

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**NOVEMBER 2, 2005
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Wednesday, November 2, 2005 at 9:00 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN ATTENDANCE: Nick Gurreri, Chairman
Mike Bowman, Vice Chairman
Don Bishop (arrival at 9:15 a.m. constituting a Quorum)
Sgt. David Trott, Police Department

ALSO IN ATTENDANCE: Annette Hose, Fulton Financial Advisors
Richard Diem, Fulton Financial Advisors
Joe Paese, Legacy Trust Company
Tom Zimmerman, Consulting Actuary, Conrad M. Siegel, Inc.
John Holman, Township Manager
Jean Abreght, Stenographer

A. Call to Order

GURRERI Mr. Gurreri called the meeting to order at 9:10 a.m. A Quorum was not present. Mr. Gurreri thanked the representatives from Fulton and Legacy for sending the reports early for review.

HOLMAN Mr. Holman asked whether everyone had received copies of the financial reports directly.

HOSE Ms. Hose stated that Fulton mailed copies only to Messrs. Gurreri and Bowman.

PAESE Mr. Paese stated that Legacy had mailed copies to all members.

HOSE Ms. Hose stated that Fulton will mail copies directly to all members in the future.

ZIMMERMAN Mr. Zimmerman commented that he only issues his report every other year and that he would send it to Mr. Holman for distribution.

HOLMAN Mr. Holman noted that social security numbers should be removed from that report.

ZIMMERMAN Mr. Zimmerman indicated he could take care of that problem.

HOLMAN Mr. Holman reported that Gladys Shultz, widow of Donald Shultz, passed away, and there will no longer be any payments to her. Authorization was given to Fulton Financial to pay Christopher Hess his contributions to the pension fund in the amount of \$233.45. In addition, Fulton was authorized to pay to the estate of Nathan Zech his contributions of

\$1,285.86. Two individuals, John Huzvar and Eugene Brimmer, have not been located in order to return funds to them. Those funds will be sent to Pennsylvania unclaimed property at some future date.

HOSE Ms. Hose stated that pension money cannot be escheated back to the state. Fulton makes use of an outside locator service to locate terminated participants. The service charges a \$10.00 fee for each individual.

HOLMAN Mr. Holman asked Sgt. Trott to determine whether anyone in the police department might know where they can be contacted.

TROTT Sgt. Trott indicated he did not know Mr. Huzvar, but he thought that Mr. Brimmer could be located.

HOLMAN Mr. Holman noted that other items for discussion dealt with increases to pension fund retiree payments, which should be discussed during a full Board hearing.

E. Reports from Financial Advisors

2. Legacy Trust

GURRERI Mr. Gurreri stated that Legacy Trust would provide the first report.

PAESE Mr. Joe Paese of Legacy Trust Company provided a written report dated November 2, 2005. He highlighted items from the report. A summary follows:

- The Multiple Historical Curves yield chart showed movement up driven by inflation; a settling down is anticipated due to a slowing economy.
- 12- month numbers look strong.
- Legacy Trust's position on the bond side is heavier than Fulton's resulting in diversified approach.
- Bond market choppy with yield of 4.472 in July, 4.256 in August and 4.569 in September.
- Equity Indexes showed the market was stronger than anticipated with S&P Index at 3.61.
- International Equity Indexes continue to be a strong lead.
- Quarter began at 4.24 and ended at 4.27; modest increase.
- No pension payment disbursements.

HOSE Ms. Hose stated that pension disbursements are made once a year.

PAESE Mr. Paese continued that there had been some unrealized changes in the market value. Net increase was modest for the quarter. He reviewed the Account Holdings to date. He expected to be slightly over weighted in

bonds and under weighted in stocks. Mr. Paese provided an in-depth review of the portfolio with a value of \$4,186,178.54. Actual cash position as of 9/30/05 was a little over 5%, 40% plus in U.S. Stocks, 4% international, and the bond position at about 49 % and some in the other categories. Legacy is geared to the large caps with 50% on the value side; 22% in the core. Information Economy did relatively well with 13.49% of the 20.11% benchmark. Service Economy, including Healthcare Consumer, Business and Financial Services exceeded the benchmark of 45.23% by 49.37%.

Mr. Paese reviewed the Risk Analysis graphs, a quarter-to-quarter snapshot of the equity portfolio, which out-performed the S&P benchmark. He reviewed a list of the total holdings.

- Kalmar Growth three month figure was up 5.32% versus the Russell Growth at 6.32%.
- Vanguard Growth Index Fund compared slightly better for three months to the S&P, and International funds outperformed the S&P Index.
- Investment Performance Analysis revealed a positive performance versus the benchmark. He pointed out the under-performance was the bond portfolio for the month, but the portfolio for the quarter was up 7.30%. Stocks were at 2.60% versus 3.60% benchmark. International was 10.90% versus 10.40% benchmark.

Mr. Paese provided an overview of the quarter performance ending 9/30, and a 12-month performance as well. The account resulted in 11.10% versus the benchmark of 6.90% driven largely by the bond portfolio for the 12-month period. The Asset Class Performance graphs revealed a steady climb in the overall portfolio at 4.9% versus a benchmark of 1.9%.

GURRERI

Mr. Gurreri asked Mr. Zimmerman how Mr. Paese's report measured up to his projections.

ZIMMERMAN

Mr. Zimmerman responded that their assumption is 7.5% per year. The report was 4.9% in nine months; annualized at approximately 6.5%, which is close to the assumption.

PAESE

Mr. Paese indicated that last year's segment was approximately 10%. The two-year average segment will be approximately 7.5% given current market activity.

ZIMMERMAN

Mr. Zimmerman asked Mr. Paese whether they expect to maintain about 45 to 50% equity.

PAESE

Mr. Paese responded that he was correct. They may be more bearish on the equity side.

B. Action On Minutes

GURRERI Chairman Gurreri asked for Action on Minutes since a Quorum had been established with Mr. Bishop's arrival.

MR. BOWMAN MOVED TO ACCEPT THE MINUTES OF THE POLICE PENSION BOARD MEETING AUGUST 3, 2005. MR. BISHOP WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Correspondence and Other Communications

- 1. Acknowledge receipt of Fulton Trust Company report for the period September 1, 2005 through September 30, 2005. Submitted by Mr. John Holman in correspondence dated October 17, 2005.**

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF FULTON TRUST COMPANY REPORT FOR THE PERIOD SEPTEMBER 1, 2005 THROUGH SEPTEMBER 30, 2005. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- 2. Acknowledge receipt of Legacy Trust Company report for the period September 1, 2005 through September 30, 2005. Submitted by Mr. John Holman in correspondence dated October 5, 2005.**

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF LEGACY TRUST COMPANY REPORT FOR THE PERIOD SEPTEMBER 1, 2005 THROUGH SEPTEMBER 30, 2005. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- 3. Acknowledge receipt of Fulton Financial Advisors Pension Plan for the period July 1, 2005 through September 30, 2005.**

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF FULTON FINANCIAL ADVISORS PENSION PLAN FOR THE PERIOD JULY 1, 2005 THROUGH SEPTEMBER 30, 2005. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

- 4. Acknowledge receipt of Springettsbury Township Police Pension, Death and Disability Fund Actuarial Valuation as of January 1, 2005.**

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF SPRINGETTSBURY TOWNSHIP POLICE PENSION, DEATH AND DISABILITY FUND ACTUARIAL VALUATION AS OF JANUARY 1, 2005. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. **Acknowledge receipt of Valuation Results as provided in correspondence from Mr. Thomas Zimmerman, Conrad Siegel to Mr. John Holman, Springettsbury Township Manager, dated October 20, 2005.**

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF VALUATION RESULTS AS PROVIDED IN CORRESPONDENCE FROM MR. THOMAS ZIMMERMAN, CONRAD SIEGEL, TO MR. JOHN HOLMAN, SPRINGETTSBURY TOWNSHIP MANAGER, DATED OCTOBER 20, 2005. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial

HOSE Ms. Annette Hose reported that during the previous meeting Mr. Tom Weber had reviewed the portfolio. Ms. Hose introduced Richard Diem of Fulton Financial. Mr. Diem joined Fulton following Kevin Kayser's resignation. He had taken over as the portfolio manager for the account. She added that Mr. Weber will continue to manage the Common Trust Fund and serve as a backup.

HOSE Ms. Hose focused first on the Pension Plan Market Value as of July 1, 2005 at \$3,815,543.75. She reported Total Receipts of \$514,480.65; Total Disbursements of \$(124,370.86) for a Market Value as of September 30, 2005 of \$4,205,653.54. She noted that the Pension Payments of (\$109,840.45) reflect the payments made to Mr. Zech and Mr. Hess during the quarter ending September 30th. She added that payment to Gladys Shultz's estate will be noted during the October transactions, reflecting a payment to which she was entitled during September, the month of her death.

DIEM Mr. Richard Diem stated that he had been in the financial field for 18 years and provided details concerning his extensive career. He indicated that Fulton concurred with Legacy's statement of a slowing economy. The third quarter showed more strength than expected with a 3.8% gross domestic product. Long term average for growth in the economy is about 2.5% to 3%. The reason for the economic slowdown related to oil and energy prices and higher interest rates. Federal Reserve just increased rates to 4%. Mr. Diem indicated there would likely be an additional ¼ point hike. He anticipated an additional ¼ point on January 31st, Chairman Greenspan's last meeting. The Federal Reserve will be very aggressive in pursuing inflation. Mr. Bernanke had alluded to the fact that he will have target rates for the personal consumption expenditure index which is their version of inflation at 2%. Mr. Diem believes they will be aggressive to raise rates if inflation shows its head, and will keep inflation at bay. Corporate profits are expected to continue with single-digit

increases. Bond and stock market may see a slow down. Stock market expectation is in high single digits and low double digit returns. Mr. Diem projected that things will be a little tighter going forward with returns in the bond and stock market, but he favored the stock market more than the bond market. He provided a review of the written report, a summary of which follows:

- The Account Rate of Return performance for the bond and stock portfolio for a total rate of return was 1.75% for the quarter versus a benchmark of 1.62%. Year to date results were 2.17% for the total rate of return versus 1.94% benchmark.
- FFA Retirement Common Stock Fund and the Fidelity Equity Income Fund together encompass 80% of the portfolio. The FFA Retirement is a bit of a more growth-oriented fund. The Fidelity Equity Income Fund is a value-oriented. The account value was in International and Small Cap funds for Pacific Stock Index and European Funds.
- Vanguard Small-Cap Stock Index was up 5.28% and that was better than the S&P 500, with about 5% of the portfolio in small cap. The International, Small Cap and Large-Cap exposures led to outperforming for the quarter on the equity side.
- Total Account Rate of Return was 1.75%. Mr. Diem provided a performance report from March 31, 2002 to date, which resulted in 6.1% per annum with equities at 6.77% versus 3.76% for the S&P over that period. Inception of the fund was October of 2001. The portfolio had grown 9.92% per year over the last three years versus 9.95% benchmark return.
- Allocation of the account is approximately 49% equity, 41% fixed income, 9% cash. Total account holdings: \$4,093,974.11.

Mr. Diem reviewed the cash exposure, the Fixed Income Common Trust Funds, the Equity Common Trust Funds, as documented in the written report. The Retirement Common Stock Fund yielded 1.92% and amounts to approximately 60% of the portfolio. Fidelity Equity Income is about 21.28% of the portfolio. Vanguard Pacific and European are approximately 15%, and Small Cap makes up about 4.89%. The individual holdings list was provided for the Retirement Fixed Income

F. Old Business

HOLMAN

Mr. Holman clarified that each individual will be mailed the financial reports in advance directly from Fulton and Legacy. Mr. Zimmerman's reports will be provided separately.

G. New Business

1. Review of Actuarial Valuation Results by Mr. Thomas Zimmerman

ZIMMERMAN

Mr. Zimmerman stated that the reason his report was late this year was because they were waiting for completion of the bargaining process. He stated that it would take him about five minutes to briefly review his report.

GURRERI

Chairman Gurreri suggested that he review it and questions could be asked during the next meeting.

ZIMMERMAN

Mr. Zimmerman noted that his report was done every odd numbered year. Pennsylvania Act 205 has strict rules on how to fund these kinds of pension plans. He called the Board's attention to a Summary of Principal Plan Provisions as documented in his report as of January 1, 2005. There were no changes from the previous two years with the exception that the member contribution rate went up in 2005. He noted the Actuarial Assumptions did not change and the interest rate remained at 7.5%. The additional assumption is that pay will increase 5% each year. The ladder effect takes into account longevity as well as negotiated increases.

Mr. Zimmerman called attention to the Receipts and Disbursements, which combined the two financial institution's results. For 2003 the return was 14.2% and for 2004 the return was 8.7%. Both years exceeded the 7.5% assumption. Section 2 of the report revealed the Actuarial Valuation as of January 1, 2005, and he focused on the Normal Cost figures. He noted the KIS Insurance Premium, which covers an officer killed in service. The insurance cost of \$7,500 in 2004 was added to the annual cost of the plan, and the premium is paid from the trust fund. Unfunded Liability covers liability that would exceed the current plan assets. The number had increased from 2003 to 2005 by \$1,348,460. Actuarial Losses were itemized as Investment Gain of \$(582,000); Experience Loss of \$255,696 and Funding Deviation of \$456,732 for a total loss of \$130,023. He provided a detailed explanation for each item. He noted that the cost of the plan goes up by approximately \$14,000 each year.

HOLMAN

Mr. Holman asked how this plan compared with other known pension plans with a \$130,000 loss.

ZIMMERMAN

Mr. Zimmerman responded that in an \$8 million fund, a \$130,000 loss is virtually zero. When making a comparison with other plans, the important figure to review is the unfunded liability which is \$1.3 million. Almost all police pension plans have an unfunded liability. Hardly any have a positive number there or are

overfunded. Most are underfunded to some extent. This plan in the scheme of things is probably average, maybe a little better funded than average.

Mr. Zimmerman focused on the Minimum Municipal Obligation annual obligation figure of \$414,000 after 3.5% member contributions. State aid will provide about \$170,000 of that cost; general fund will pay about \$244,000 of the cost.

TROTT

Sgt. Trott asked whether this report covered 2005 and 2006.

ZIMMERMAN

Mr. Zimmerman responded that it actually will be used for the 2007 and possibly the 2008 MMO, depending on the status in 2007.

TROTT

Sgt. Trott asked when the state aid would be received.

ZIMMERMAN

Mr. Zimmerman responded it would be received in late September or early October.

HOLMAN

Mr. Holman noted that the Township makes a contribution before the state aid arrives.

ZIMMERMAN

Mr. Zimmerman added that between state aid, the general fund and member contributions, almost \$500,000 are going into the plan each year.

BISHOP

Mr. Bishop noted that Mr. Zimmerman could not predict investment to return, but in terms of the unfunded liability, he wondered whether that would be likely to continue to increase over the years. He asked whether there would be some structural conditions in the way it is calculated.

ZIMMERMAN

Mr. Zimmerman responded that Act 205 moves it toward zero, and it amortizes gains and losses over 15 years. He indicated that what makes it move far away in one direction or another is two years of good or bad investments. What the report states on 1/1/07 is dependent on the investment return in the next 14 months.

H. Committee Motions

- 1. Approval of Cost of Living Increase as listed on attached document. Cost of Living increases are per plan documented and calculated by Mr. Thomas Zimmerman.**

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**NOVEMBER 2, 2005
APPROVED**

HOLMAN Mr. Holman stated that Mr. Zimmerman had done the calculations for Mr. Williams and Mr. Zeigler on their increases. They have been received and the Township is beginning to fund them. The report has been done for Mr. Bumstead as well. He asked that the Board review and concur with the recommendations of the Actuary, which is a requirement.

ZIMMERMAN Mr. Zimmerman noted that the action will increase the cost of the plan slightly.

HOLMAN Mr. Holman added that Mr. Alan Naylor had requested an increase, and Mr. Zimmerman will be completing the calculations for his increase. Mr. Holman requested a consensus to approve the increase based on the Actuary's review. Once they reach a 30% threshold, no further increases are permitted in the plan upon retirement, but a COLA can be done within the plan.

MR. BOWMAN MOVED TO ACCEPT AND APPROVE COST OF LIVING INCREASES LISTED FOR GERALD WILLIAMS, RICHARD ZEIGLER, JOHN BUMSTEAD AND ALAN NAYLOR AS RECOMMENDED BY THE ACTUARY. MR. BISHOP WAS SECOND. MOTION UNANIMOUSLY CARRIED.

I. Adjournment

GURRERI Chairman Gurreri adjourned the meeting at 10:20 a.m.

Respectfully submitted,

John Holman
Secretary

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**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 24, 2006
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Thursday, August 24, 2006, at 5 p.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: George Dvoryak, Chairman
Bill Schenck
Mike Bowman
John Holman, Township Manager
Lt. David Trott, Springettsbury Police Department

MEMBERS NOT

IN ATTENDANCE: Nick Gurreri, Vice Chairman
Don Bishop

ALSO IN

ATTENDANCE: Joe Paese, F.N.B. Wealth Management (formerly Legacy Trust)
Richard Diem, Fulton Financial Advisors
Annette Hose, Fulton Financial Advisors
Jean Abreght, Stenographer

A. Call to Order

DVORYAK Chairman Dvoryak called the Police Pension Board meeting to order at 5 p.m.

HOLMAN Mr. Holman stated that a Quorum was present with four members of the Board.

B. Action on Minutes

1. May 11, 2006 Police Pension Board Meeting

MR. BOWMAN MOVED TO ACCEPT THE MINUTES FROM THE MAY 11, 2006 POLICE PENSION BOARD MEETING. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Public Comment

There was no Public Comment.

D. Correspondence and Other Communications

- 1. Acknowledge Receipt of Fulton Trust Company April 2006.**
- 2. Acknowledge Receipt of Fulton Trust Company May 2006.**
- 3. Acknowledge Receipt of Fulton Trust Company June 2006.**
- 4. Acknowledge Receipt of Fulton Trust Company Second Quarter 2006 Report.**
- 5. Acknowledge Receipt of Legacy Trust Fund Report May 2006**

6. **Acknowledge Receipt of F.N.B. Wealth Management Report (formerly Legacy) for June 2006.**
7. **Acknowledge Receipt of F.N.B. Wealth Management Report (formerly Legacy) for July 2006.**
8. **Acknowledge Receipt of F.N.B. wealth Management Report (formerly Legacy) for the Second Quarter 2006.**
9. **Acknowledge receipt of payroll contribution reconciliation report.**

MR. SCHENCK MOVED TO ACCEPT ALL ITEMS OF CORRESPONDENCE AS LISTED ON THE AGENDA, ITEMS D1 THROUGH 9. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports from Financial Advisors

1. Fulton Financial

HOSE Ms. Annette Hose reviewed the portfolio accounting for the quarter with a Market Value as of April 1, 2006 of \$4,193,447.54. Receipts were accounted as follows: Employee contributions were \$16,125.73; Total Investment Income of \$8,223.03; Total Unrealized Loss of \$29,509.10 due to a drop in the market at the end of June. Disbursements were as follows: Pension and Health Insurance Payments: \$118,165.17; Expenses included the Trustee/Management Fee of \$5,417.73. Market Value as of June 30, 2006 was reported at \$4,064,704.30.

DIEM Mr. Richard Diem provided a summary of the written report for the second quarter, which had been provided to the Board.

Economy

Mr. Diem reported that the economy had slowed. He estimated about a 2-1/2% growth for the remainder of 2006. The real estate sector and new home sales had fallen off; however, corporate profits seem to be doing well. Interest rates probably will not raise much for the remainder of the year. Inflation is expected to moderate some; the equity market will do well, and the bond market may do some better as well.

Performance for the Quarter

Mr. Diem reported that the fixed income and equity markets account rate of return was negative .53%. The benchmark was down .57% resulting in four basis points better than the benchmark. Total equities were a negative 1.32% for half the account. Fulton Financial Retirement Common Stock fund fell 3.32%; Vanguard Windsor II fund was up .7%; S&P 500 benchmark for large cap equity performance was off 1.44% resulting that the fund was somewhat better than the benchmark. The Small Cap sector did poorly with the Vanguard Index falling 4.65% versus 5.03%. The sector that did well was Vanguard European Index which grew 2.7%. The Pacific Index fell 2.8%. Fixed Income rose .26% for the

quarter; benchmark was .21%. Goldman Sachs was 1.1% and Citigroup was at 1.16% in the money market sector.

Performance for the Year

Mr. Diem reported that for the year the results are ahead of the benchmark by 1.22%. Total account rate of return was 5.65% versus 4.43%. Total equities are up 10.82% through June 30, 2006. The S&P is up 8.63%. There was not a large return for the Fixed Income side at .3%; however, it was better than the benchmark at a negative .18%

Portfolio

Mr. Diem reported the Total Account Balance as of August 3rd was \$4,020,919. As of this date, August 24th, the balance was up to \$4,065,911. Fixed Income holdings invested in the Fulton Financial Advisors' Retirement Fixed Income Fund, 35% of the account, a common fund run by the bank, yielded 5.04%. Equity holdings have two funds in the large cap area, the Retirement Common Stock Fund which yielded 1.65%. Vanguard Windsor II small cap index, 35% of the account, is at 9.76%. The two International Funds, the Pacific at 8% and the European at 12% make up 20% of the account.

2. Legacy Trust

PAESE

Mr. Joe Paese, F.N.B. Wealth Management (Legacy Trust) stated he had submitted written information on the merger of F.N.B. in advance. He reiterated that the economy had slowed. He reported that there had been a very volatile second quarter of rates moving up which affected the performance. However, the yield curve revealed that the rates are coming back down.

Mr. Paese indicated that the equity market will not perform as well as the long bond side, which has more value for the rest of the year. A recap of the account of \$4,284,000 indicated earnings of \$71,000, along with some disbursements including administrative fees and an unrealized change. Most of that was the change in the bond pricing for the quarter. Rates went up; bond prices went down all of which resulted in a net decrease of approximately \$29,000 and a bottom line of \$4.25 million. From an asset class perspective, there was approximately 5% in cash earning about a 4.85% yield. Fixed Income portfolio is at 46% with a yield of 5.50%; Equity is just under 50% with a 2.48% yield. He expects utility stocks to pick up in the third quarter. The bond portfolio in the government and agency obligations showed some losses on those bonds, which was a negative reaction to rates moving up. Values will drop, but there should be a significant difference in the third quarter. There should be no significant change to the bond or equity portfolios at this time. They expect to stay underweighted in technology and overweighted in utilities. The Federated Mid-Cap Fund, a value fund, has a fairly significant exposure which is expected to perform well. The Harbor and the Oakmark Funds are the two International funds. Kalmar is a small cap fund, and the Vanguard growth index is the large growth piece. The bond portfolio is

yielding an average 5.50%; maturity about 5.47% and at duration about \$9.68%. Breakdown of the mutual funds is the Kalmar small cap down 8%; Vanguard Growth Index Fund down 4%; S&P down 1.44%, International Funds, one up about 3%; one down slightly. Mid cap was down about 3.35%. Year to date up about 4%. Actual performance showed the actual account rate of return down 1.2% versus the blended benchmark down about 6%. Money market was up .10% for the quarter. Bonds were down about 1.10% versus the Lehman Brothers government corporate index down .10%. The equity side showed the S&P's down slightly. That .10% difference coming basically from the small cap and the large growth part of the equity portfolio. However, since inception the benchmark was beat by about 140 basis points with the exception of the International piece. Equities since inception revealed an 8.70% versus 5.50%. The S&P as well as the bond portfolio is positive by about 70 basis points.

TROTT Lt. Trott asked for information concerning the merger.

PAESE Mr. Paese responded that there should not be much change in the portfolio. From an asset management perspective they will use outside mutual funds and outside managers as they had in the past. FNB Corp does not have its own mutual fund complex just like Legacy. So, we are not in that position that a lot of banks are in where they're utilizing their own mutual funds. What had been gained through the merger, Legacy previously had about 35 no-load institutional mutual funds. FNB has about 50 and they will pick up some new areas, such as high yield bond funds, emerging market funds. Mr. Paese's main goal is not to disrupt the client and he did not expect a lot of change. They had switched from the Northern Trust System to the Sunguard System. On the bank side there is significant change, but that will not affect the pension fund. There are an additional 10 investment professionals to utilize.

F. Old Business

DVORYAK Chairman Dvoryak asked Mr. Holman for an update on the investment plan.

HOLMAN Mr. Holman responded that he will meet with Mr. Zimmerman within the next few weeks to finalize that policy. He will have the policy ready for discussion and possible adoption during the November meeting, with an effective date of January 1, 2007 so that the policies fit within the fiscal years. He added that the state auditors prefer that process in order to facilitate their audits.

G. New Business

DVORYAK Chairman Dvoryak asked about the status of the pension audit.

HOLMAN Mr. Holman responded that the State Auditor General's Office conducted an audit of the Police Pension Fund and provided an outstanding report. They were very pleased with the way the funds have been handled. Specifically, they liked the

way that they can just look at the minutes on the web site. They were able to finish up their report two weeks earlier than planned. Mr. Holman thanked both Fulton and Legacy, now FNB. They had provided needed audit information in a timely fashion. He also thanked Mrs. Speicher and Mrs. Bowders for their administration efforts. There were three oral comments. One dealt with a 2003 ordinance that was adopted; it had not been adopted in the beginning of 2003. That was when the Police Pension Fund was adopted in accordance with the new IRS regulations. One additional oral comment was made that a resolution had not been passed setting the rate for the Police Department. The contract was adopted, and the auditors suggested that a resolution should be adopted at the beginning of each year adopting the rates. The third oral comment related to a memo which had been sent to the Board in September stating the Minimum Municipal Obligation. However, the attachment to that report did not have Mr. Holman's initials and the date, even though it could be seen in the minutes. They thought the program was outstanding and running very well. A formal report will be provided to the Board.

DVORYAK Chairman Dvoryak asked for clarification whether the audit was a three-year audit.

HOLMAN Mr. Holman responded that it was, in fact, a three year audit covering the years 2003 through 2005. He thought the next audit will be for another three-year period. Mr. Holman added that, since they had gone through this audit, they have a list of everything the auditors look for at the end of each year. They plan to put everything into packets together so that when they come in to do the next audit they can just pull the file out for them.

H. Committee Motions

There were no Committee Motions for discussion.

I. Adjournment

DVORYAK Chairman Dvoryak adjourned the meeting at 5:45 p.m.

Respectfully submitted,

John Holman
Secretary

Ja

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 3, 2005
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Wednesday, August 3, 2005 at 9 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

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

ALSO IN

ATTENDANCE: Joe Paese, President & CFP, Legacy Trust
Sharon Hake, Fulton Financial Advisors
Tom Weber, Fulton Financial Advisors
Sgt. David Trott, Police Department
Tom Zimmerman, Consulting Actuary, Conrad M. Siegel, Inc.
Betty Speicher, Director, Human Resources
Jean Abreght, Stenographer

A. Call To Order

GURRERI Mr. Gurreri called the meeting to order at 9 a.m.

B. Action on Minutes

MR. BOWMAN MOVED TO APPROVE THE MINUTES OF MAY 4, 2005. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

1. Public Comment

There was no Public Comment

C. Correspondence and other Communications

- 1. Acknowledge receipt of Legacy Trust Company report for the period April 1, 2005 through April 30, 2005. Submitted by memorandum from John J. Holman dated May 10, 2005.**
- 2. Acknowledge receipt of Legacy Trust Company report for the period May 1, 2005 through May 31, 2005. Submitted by memorandum from John J. Holman dated June 7, 2005**
- 3. Acknowledge receipt of Legacy Trust Company report for the period June 1, 2005 through June 30, 2005. Submitted by memorandum from John J. Holman dated July 8, 2005.**

MR. SCHENCK MOVED TO ACKNOWLEDGE THE RECEIPT OF THREE ITEMS OF CORRESPONDENCE AS LISTED ON THE AGENDA. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

D. Reports from Financial Advisors

- 1. Legacy Trust**

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**AUGUST 3, 2005
APPROVED**

PAESE

Mr. Joseph Paese, Legacy Trust, provided a written Investment & Administrative Review. He reviewed some of the highlighted information as follows:

- Economic Highlights graph revealed result of the Federal Reserve raising rates.
- Legacy had been bullish with the rates and expected to gain appreciation in the bond market.
- Economy rose at about a 4% rate; believe that will come down to 2% with a significant pulling back in the economic performance as a direct result of the FRB increase in rates and oil prices.
- Rates could raise another 50 to 100 basis points, which would have a significant impact on the economy with particular sectors, such as the automobile industry.
- Oil prices will catch up to businesses.
- Rates could rise within the next three months; one year from now rates will be down.
- Stock Market last quarter very strong. Small and mid cap stocks continue to have a volatile market year through June 30th. International market continues to be strong.
- Equity market will be choppy from here.
- Legacy is overweighted in fixed/bonds; underweighting in equities.
- Choosing dividend stocks; value is holding true.

Mr. Paese reviewed the Net Asset Summary – 4/1 – 6/30/05. Beginning Net Assets were \$4,024,240.56; Investment Earnings \$64,313.10. Fees and Disbursements (\$5,111.47); Less Prior Accrued Income of (\$27,185.51); Unrealized Gains \$166,937.46; Net Increase for Quarter of \$200,494.16. Net Assets Ending June 30, 2005 - \$4,224,734.72. Account Holdings – As of 6/30/05 – U. S. Government notes and Bonds and Corporate Bonds. Mr. Paese showed the Treasury maturity schedule, which indicated the maturity dates go out from 2011 to 2029. The length of bonds has been a big factor in the performance. If they see negative impacts, they will sell some, take the gain and move for shorter maturities. It is an absolute play that rates are going to drop and value of bonds goes up. If rates move up, value of bonds goes down. The individual stock portfolio is yielding 3-1/2% with nice dividends and appreciation. Equity growth has done well with Vanguard Growth Index Fund, Kalmar Growth plus International and Foreign Funds and Federated Mid-Cap. Annual Income \$154,536.80 with an overall portfolio yield of 3.69%. Portfolio Review reported stocks showing growths and yields. He pointed out that performance had gone down with Pfizer and Merck; however, Legacy favors healthcare and may add to them.

GURRERI

Mr. Gurreri asked about the Kalmar investment, which was reported to involve higher risk.

PAESE

Mr. Paese responded that the smaller cap companies are more volatile with less liquidity. He added that international funds had done very well. He reported that Investment Performance revealed a strong quarter with the account up 4% versus the benchmark. Money Market rates for the quarter up; Taxable Bonds up 7.3% versus benchmark index of 2.50% with a direct relationship of governments and being long. Stock performance was good as well with 4% versus S & P of 1.4%.

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Internationals down slightly. The 12-month return showed almost 14% versus benchmark at 5.7%. Two things driving it were the Taxable Bonds at 16.20% versus 4.8% and U. S. Equities 12.20% versus 6.30%. Small cap value play was very strong.

TROTT Sgt. Trott asked whether the benchmark percentages stayed constant year after year.

PAESE Mr. Paese responded that they adjust the benchmark and rate it to the benchmark.

TROTT Sgt. Trott stated for clarification that the rating is done in each category of income in stocks and is not evaluating the asset allocation. The benchmark is changed to match the asset allocation.

PAESE Mr. Paese responded that he was correct.

GURRERI Mr. Gurreri asked Mr. Zimmerman how that would match up with his actuarial projection.

ZIMMERMAN Mr. Zimmerman responded that the actuarial assumption goal is 7.5% per year. Some years will be more; some less.

PAESE Mr. Paese responded that the fiscal year to date is 4.7%.

ZIMMERMAN Mr. Zimmerman added that year to date it is exceeding the 7.5%.

PAESE Mr. Paese concluded that the numbers had been reflected in their report. They believe the rest of the year will be fairly choppy on the stock side.

2. Fulton Financial

GURRERI Chairman Gurreri asked whether there was a reason that the Fulton report had not been received through the mail.

HAKE Ms. Sharon Hake, Fulton Financial Advisors, responded that they had not been able to get the reports together in time. She apologized for that. Kevin Kayser, who had been the Portfolio Manager, is no longer with Fulton, as he had returned to his home area in Chicago, Illinois. She introduced Tom Weber to review the investment portion of the portfolio. She explained that Annette Hose was traveling and that she would represent her. She asked how often they would like to receive the investment statements.

GURRERI Chairman Gurreri responded he would like to have the information a week or so in advance.

TROTT Sgt. Trott responded that they had been receiving the reports monthly. He was unsure whether he had received one recently.

HAKE Ms. Hake offered to review the issue and be sure that everyone received a monthly statement.

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- HAKE** Ms. Hake reported that under Receipts Fulton had a Market Value as of April 1st of \$3,863,098.25; Employee Contributions of \$4,566.46; Investment Income Received \$2,001.39; Prior Accruals (\$191.47); Current Accruals of \$169.90 for Net Income of \$1,979.82. Capital Gains Realized of \$13,050.71; Unrealized of \$54,447.06 for a Net Total Gain of \$67,497.77 for Total Receipts of \$74,044.05. Under Disbursements there were Pension Payments of (\$107,550.21), Health Insurance Payments (\$8,957.37) for Total Distribution of (\$116,507.58). Expenses for Trustee Fee (\$5,090.97). Total Disbursements were (\$121,598.55). Market Value as of June 30, 2005 is \$3,815,543.75.
- TROTT** Sgt. Trott asked about the health insurance payments.
- HAKE** Ms. Hake responded that the figure represented payments for health insurance premiums.
- TROTT** Sgt. Trott asked whether it was money paid out for health insurance premiums to the pensioners.
- WEBER** Mr. Weber explained that it is really a pension payment, and as a convenience Fulton splits it for retirees and pays a portion to the health insurer.
- SPEICHER** Mrs. Betty Speicher responded that the Township received a pension payment for insurance premiums monthly, which had been deducted from the pension check. Any time there's a change in premium, that gets sent to Fulton and it is revised.
- TROTT** Sgt. Trott stated for clarification that it's really just a part of their pension payment.
- WEBER** Mr. Weber provided a commentary concerning the Fulton report, which was provided to the Board. Some of the highlights of his presentation follow:
- Account rate/return was on the blended benchmarks both quarterly and year to date.
 - Fixed Income portfolio was relatively short to the benchmark; not as aggressive in terms of declining interest rates.
 - Fixed Income Fund for quarter and year to date lagged the benchmarks.
 - Growth has been a challenge over last five years and continues to falter. Example: Wilshire large cap growth index was down 6.66%; small cap value up 20.3%. Large growth indices down 2-1/4% and small indices down about 3.6%.
 - If interest rates continue to rise, small cap may alter slightly.
- TROTT** Sgt. Trott asked whether he had any performance figures since inception.
- WEBER** Mr. Weber responded that he believed inception was 12/1/01 to date of 6/30/05. The total portfolio was up 5.6% per year. And the benchmark returned during that period was up 2.5%.
- GURRERI** Mr. Gurreri commented that it would be interesting to him to know what the benchmark was in 2003 and 2004.

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WEBER Mr. Weber was unsure of the benchmark for those years; however, he indicated that the account rate of return over the previous three years was 7.44% and the static benchmark was 6.49%.

WEBER Mr. Weber reported that the Portfolio Review showed Market Value Diversification; the cash level is currently high at 11%. The Goldman Sachs – Financial Square Prime Obligations Fund additional details were provided for review. In addition the Fulton newsletter regarding the economy reflected Mr. Greenspan’s testimony and the market had responded in a way that is the opposite of what a weak economy would be expected to do. Estimates for the second half of the year are being raised. Auto sales are up, as is consumer buying. Things appear stronger, which had been reflected in the fixed income markets. Mr. Weber provided information on addendum sheets to the report concerning U. S. Treasury Bonds and Volatility Calculations for U. S. Treasuries. He stated that the economy at this time looked really strong and that the stock market, looking ahead six months, indicated it will be strong for the first quarter next year. Mr. Weber provided additional information on Junk-to-Treasury Bonds, as well as a graph on the Confidence Ratio.

F. Old Business

There was no Old Business for discussion.

G. New Business

There was no New Business for discussion.

H. Committee Motions

There were no Committee Motions for action.

TROTT Sgt. Trott asked whether Mr. Zimmerman would remain after the meeting for questions.

ZIMMERMAN Mr. Zimmerman responded that he would remain following the meeting.

TROTT Sgt. Trott asked Mr. Zimmerman for his assessment of the status of the pension fund. Obviously the contributions had provided a vested interest, which they had discussed several months ago. He asked where Mr. Zimmerman could see the under-funding of the pension fund.

ZIMMERMAN Mr. Zimmerman responded that he had hoped to present his January 1, 2005 report this date, but the ‘05 contract had not been settled yet. He could not provide the report until the contract is settled in case there are some pension issues. He had completed the report as if there were no changes. Under-funding had stayed about the same, even though there were two pretty good investment years in ‘03 and ‘04. There were a couple of things that offset that so it’s about the same. The cost will go up slightly in 2006 and 2007. It normally goes up because payroll goes up.

TROTT Sgt. Trott asked whether the State Aid would remain about the same.

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ZIMMERMAN Mr. Zimmerman responded that there is a potential for State Aid to go up a little bit too.

TROTT Sgt. Trott asked whether Mr. Zimmerman would have any dollar amount of under-funding for '06 and '07.

ZIMMERMAN Mr. Zimmerman responded that the MMO reports about \$450,000; State Aid about \$170,000; net obligations would be about \$300,000. He asked that those amounts be considered very preliminary.

TROTT Sgt. Trott indicated that unless something changed pretty drastically in the market with the investments that would probably remain.

ZIMMERMAN Mr. Zimmerman stated that the information is as of 1/1/05 and this report will determine the cost for '06 and '07. No matter what the markets do this year or next year it will not reflect in '06 and '07. Hopefully the markets do well this year and next year. Then when the 1/1/07 report is completed, it will help the '08 policies.

I. Adjournment

GURRERI Chairman Gurreri adjourned the meeting at 10:05 a.m.

Respectfully submitted,

John Holman
Secretary

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The Police Pension Board of Springettsbury Township held a meeting on Wednesday, May 4, 2005 at 9 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

MEMBERS IN

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

ALSO IN

ATTENDANCE: Joe Paese, President & CFP, Legacy Trust
Emily Dailey, Dir. Of Employee Benefit Services, Legacy Trust
Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
Tom Weber, Fulton Financial Advisors
Annette Hose, Fulton Financial Advisors
Ogden Dickerson, Police Department
John Holman, Township Manager
Jean Abrecht, Stenographer

A. Call To Order:

GURRERI Chairman Gurreri called the meeting to order at 9 a.m. He thanked those present for coming and asked each to introduce themselves for the record. A Quorum was established.

B. Action on Minutes:

GURRERI Chairman Gurreri stated that because a Quorum had not been present at the February meeting, approval of the Minutes was rescinded for the January 4th meeting.

- 1. January 4, 2005 Reorganization Meeting**
- 2. February 2, 2005 Regular Pension Board Meeting**

HOSE Ms. Hose noted an item mentioned concerning fund distribution for Douglas Daniels and Nathan Zech. No funds have been paid as they have not received executed forms.

HOLMAN Mr. Holman indicated that the only action at that meeting was confirming the amounts that will be paid out because they were already done by the actuary. Because of some other issues currently being completed, he was aware they had not been paid.

ZIMMERMAN Mr. Zimmerman commented that he would follow up on the matter.

HOLMAN Mr. Holman mentioned that, because there was no Quorum at the February meeting, approval of the minutes will confirm any recommended actions and any formal action during the January 4th meeting.

MR. SCHENCK MOVED FOR APPROVAL OF THE FEBRUARY 2, 2005 PENSION BOARD MEETING MINUTES AS AMENDED. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Public Comment:

There were no public comments.

D. Correspondence And Other Communications:

1. Acknowledge receipt of Fulton Financial Advisors report for the year ending June 30, 2004. Submitted by memorandum from John J. Holman dated February 25, 2005.
2. Acknowledge receipt of Legacy Trust Company report for the period January 1, 2005 through January 31, 2005. Submitted by memorandum from John J. Holman dated February 14, 2005.
3. Acknowledge receipt of Legacy Trust Company report for the period February 1, 2005 through February 28, 2005. Submitted by memorandum from John J. Holman dated April 27, 2005.
4. Acknowledge receipt of Legacy Trust Company report for the period March 1, 2005 through March 31, 2005. Submitted by memorandum from John J. Holman dated April 27, 2005.
5. Acknowledge payment to Fulton Financial – Invoice No. 000479 in the amount of \$983.25.

HOLMAN Mr. Holman stated that a question was asked of him with regard to the June 30, 2004 Fulton Financial Advisors Report. That is the audit report of Fulton Financial, which has nothing to do with Springettsbury. In addition, item 5 covers the automatic payment to Fulton Financial for the Police Pension Fund. No approval is necessary, just an acknowledgement that the information was distributed.

MR. SCHENCK MOVED TO ACKNOWLEDGE THE CORRESPONDENCE AND COMMUNICATIONS AS LISTED ON THE AGENDA ITEMS D1 THROUGH 5. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

E. Reports From Financial Advisors:

1. Fulton Financial

HOLMAN Mr. Holman requested that the reports from Fulton Financial be distributed earlier than the meeting. He wondered whether it could be emailed.

HOSE Ms. Hose responded that it would be difficult since the information is compiled from several sources.

PAESE Mr. Paese stated that the performance and the “meat” of the report could be emailed and then they could bring the rest of the information to the meeting.

HOLMAN Mr. Holman stated that he could provide information to the Board in advance of the meeting.

PAESE Mr. Paese stated that they would have no problem mailing the reports to the Board members’ homes several days in advance.

HOLMAN Mr. Holman indicated he would rather have the email information sent to him for distribution.

HOSE Ms. Hose indicated that they would email reports to Mr. Holman and then mail them to the homes.

SCHENCK Mr. Schenck noted that Mr. Holman could forward the email. Hard copies could be mailed.

GURRERI Chairman Gurreri indicated that the reports will be mailed a few days in advance. He asked the Board members to provide their current addresses.

HOLMAN Mr. Holman indicated his office would provide the current addresses to each of the companies.

E. Report from Financial Advisors:

1. Fulton Financial

HOSE Ms. Annette Hose of Fulton Financial presented the accounting of the Pension Plan from 1/1/05 to 3/31/05. The Market Value of the Police Pension Plan is \$3,937,739.08. Total Receipts were shown

as \$50,731.93 and Total Disbursements were \$(125,372.76). The Market Value as of 3/31/05 was shown as \$3,863,098.25.

GURRERI

Mr. Gurreri asked about the Unrealized Capital Gain (Loss) of \$125,093.93.

HOSE

Ms. Hose explained that unrealized gain is the loss of the value of the portfolio as of March 31, 2005 because of the market dropping during the last day of that quarter. If every asset in the portfolio were valued as of that day, the difference between the purchase price and the value as of that day reflects the unrealized loss. The assets were not sold; it was simply a paper loss shown as a value of the portfolio as of that day.

HOSE

Ms. Hose introduced Tom Weber, who reported in the absence of Kevin Kayser, who was out of town.

WEBER

Mr. Weber expanded on Mr. Gurreri's question about unrealized gains and losses. When performance is calculated, they assume that all the assets as of the end of the quarter are converted to cash. So basically the performance is a time weighted calculation that reflects the performance of the account as though all the assets were converted to cash at that point in time.

Mr. Weber reviewed the Quarterly and Year To Date Results for the first quarter at -1.41%. Benchmark was -1.46% with 50% S&P index, 45% Lehman Bros Government/Corp and 5% Cash. He discussed Fulton Bank's strategy and highlighted some of the individual assets in the portfolio, as well as the fixed income and cash benchmarks. Since inception 10/1/01, the account return was 5.55% and the benchmark return was 4.48%.

SCHENCK

Mr. Schenck asked how the gains and losses would tie into Investment Portfolio Analysis.

WEBER

Mr. Weber responded that they utilize a performance vendor that uses Amor Compliance approach to calculating performance. He provided a summary of how the process worked. He then reported on the portfolio summary as of April 25, 2005. The total portfolio market value was \$3,824,434.02 with Equities at 54.44%, Fixed Income at 44.23% and Cash at 1.32%. Mr. Weber provided a breakdown by individual assets and a Historical review for the past 79 years.

Mr. Weber reviewed the details of the holdings under Section II.

- Energy in the Retirement Common Stock Fund represented about 4.71% of the portfolio.
- For the last 12 months Barra Growth was up 4.14%. The S&P was up 6.68%, and the Barra Value index was up 9.22%.
- Performance for the First Quarter 2005 was reviewed for the various sectors in the S&P.

Mr. Weber concluded that they believe they had done exceedingly well over the course of the last year versus the growth benchmarks and are in line with the S & P.

GURRERI

Mr. Gurreri asked for an explanation of the threshold of the Pension Fund as it related to AAA, BBB and CCC stocks. He wanted to know whether they were a 1, 2, or 5 as far as a loss ratio.

WEBER

Mr. Weber explained the hierarchy. In the bond rating world they rate bonds according to the quality that they have. AAA rated bonds are the best bonds; then they drop to AA+ to AA or AA-, BBB to BB+ to BB-, etc. They are considered investment grade bonds for this particular pension. Below the BBB begins to get into the junk bond arena. He added that General Motors may be lowered to junk bond status and out of the investment grade arena. Fulton may opt to sell that.

GURRERI

Mr. Gurreri asked how that status would be paid on those.

WEBER

Mr. Weber responded that they pay considerably more but have commensurately more risk as well.

GURRERI

Mr. Gurreri asked about the Goldman Sachs Treasurer's Note.

WEBER

Mr. Weber responded that was somewhat different than corporate bonds. That is a high quality money market fund.

WEBER

Mr. Weber indicated that current interest rates are about 2.61% on the money market fund, and now that the Federal Reserve Board had raised rates they would expect that rate to go up.

HOSE

Ms. Hose referred to an earlier question by Mr. Gurreri concerning figures on the Retirement Fixed Income Fund. He had asked about Wal Mart shown at .65. She indicated that what those numbers represented were that "of the total fixed income portfolio, Wal Mart has a .65% position." It wasn't the rate of return. It's the position within the whole Fixed Income portfolio.

GURRERI

Mr. Gurreri thanked her for the clarification.

WEBER Mr. Weber noted information regarding The Equity Income Fund from Fidelity Advisors, as well as information about the Vanguard European Stock Index Fund, which were included in the booklet provided. He continued with the challenges with rising interest rates and the bond fund. An additional challenge will be the impact on the stock market. Earnings are expected to be up 10% for this year and 8% for next year. An added concern will be corporate profit margins, which are expected to stay at 8% for 2005; big question is what will happen three to five years into the future. They will watch profit margins closely and how that might impact equity market performance.

GURRERI Mr. Gurreri thanked Mr. Weber for his report.

2. Legacy Trust

PAESE Mr. Joe Paese, Legacy Trust, presented the highlights of the Investment and Administrative Review Report. Some of the highlighted information follows.

Mr. Paese reported that during the last Board meeting he had stressed that Legacy was in the minority in their positioning the bond market. They felt long bonds were going to rally and that the economy was not really as strong as indicated. The impact of the FRB would continue on the short side of the curve, but the benefit would line the 10/30 year. He pointed out the chart marked, "Multiple Historical Curves," which revealed the status as of the first portion of the year 2005, and as of April 29, 2005. While the FRB continued to move rates on the short side but go out past the 15/30, that rallied again on the long bond. Mr. Paese stated that Legacy does not believe that will change. The rise in interest rates will hurt corporate profits in small to mid-sized companies that are still borrowing heavily. The debt impact to pay the banks will increase 5%, 6.5% to 7%, which will have a major impact especially on a 5 to 10-year bond.

GURRERI Mr. Gurreri thought his statement about the economy was interesting. He asked others who have businesses whether they saw that in their business.

SCHENCK Mr. Schenck responded that he thought it was a false economy, but added there was no long-term answer. His company serves the industrial segment.

PAESE Mr. Paese stated that they hold no auto paper or stocks at this time because that area will come under a lot of pressure. The retail

housing market is expected to slow. There are segments of the economy that are strong.

PAESE

Mr. Paese referred to the Multiple Historical Yield Curves sheet, which reveals a change in rates. There was a huge rally in the 4th quarter in the bond market. While the bond market is a difficult game, they are holding pretty true. Mr. Paese provided information to show the different indexes that play on the equity and the bond side. He pointed out the Client Bulletin for review. Mr. Paese reviewed the Net Asset Summary January 1 – March 31, 2005, which revealed Net Assets of about \$4.1 million. Receipts from earnings were \$75,642.88; Loss on Sales was \$13,740.60 providing a Net positive \$61,902.28. He reviewed the Total Disbursements of (\$106,418.21), which included the Other Expenses of \$101,258.71 representing the transfer to Fulton for the payout. They intend to reposition that figure in the reporting, as it is not an expense, but rather a transfer to Fulton. He stated that the Accrued Income was a negative amount of (\$32,719.29). Unrealized Gain (Loss) of \$45,743.24 for the period was a paper move if it had been sold on March 31 from January 1st. Net Decrease was (\$122,978.46). Most of that was the transfer over giving a Net Assets figure ending March 31, 2005 of \$4,024,240.56. Mr. Paese reviewed the Account Holdings as of 3/31/05. He indicated there is a yield of about 2.68%. The stocks were reviewed as well and are documented in the report. The Police Pension Portfolio Value was shown as \$4,037,518.50, and several holdings were highlighted, such as American Financial Realty Trust, Citigroup, Pfizer, Hecla Mining and New York Community Bancorp. The remainder of the report was reviewed with investment strategy and benchmarks versus indexes. He summarized that they are approximately 100 basis points ahead of the benchmark for the quarter. The money market fund is ahead of the Lipper fund; bonds did very well against the Lehman Brothers Government Corporate Index. Their U. S. stocks outperformed the S&P by about 50 basis points, and International holdings outperformed the EAFE Index.

ZIMMERMAN

Mr. Zimmerman asked whether that was annualized.

PAESE

Mr. Paese responded that was correct, it is annualized.

BOWMAN

Mr. Bowman asked how they determine the benchmarks.

PAESE

Mr. Paese responded that they review the asset allocation, and if they have about 44% in stocks, that's 44% of the S&P. If they are at 49% in bonds, that's what is compared against the Lehman.

GURRERI Chairman Gurreri asked whether there were any questions. Hearing none he thanked Mr. Paese for his report. He added that in July the Township will place \$436,000 into the account, which will add to it significantly.

F. Old Business:

There was no Old Business for discussion.

G. New Business:

HOLMAN Mr. Holman stated that he is reviewing the contracts and the Request for Proposals that were done in 2001. He indicated they may be up for options to renew this year or next year. He had only an opportunity to scan them and will review more specifically. He will need a letter from each company indicating whether they want to renew their option for 2005 or 2006. The item will be placed under Old Business for the next meeting.

ZIMMERMAN Mr. Zimmerman stated that he will have the actuary report for review in detail, and he assumed that's what the Board would want to do.

H. Committee Motions:

There were no Committee Motions made.

I. Adjournment:

GURRERI Chairman Gurreri stated that the next meeting will be Wednesday, August 3, 2005 at 9 a.m. He adjourned the meeting at 10:05 a.m.

Respectfully submitted,

John Holman
Secretary

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**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

**FEBRUARY 2, 2005
APPROVED**

The Police Pension Board of Springettsbury Township held a meeting on Wednesday, February 2, 2005 at 9:00 a.m. at the Township Offices located at 1501 Mt. Zion Road, York, PA.

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

ALSO IN ATTENDANCE: Joe Paese, President & CFP, Legacy Trust
Emily Dailey, Dir. of Employee Benefit Services, Legacy Trust
Tom Zimmerman, Consulting Actuary, Conrad M. Seigel, Inc.
Kevin Kayser, VP, Portfolio Manager, Fulton Financial Advisors
Annette Hose, VP, Retirement Services, Fulton Financial Advisors
Sgt. Dave Trott, Police Department
John Holman, Township Manager
Betty Speicher, Director of Human Services
Jean Abrecht, Stenographer

1. CALL TO ORDER:

GURRERI Chairman Gurreri called the meeting to order at 9 a.m. He led the Pledge of Allegiance. He thanked those present for coming and asked each to state their names and affiliation for the record.

B. ACTION ON MINUTES:

1. January 4, 2005 Reorganization Meeting

MR. BOWMAN MOVED TO APPROVE THE MINUTES OF THE JANUARY 4, 2005 REORGANIZATION MEETING AS PRESENTED. MR. TROTT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

The above motion was rescinded due to the absence of a Quorum.

C. PUBLIC COMMENT:

There were no public comments.

D. CORRESPONDENCE AND OTHER COMMUNICATIONS:

1. Pension Billing Costs to be Paid from Police Pension Trust Fund – Invoice No. S381:200550084 – Conrad Siegel in the amount of \$4,140.

MR. BOWMAN MOVED TO APPROVE THE PENSION BILLING COSTS TO BE PAID FROM POLICE PENSION TRUST FUND, INVOICE NO. S381:200550084,

**CONRAD SIEGEL IN THE AMOUNT OF \$4,140. MR. TROTT WAS SECOND.
MOTION UNANIMOUSLY CARRIED.**

GURRERI Chairman Gurreri indicated that, because Mrs. Speicher needed to leave the meeting, he wanted to move ahead to item H, Committee Motions.

H. COMMITTEE MOTIONS:

1. Authorization to approve payment of pension funds as calculated by the Actuary in accordance with the plan: Douglas Daniels and Nathan Zech.

SPEICHER Mrs. Speicher reported that this item would cover the contributions that the individuals made. She had forwarded information from their pay records to Mr. Zimmerman.

HOSE Ms. Hose indicated that she had received the paperwork and the response would automatically happen.

BOWMAN Mr. Bowman asked when that would happen.

ZIMMERMAN Mr. Zimmerman responded that action would begin upon notification from Mrs. Speicher that the individuals had terminated.

BOWMAN Mr. Bowman noted that one was recent and one was not.

SPEICHER Mrs. Speicher confirmed that the procedure was pretty standard.

Consensus was authorization to approve payment of pension funds with proper signatures on file.

E. REPORTS FROM FINANCIAL ADVISORS

1. Fulton Financial

GURRERI Mr. Gurreri stated that at the November meeting Fulton Financial reported \$3,821,770.13 and Legacy reported \$3,919,317.26 for a grand total of \$7,722,219.26. The goal at that time was 4% and it had been reported at 2%.

HOSE Ms. Hose had provided a Springettsbury Township Police Pension Plan Report from October 1, 2004 to December 31, 2004, which showed a Market Value at December 31, 2004 of \$3,937,739.08.

KAYSER Mr. Kayser pointed out the Capital Markets Outlook report on the economy and the market last year. A difficult 2/3 of the year was experienced with the stock and bond markets. The fourth quarter was

much more favorable with a pick up in the economy, which continued moving into the new year, 2005.

Mr. Kayser reviewed the Investment Performance Analysis for the Springettsbury Township Police Pension Plan. He noted the Quarterly Results from September 30, 2004 to December 31, 2004. Overall the Account Rate of Return showed 6.16%, with a Benchmark of 5.80%, so the Rate of Return was up. He reviewed the entire report, which was provided to the Board. Mr. Kayser focused on the Investment Objective: Balanced Growth Pie Chart showed an Equity of 54% and a Fixed Income of 46%. He reviewed the report of the Asset Mix Analysis as of December 31, 2004 of what is in the fund. He commented on the Historical Returns. Fundamental Fixed Income Data, a listing of the holdings, Fundamental Equity Data, and Retirement Common Stock, all of which were documented in the report.

GURRERI Chairman Gurreri stated that it was good to see the percentages up for this past quarter.

KAYSER Mr. Kayser responded that the economy in December helped to gain about 3% in January.

GURRERI Chairman Gurreri commented that the elections are over and the market reacted and took some of the uncertainty out of the mix.

KAYSER Mr. Kayser stated that the market had reacted to the election slightly, but nothing major. He thought that corporate earnings were coming in very strong. As long as they are strong the stock market should be okay.

TROTT Sgt. Trott commented that the report provided statements that are fairly easy to follow. He asked about the receipts from Springettsbury of \$222,000.

HOSE Ms. Hose responded that the funds are paid in the third quarter.

ZIMMERMAN Mr. Zimmerman stated that many municipalities are not paid until October; however, Springettsbury handles its in July.

HOSE Ms. Hose noted that half the portfolio is handled by Fulton Financial Advisors and the other half by Legacy. All the disbursements come out of the Fulton portfolio.

HOSE Ms. Hose suggested that there be a motion to transfer the dollars from Legacy. For the year 2004, total disbursements for the year payment

would be made \$458,497 for a total contribution of \$255,908. Back that out to \$458,497, the net disbursement from the portfolio came out to \$202,517.42. Half of that is what Legacy would transfer to Fulton, \$101,258.71.

MR. BOWMAN MOVED TO TRANSFER \$101,258.71 FROM LEGACY TO FULTON IN ORDER TO OFFSET DISBURSEMENTS FOR THE YEAR 2004. MR. TROTT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

ZIMMERMAN Mr. Zimmerman pointed out that the plan is paying out more than \$450,000 a year in pensions.

TROTT Mr. Trott asked about a new law creating an ability to annualize losses over a 15 year period.

ZIMMERMAN Mr. Zimmerman responded that a law had been passed during 2004, Act 81, which provided a one-time opportunity to amortize investment costs from the year 2001 to 2002. However, the Township did not adopt that and losses are being amortized over 15 rather than 30 years.

2. Legacy Trust

PEASE Mr. Joe Pease of Legacy Trust referred to the report of Investment and Administrative Review as of February 2, 2005 presented to the Board. He provided an overall review on the Economic Highlights in Section II. He noted that bonds were a significant provider of return. He briefly reviewed Legacy's Client Bulletin and specifically referred to a reprinted Barron's Article. He provided a commentary on Legacy's view of the Federal Reserve and interest rates, which they believe will move short rates, and negatively impact the stock market. They are bearish on the equity side; bullish on the bond side, and believe the portfolio is well positioned in the long bond market.

PEASE Mr. Pease reviewed Section III, the Historical Account Review for the period from 10/1/04 - 12/31/04. Net assets Ending December 31, 2004 equal \$4,147,219.02. He reviewed Section IV, the Portfolio Summary as of 12/31/04. Eight bonds were documented at \$122,000 in the Money Market, which is used for the payment to Fulton Financial. The Bond items were reviewed showing investments out to 2029. Corporate Bonds are invested in shorter periods, but out to 2018, which benefited the fourth quarter. Section V showed a snapshot of the Equities in pie chart form showing 49% stocks and 47% bonds and the balance in cash. Section VI revealed the Mutual Fund Performance. Section VII, the Performance Analysis showed the Quarter Number, up 5.90% - Year To Date Account Rate of Return portfolio was up 9.40% versus Benchmark of 7.60%. He noted that an error appeared under the

**SPRINGETTSBURY TOWNSHIP
POLICE PENSION BOARD**

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quarterly results benchmark which was actually 5.00%, not 0.50%. He reviewed the 12-month performance percentages. He pointed out that there are no funds that could not be liquidated immediately.

PEASE

Mr. Pease responded that the Feds are moving the short borrowing rates in order to slow the economy down. He indicated that having the relationship with Fulton and Legacy is that Fulton manages a certain way, and Legacy manages a certain way. It will and has paid off for the Township during this relationship.

E. OLD BUSINESS:

There was no Old Business for discussion.

F. NEW BUSINESS:

GURRERI

Chairman Gurreri stated that the next meeting would be held on Wednesday, May 4, 2005 at 9 a.m.

G. COMMITTEE MOTIONS:

The Committee Motions had been acted upon earlier during the Agenda.

I. ADJOURNMENT:

GURRERI Chairman Gurreri adjourned the meeting at 10:10 a.m.

Respectfully submitted,

John Holman
Secretary

ja

The Board of Supervisors of Springettsbury Township Police Pension Board held its annual reorganization meeting on Tuesday, January 4, 2005 at 7:30 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 Abrecht, Stenographer

1. Call To Order:

GURRERI Chairman Gurreri called the meeting to order 7:45.

2. Approval of Minutes:

A. Police Pension Board – January 5, 2004

MR. DVORYAK MOVED FOR APPROVAL OF MINUTES OF THE POLICE PENSION BOARD, JANUARY 5, 2004 AS PRESENTED. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. Appointment of Township Supervisors as Members

A. Current Members – Bill Schenck, Don Bishop, Mike Bowman, Nick Gurreri and George Dvoryak

MR. DVORYAK MOVED FOR THE APPOINTMENT OF THE FOLLOWING MEMBERS TO THE POLICE PENSION BOARD: BILL SCHENCK, DON BISHOP, MIKE BOWMAN, NICK GURRERI AND GEORGE DVORYAK. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

4. Appointment of Police Officers as Representatives

**A. Current Representative – Sergeant David Trott
Proposed for 2005 – Sergeant David Trott and Officer Ogden Dickerson**

MR. SCHENCK MOVED FOR THE APPOINTMENT OF POLICE OFFICERS AS REPRESENTATIVES, DAVID TROTT AND OGDEN DICKERSON. MR. BOWMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. Election of Officers

A. Current Chair – Nick Gurreri

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

B. Current Vice Chair – Mike Bowman

MR. DVORYAK NOMINATED MR. BOWMAN TO SERVE AS VICE-CHAIRMAN. MR. SCHENCK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

C. Current Secretary - Vacant

MR. BISHOP MOVED TO APPOINT JOHN HOLMAN AS SECRETARY OF THE POLICE PENSION BOARD. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

6. Other Items

A. Meeting Dates for 2005 (9:00 a.m.)

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

BISHOP Mr. Bishop commented that any Board member is able to attend the Police Pension Board meetings.

SCHENCK Mr. Schenck added that all meetings will be advertised and are public meetings.

6. Adjournment

GURRERI Chairman Gurreri adjourned the meeting at 7:50 p.m.

Respectfully submitted,

John Holman
Secretary

ja