

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, February 18, 2014 at 6:15 p.m. at the Springettsbury Township Offices, 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Austin Hunt, Vice Chairman
John Fullmer
Cara Beth Zortman
Kathleen Phan
Rich Mellon

MEMBERS NOT

IN ATTENDANCE: George Dvoryak
Eric Lehmayr

ALSO IN

ATTENDANCE: John Holman, Springettsbury Township Manager
Steve Hovis, Solicitor
Robert McCoy, YAUFRR Chief
Sandy Ratcliffe, YAUFRR
Dan Hoff, YAUFRR Battalion Chief
John Woods, YAUFRR Battalion Chief
Don Eckert, YAUFVFR
Jean Abreght, Stenographer

1. CALL TO ORDER

SCHENCK Chairman Bill Schenck called the Pension Board meeting to order. He certified that a Quorum was present.

2. ACTION ON MINUTES

A. Approval of Minutes: November 19, 2013 Pension Board Meeting

MR. HUNT MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 19, 2013 PENSION BOARD. MR. FULLMER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There were no public comments.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

- A. Acknowledge Receipt of Fulton Financial Trust Report for November 2013
- B. Acknowledge Receipt of Fulton Financial Trust Report for December 2013
- C. Acknowledge Receipt of Fulton Financial Trust Annual Report for January 1, 2013 – December 31, 2013
- D. Acknowledge Receipt of Fulton Financial Trust Report for January 2014

MR. HUNT MOVED TO ACKNOWLEDGE RECEIPT OF THE FOUR TRUST REPORTS AS SUBMITTED. MS. PHAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

- A. Fulton Financial – Investment Presentation

HOSE Annette Hose presented the accounting for the portfolio. She stated that the Pension Report had been previously distributed. As of October 1, 2013, the Fourth Quarter Market Value of the portfolio was \$3,738,617.11. Receipts for the quarter included Employer Contributions of \$223,870.00 (including the MMO for 2013), and Employee Contributions of \$12,068.22. Investment Income for the quarter was \$52,834.26. For the quarter there was a realized gain of \$32,804.30; an unrealized gain of \$63,669.05 for a Total Gain of \$96,473.35. Disbursements for the period of pension payments paid out to all the pensioners was \$43,778.19. Health Insurance Premium payments came to \$1,405.29. The Trustee and Management Fee for the Quarter was \$7,745.87. Two Mutual Funds had Foreign Tax Withholdings of \$36.30 and Fee Rebates were \$202.51. The portfolio at the end of the Fourth Quarter, December 31, 2013 was \$4,071,099.80.

PERIS Elizabeth Peris presented an Economic Review, the Investment Strategy, and the Outlook. She noted that the economic growth in the U.S. was sustainable and continuing to accelerate. Europe appeared to be emerging from its recession. The U.S. GDP should pick up to just under 3%. The ISM numbers – non-manufacturing continues to expand at around 55. Manufacturing ISM index continues to climb to peak about 57.

The labor markets continue to improve and the demand for jobs is picking up; layoffs have decreased over the year. New Unemployment Claims continue to fall. Labor participation rate continues to drop with a combination of demographics with people retiring and some leaving the work force. At the end of December a number of individuals will have lost their Unemployment Compensation.

The housing market showed that higher mortgage rates hindered some purchases. Tighter supplies led to higher market prices with more of a wealth affect.

Inflation remained tame with an expected modest rise because of consumption. Some wage pressure was indicated, but more at the higher level of professionals. Bank lending was beginning to pick up.

The Federal Reserve, now Chaired by Janet Yellen, had begun its tapering with a reduction of the stimulus amount. They will continue to do asset purchases but at a lower pace, and they are keeping their short-term interest rates pegged at the low end. Maturities are seeing the biggest increase in interest rates as opposed to the short end, as well as the longer end.

Ten year Treasuries started the year at about 2%, peaked at 3% with a 1% increase. During January it retreated to 2-3/4%, which is considered fairly valued and appropriate.

Fixed Income Outlook was muted, and it is hoped that income earned will offset any decline in market value. They strive to maintain the Fixed Income position. In order to mitigate some of the potential Fixed Income losses, they will shorten durations as well as add lower investment grade assets. The IPS allows up to 10%.

There was over 30% return on the Equity side in Domestic markets. Developed International was not as robust and Emerging Markets were negative. The earning season during the Fourth Quarter was mixed. Some beat expectations and some came in short. Projections for future earnings growth is that corporations begin to slow down earnings' expectations. Growth in earnings projections could be projected as a potential for equities insurance, which is at about 3% growth. Because of earnings revisions and the tapering of the Fed, there could be significant decline in the Equity market. They are continuing to focus on that and see it as a buying opportunity. Equities portfolios remain extremely diversified. The Domestic position is slightly underweight to a neutral position and is the most expensive Equity market. A positive for the Domestic market is that the U.S. will have the most stable economy. In addition, the U.S. has the largest International Trade and the growth organizations tend to have stronger earnings growth as opposed to value strategies.

The Developed International position is slightly overweight with 22-1/2% versus a typical 20% weighting. The Emerging Markets position is at about 9% versus a 10% weighting.

Trends were added to the portfolio during the Fourth Quarter. Anything that is not a long bond or long stock is specified as an Alternative, and that refers to real estate. This includes Bond and Equity funds, managed futures and energy infrastructure. They instituted that at just under a 10% position. With regard to the Asset Allocations, they are not taking many significant steps at this time. They are watching the trends and pursuing Active Managers.

SCHENCK Chairman Schenck questioned Ms. Peris as to how soon the board would begin to see what adding the alternatives had done.

PERIS Ms. Peris responded that she thought the results would be clear very shortly. She noted that the Risk profile had begun to decline; however, it could be attributable to the Alternatives or it could be other factors.

Portfolio Review

Market Value at the end of 2013 was over \$4 million. The allocation of Cash at that time was just under 4%. A lot of Mutual Funds made Capital Gain distributions, which elevated the Cash allocation. The Fixed Income position was at 45% percent with the policy at 42 ½, just slightly overweight. The Equities were just under 43%; the policy is 35%. Alternatives were 8 ½% and they are allocated at 20 %. The underweight in Alternatives was prorated between Fixed Income and Equities. A small amount in Fixed Income was in the Equity Portfolio. When the Alternatives were purchased in November, about 95 % of the dollars were taken from the Fixed Income Market. The portfolio was up 10.13% for the full year with the Index up 8.5%. The Actuarial Assumption is 6.5%. The Asset Allocation has a long-term expected return of just over 6%.

Ms. Peris noted that they plan to increase the Alternative Asset Class by 15% up to \$400,000. The funds will be taken from the Cash position. The remaining Cash will be about \$100,000. A snapshot of the Fixed Income portfolio includes the duration of the portfolio of 4-1/2 years. Better returns are experienced with bond funds. The portfolio has about 25% exposure to Government Securities.

Ms. Peris reviewed the Equity portfolio discussed their selection of Managers which considers small managers, as well as one from the Fulton Strategic Growth. As capacity is added, they will add to the SMA managers because of the lower risks. Large Cap funds are at 27% of the equities. Riverpark was at 17%, and the emerging growth was just under 10%. International is about 22-1/2%.

Ms. Peris spoke about the Alternatives in the portfolio, which included real estate. Causeway is a short Equity fund; Driehouse is a long/short Fixed fund. PIMCO is an active allocation.

Ms. Peris focused on the Performance Summary through the end of the year 2013. Fulton had been managing the portfolio for approximately nine years. The allocations had changed over time; however, they had less Equities in the history. The Fixed Income for the last quarter was up over 1%. The Barclays Aggregate was flat with a -.14%. The outperformance was attributable to Sector Selection and the duration. She reviewed the history from one to three to five years and since inception documented in the report.

SCHENCK Chairman Schenck asked Ms. Peris about an Actuarial Study and when the timing would be appropriate for a review.

HUNT Mr. Hunt questioned the difference between the Total Managed notation on page 12 of the report versus the YAUFRR Pension Benchmark/Historical.

PERIS Ms. Peris responded that the Historical percentages were based on the Investment Policy. She continued with the Performance History in the report. She noted that the Domestic and Large Cap managers match, and the outperformance of the Manager selection concentrated in the small and mid-Cap arena. Fixed Income did really well except in PIMCO matches.

Ms. Peris reported on the Risk parameters in the portfolio. She focused on the 10 Top Detractors. She stated that since inception the portfolio had outperformed the index. However, the Risk profile is slightly higher than the index and had been positive since the inception of the account. The number continues to improve, which could be due to the alternatives added to the portfolio. She concluded her report and offered to respond to questions; however, there were none.

SCHENCK Chairman Schenck thanked them for a good quarter.

6. OLD BUSINESS

There was none for action.

7. NEW BUSINESS

There was none for action.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

SCHENCK Chairman Schenck adjourned the meeting at 6:55 p.m.

Respectfully submitted,

Signature on file at YAUFRR Headquarters

Robert H. McCoy, Jr.
Secretary

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