meeting to order at 10:30 a.m. He asked each individual to state their names and affiliation for the record.

B. ACTION ON MINUTES:

1. January 4, 2005 Reorganization Meeting

MR. GURRERI MOVED TO APPROVE THE MINUTES OF THE JANUARY 4, 2005 REORGANIZATION MEETING. MR. CARPENTER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. PUBLIC COMMENT:

There were no public comments.

D. CORRESPONDENCE AND OTHER COMMUNICATIONS;

1. Pension Billing Costs to be Paid from Fire Pension Trust Fund – Invoice No. S907:200550086 – Conrad Siegel in the amount of \$4,875.

BOWMAN Chairman Bowman asked for an explanation of the Billing Costs.

HOSE Ms. Hose responded that there had been a direct motion as an actuarial fee for Conrad Seigel and there's an invoice there that breaks down what this fee represents. These fees are paid out of the Pension Funds. The fee is paid out of the Pension Funds. The quarterly transaction statements will show an actuarial fee taken out of the account. In addition, usually there is a management fee charged.

BOWMAN Mr. Bowman wanted to be sure that everything is explained to the representatives of the Fire Company.

MR. GURRERI MOVED TO APPROVE THE PENSION BILLING COSTS TO BE PAID FROM FIRE PENSION TRUST FUND, INVOICE NO. S907:20050086 – CONRAD SIEGEL IN THE AMOUNT OF \$4,875. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial

HOSE Ms. Hose stated that every quarter Fulton will be providing a report to the Fire Pension Board for review. The first quarter report will not follow the typical format of how that is reviewed only because they have not had a full quarter of investing the money. She provided a synopsis of what had happened up to December 31, 2004, a review of the previous quarter. Receipts from the ICMA 401 Plan were \$1,683,884.71. There are still monies to be received from ICMA for five firefighters that had not been transferred. They are in the process of working through that. In addition, there were Employee Contributions of \$2,889.11, which represented the portion withheld from the pay. December was a great quarter. The money from ICMA was received on December 6th and by the end of the year they were able to get a gain of about \$25,000 from Investment Income and Unrealized Gain.

MOUNT Mr. Mount asked what “unrealized gain” represented.

HOSE Ms. Hose responded that unrealized is a kind of paper gain; just a value that the portfolio increased as of the end of that period.

MOUNT Mr. Mount asked whether that would be changing daily.

HOSE Ms. Hose responded that he was correct. The value of the portfolio will change daily. During the quarterly meetings, a review will be held of all the assets and performance of the portfolio.

KAYSER Mr. Kayser stated that he usually reviews the state of the economy from the first three pages of the report provided to the Board. It is a client newsletter that is issued on a monthly basis. He focused on the pie chart showing the Investment Objective showing Balanced Growth, Equity of 48% and Fixed Income of 52% along with a cash component as well. He reported on the Asset Mix Analysis as of January 28, 2005. This report provided a breakdown of funds. He walked the Board through the Money Market, Fixed Income and Common Stock funds.

- GURRERI** Mr. Gurreri asked Mr. Kayser to explain what the Goldman Sachs Prime represented.
- KAYSER** Mr. Kayser responded that it is a management fund that is buying a dollar for dollar fund; the market value is going to be the same as the total cost in that fund. There won't be any unrealized or realized gains or losses. It is an excellent money market fund yielding about 2.2%. Mr. Kayser continued the report on the Retirement Fixed Income Fund, which is a grouping of income funds. Those client assets are pooled together so all of the retirement clients with similar investment objectives, are grouped, especially in the fixed income market.
- GURRERI** Mr. Gurreri indicated the report showed a total of \$1,688,023.
- KAYSER** Mr. Kayser added that 40% of that is currently in the bond fund. He reviewed the Common Stock portion, which is managed in a similar fashion to the bond fund. Mr. Kayser also reviewed the different funds shown under Common Stocks as detailed in the report provided. He indicated that they had taken a conservative approach for the exposure. The funds are well diversified and are not risky.
- GURRERI** Mr. Gurreri asked about the difference in the European and Pacific stock.
- HOSE** Ms. Hose stated that a simple explanation is that the European stock funds basically invest in the European countries and specifically the Asian market.
- MOUNT** Mr. Mount referred to the pie chart showing Equity of 48% and Fixed Income of 52%. He asked whether that was similar to what the Police Department has.
- KAYSER** Mr. Kayser responded that it is a little bit more conservative.
- HOSE** Ms. Hose stated that there needed to be dialogue concerning establishing official parameters for the Firemen's portfolio. When this plan was first established, Mr. Holman recommended that it mirror the Police Pension Fund with asset mix. That was the strategy. They have an investment guideline and investment policy established. They went in with the thought of a 50/50 mix. There had been some conversation about the portfolio wanting to be a little more conservative than the Police Pension Fund.
- GURRERI** Mr. Gurreri stated that it would be something the firemen could take back and discuss if they wanted to be more aggressive.

- KAYSER** Mr. Kayser provided a separate page showing historic returns from 1926 to 2004. There were different asset allocations. Currently, there is a somewhat conservative growth. The important point is if the actuarial assumption is set at 8% and there is a conservative growth. Historically they would never hit the target. He explained in detail how the assumptions could affect the growth of the fund.
- BOWMAN** Chairman Bowman indicated that there are specific guidelines for the Police Department as far as percentages of stocks and bonds.
- MOUNT** Mr. Mount asked for a copy of the police guidelines.
- GURRERI** Mr. Gurreri responded that Mr. Holman would be able to provide that.
- MOUNT** Mr. Mount indicated he just wanted to see what their guidelines are and maybe the Firemen would want a similar set of guidelines.
- GURRERI** Mr. Gurreri noted it could be a 50/50 mix, or it could be 65/35.
- HOSE** Ms. Hose indicated they had been given a range of 35/65% fixed income, 35/65% equity. It is a pretty broad range, and depending on how the market was swinging it provided flexibility. The target for a balanced portfolio is closer to a 50/50 mix. In addition to that the police pension fund also has other specific guidelines as far as the asset mix and no more than 5% invested in the international market. An investment policy is generally established with pensions to spell out exactly what is desired with that medium.
- CARPENTER** Mr. Carpenter indicated that once it would be established on paper, the 65/35, that's enough of a margin that it wouldn't be changed.
- KAYSER** Mr. Kayser indicated he was correct. The rest of the actuarial assumption wouldn't change.
- HOSE** Ms. Hose encouraged the Board that dialog needed to happen fairly soon. Funds have come in and investments have been made. They really need to have the right guidelines in place.
- ZIMMERMAN** Mr. Zimmerman indicated that the discussion on the investment policy and asset allocation is probably the most important thing the Board can do. There is a tendency to gloss over it with all the facts and figures, but the most important thing that determines your rate of return is the asset allocation. It's important to understand the risks and rewards. He had done studies on setting up this pension plan over the last two years and there had been a lot of discussion about being more conservative with

these investments than with the police investments with recognizing the risk.

GURRERI Mr. Gurreri noted that Mr. Zimmerman is the actuary who operates separately from Fulton. He asked Mr. Zimmerman to explain what he does as the actuary.

ZIMMERMAN Mr. Zimmerman explained that his job is basically to make sure the Pension Plan complies with state rules, which have very strict funding standards. They set the rules and advise how much has to be contributed to the plan every year, and that is done by doing evaluations every other year. The first one will be January 1, 2005 and then January 1, 2007. His main job is to do these actuarial evaluation reports every year. The state gives state aid every year on these plans, and he needs to make sure the plan is in compliance so that the state aid is available.

BOWMAN Chairman Bowman asked if there were any further questions.

GURRERI Mr. Gurreri commented that the conservative way may be the way to go.

MOUNT Mr. Mount indicated that if the Police Pension Fund has a policy, then the Fire Pension Fund should have one as well.

KAYSER Mr. Kayser indicated that the policy is their marching orders. He had mirrored this fund with the police policy, but there should be further guidelines for better return.

GURRERI Mr. Gurreri asked whether that needed to be done during this meeting or whether it could be done later. He thought the firemen should have the time to look at it.

ZIMMERMAN Mr. Zimmerman stated that it did not have to be done at this meeting. The investment policy is something that gets written up and reviewed and signed, but as to what guidelines go in there, he did not think it has to be done now, but not to wait another quarter.

GURRERI Mr. Gurreri thought it should be completed in two or three weeks.

HOSE Ms. Hose indicated that at this point it can stay neutral with a balanced approach, but it is very important that an investment policy be set. She suggested that to wait until May is too far away, but within two or three weeks another meeting should take place.

BOWMAN Chairman Bowman stated that he would discuss the matter with Mr. Holman when he gets back on Monday, and get back to them.

**SPRINGETTSBURY TOWNSHIP
FIRE PENSION BOARD**

**FEBRUARY 2, 2005
APPROVED**

KAYSER Mr. Kayser stated the Board could review the rest of the written report at their leisure.

F. OLD BUSINESS:

There was no Old Business for discussion.

G. NEW BUSINESS:

BOWMAN Chairman Bowman commented that it had been decided to make arrangements to meet in between the meetings to discuss a policy.

H. COMMITTEE MOTIONS:

- 1. Approval of pension payment as calculated by the Actuary in accordance with the plan: Lynn Bortner, Jr.**

MR. GURRERI MOVED TO APPROVE THE PENSION PAYMENT AS CALCULATED BY THE ACTUARY IN ACCORDANCE WITH THE PLAN, LYNN BORTNER, JR. MR. CARPENTER WAS SECOND.

HOSE Ms. Hose indicated that the action is a formality because Mr. Bortner had begun receiving payments. His first payment was January 1, 2005, and will receive a February 1 payment as well.

MOTION UNANIMOUSLY CARRIED.

BOWMAN Chairman Bowman announced that the next stated meeting will be held May 4, 2005 at 10:00 a.m.

I. ADJOURNMENT:

BOWMAN Chairman Bowman adjourned the meeting at 11:10 a.m.

Respectfully submitted,

George Mount
Secretary

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SPRINGETTSBURY TOWNSHIP **JANUARY 4, 2005**
FIRE PENSION BOARD-ANNUAL REORGANIZATION MEETING APPROVED

Springettsbury Township Fire Pension Board held its annual reorganization meeting on Tuesday, January 4, 2005 at 7:45 p.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN ATTENDANCE: Bill Schenck
Don Bishop
Nick Gurreri
George Dvoryak
Mike Bowman

ALSO IN ATTENDANCE: John Holman, Township Manager
Jim Baugh, Director of Community Development
Dori Bowders, Manager of Administrative Operations
Betty Speicher, Director of Human Services
Jean Abreght, Stenographer

1. Call To Order:

SCHENCK Chairman Schenck called the meeting to order 7:50.

2. Appointment of Township Supervisors as Members

MR. BISHOP MOVED FOR THE APPOINTMENT OF ALL TOWNSHIP SUPERVISORS TO THE FIRE PENSION BOARD. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. Appointment of Fire Fighters as Representatives.

- A. Rob Carpenter
- B. George Mount

MR. GURRERI MOVED FOR THE APPOINTMENT OF FIRE FIGHTERS ROB CARPENTER AND GEORGE MOUNT AS REPRESENTATIVES. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

4. Election of Officers

- A. Chair

MR. BISHOP NOMINATED MR. BOWMAN TO SERVE AS CHAIRMAN. MR. GURRERI WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- B. Vice Chair

SPRINGETTSBURY TOWNSHIP **JANUARY 4, 2005**
FIRE PENSION BOARD-ANNUAL REORGANIZATION MEETING APPROVED

MR. BISHOP NOMINATED MR. GURRERI TO SERVE AS VICE-CHAIRMAN. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Secretary

MR. SCHENCK MOVED TO APPOINT GEORGE MOUNT AS SECRETARY OF THE FIRE PENSION BOARD. MR. GURRERI WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. Other Items

A. Meeting Dates for 2005 (10:30 a.m.)

February 2, 2005
May 4, 2005
August 3, 2005
November 2, 2005

BOWMAN Chairman Bowman indicated that the meetings would be advertised in advance.

6. Adjournment

BOWMAN Chairman Bowman adjourned the meeting at 7:59 p.m.

Respectfully submitted,

George Mount
Secretary

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