

**YORK AREA UNITED FIRE AND RESCUE COMMISSION
PENSION BOARD MEETING**

**FEBRUARY 19, 2013
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, February 19, 2013 at 6:30 p.m.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Austin Hunt, Vice Chairman
Don Bishop
Richard Guyer
Cara Beth Zortman

MEMBERS NOT

IN ATTENDANCE: John Fullmer
George Dvoryak

ALSO IN

ATTENDANCE: John Holman, Springettsbury Township Manager
Greg Maust, Spring Garden Township Manager
Steve Hovis, Solicitor
Robert McCoy, YAUFR Chief
Sandra Ratcliffe
Dan Hoff, YAUFR
Rich Mellon, Fire Department Representative
Don Eckert, YAUFR
Jean Abreght, Stenographer

1. CALL TO ORDER

SCHENCK Chairman Schenck called the meeting to order at 6:30 p.m. He announced that a Quorum was present.

2. ACTION ON MINUTES

A. Approval of Minutes: December 18, 2012 – Pension Board Meeting

MR. BISHOP MOVED FOR APPROVAL OF THE MINUTES OF THE DECEMBER 18, 2012 PENSION BOARD MEETING. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There was no Public Comment.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

- A. Acknowledge Receipt of Fulton Financial Trust Report for December 2012
- B. Acknowledge Receipt of Fulton Financial Trust Annual Report for January 1, 2012 – December 31, 2012
- C. Acknowledge Receipt of Fulton Financial Trust Report for January 2013

MR. BISHOP MOVED TO ACKNOWLEDGE RECEIPT OF COMMUNICATIONS LISTED AS A, B, AND C. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE Annette Hose, Fulton Financial, presented the accounting report of the portfolio for the quarter beginning October 1, 2012 with a Market Value was of \$3,447,646.85.

- Receipts included employer unfunded liability of \$213,118.00 and employee contributions of \$10,846.05. Investment Income for the quarter was at \$37,072.14. Realized Gain was \$13,598.41 and an Unrealized Loss for the quarter was \$1,831.32, bringing the Total Receipts to \$272,803.28 for the quarter.
- Disbursements included Pension Payments and Health Insurance Premium Payments for the quarter of \$42,490.01. The Trustee Management Fee for the quarter was \$7,100.98. Several Fee Rebate credits will be going back into the account in the amount of \$141.87. Total Disbursements for the quarter were \$49,449.12, which took the Market Value of the portfolio as of the end of December 31, 2012 to \$3,671,001.01.

PERIS Elizabeth Peris, Portfolio Manager, provided an in-depth report of the total portfolio. She provided a market and economic review, strategy, asset allocation and performance returns. A summary of her report follows:

- Review of U. S. economy shows positive growth going into 2013 at a projected 2% rate.
- China and emerging markets show an accelerated growth rate from 4% to 10%.
- Europe remains in recession.
- Employment in the U. S. improving slowly. Sequestration may impact employment.
- Inflation remains muted; U. S. budget, spending and debt remain a concern.
- Currency war emerging in the Pacific Rim; Japan reducing value of the Yen.
- Policy Asset Allocation: Cash 5%, Fixed Income 55%, Equities 40%.
- Portfolio equity moved into higher allocation in international market.
- Portfolio fixed yield curves rising; best opportunities in the international bond market
- Portfolio Market Value of just over \$3.6 million generates about \$57,282.60 in interest and dividends. Full year earned income plus appreciation amounted to just over \$300,000 for a total of 9.21% return exceeding the actuarial assumption.
- Fixed Income duration is 4.67 years and mix includes Federated bonds, PIMCO, U.S. Government and Barclay's Aggregate. Exposure to International markets is about 10%.

- Equity position is 57% in large cap domestic including mutual fund; international exposure is 30%.
- Performance for three months ending 12/31/12 return was .98%; outperformed the benchmarks.
- Total portfolio for three months was up 1.44%.
- Equity side for three months was up 2.16%; policy benchmark is S&P500.
- International markets up 6.57%; Fixed Income was up 6.65%. Barclays Aggregate was up 4.23%.
- Performance for 2012 rode the benchmark; long term five year performance was up 1.7% and since inception 4.91%.

B. Fulton Financial – Investment Policy Statement Draft

PERIS Ms. Peris opened the discussion regarding the Investment Policy Statement. The board had been provided with the draft copy. She noted the highlights:

- Definition of Responsibilities – No change.
- Investment Policies and Objectives – Long term expected return 6.5%; actuarial assumption.
- Asset Allocation – Target 5%; reduced to 2-1/2% for cash flow and pension payments.
- Fixed Income, 57.5%; Equity allocation remains the same.
- Strategic Long Term Allocation – Same; policy statement, 30% international; 60% domestic.
- No rebalancing clause; rebalancing is done routinely.
- Fixed Income includes stocks, Euro Yankee bonds, securities, international and domestic.
- Equity includes convertible notes, bonds and convertible securities; international securities.
- Real estate remains the same.
- Mutual funds – Intensive due diligence review completed re/managers.

HOVIS Solicitor Hovis questioned how the intent of the IPS is measured and the mutual fund as an investment philosophy is determined.

PERIS Ms. Peris responded that they partner with another organization to do the onsite interviews of mutual fund companies resulting in having available at least six managers who will best match the IPS. Flexibility is important.

BISHOP Mr. Bishop commented that they are on track in importance in allowing the manager to manage, and he added that they had done so.

HOVIS Solicitor Hovis stated that the board is responsible to insure that the assets of the fund are managed correctly, as well as understanding whether the investment objective is met.

- PERIS** Ms. Peris indicated that the Diversification and Restrictions are much more flexible and allows investments in Fixed Income beyond the A-rating; BBB, and potentially High Yield which is restricted to 10%. Anything below BBB- is considered high yield. She noted that Prohibited Securities/transactions remain the same. They do not directly buy options or futures contracts within the portfolio, and will only invest in commodities, do short selling; everything will be marketable. They will not use margins or borrow money. She commented on the Performance Review and Evaluations. Some benchmarks had changed versus the prior policy statement. They are generally accepted benchmarks for each asset class.
- BISHOP** Mr. Bishop asked how the percentage is figured when they are doing a performance review.
- PERIS** Ms. Peris responded that the target allocation is 40% equity.
- BISHOP** Mr. Bishop commented that it would be based on the target.
- PERIS** Ms. Peris indicated that they can build on the policy benchmarks to identify contribution from overweight or underweight equities. Additionally they can take the allocation and weigh how much managers contributed to the performance. The biggest decision comes from whether or not the benchmark is matched.
- SCHENCK** Chairman Schenck stated that she mentioned one area in the prohibited securities transactions that she wanted to add.
- PERIS** Ms. Peris responded that she would add options and futures contracts. She mentioned the policy would pass to any successors.
- BISHOP** Mr. Bishop noted that there was an understanding that the pension plan would continue to operate the same way that it had in the past.
- SCHENCK** Chairman Schenck commented that he did not think there was any risk; however, YAUFR does not have an adopted policy. He suggested that the board adopt the draft which can be changed at any time.
- PERIS** Ms. Peris noted that as part of the process they will have at least an annual review of the policy. As the needs change within the investment community, that can be reviewed.
- HOVIS** Solicitor Hovis commented that there is a little more flexibility for the managers. He asked her to comment.
- PERIS** Ms. Peris responded that the policy she had presented was typical flexibility and what she observed was acceptable most of the time. There are some investors who give a wide range of flexibility that could be anywhere from zero to 100.

She preferred some flexibility with some restriction is good to have within a government pension plan with a different set of criteria.

MELLON Rich Mellon commented that the more flexibility, the easier it is to hit the 6.5% target. The Actuary is using 6.5%. He asked how often that is adjusted.

PERIS Ms. Peris responded that flexibility allows them to hit the benchmarks. The Actuary, Conrad Siegel, does an annual review of the pension plan to determine whether it is overfunded or underfunded along with the expected obligations.

BISHOP Mr. Bishop clarified that the Actuary does not change the percentage; the board is responsible to do so.

MELLON Mr. Mellon asked if the Actuary needed to adjust the percentage down to 5% and the policy is 6.5% whether that would be difficult to change.

HOSE Ms. Hose responded that the 6.5% was based on the last Actuarial Review by Conrad Siegel. It was based on the demographics of the plan participants. She did not believe that the demographics will change as there are no new participants. Should the number change, then it would require another review of the current asset allocation.

BISHOP Mr. Bishop questioned where there was language that commits the board to a certain number of reviews.

PERIS Ms. Peris responded that it would either be quarterly or more frequently as needed.

HOSE Ms. Hose added that the frequency of reviews had been discussed previously with the board. Reports could be provided monthly, but the board should determine how frequently it wanted a presentation.

PERIS Ms. Peris clarified that there is a monthly statement. However, the investment performance is a quarterly review.

BISHOP Mr. Bishop stated that he was 100% behind the Chairman's encouragement to get a new policy in place. He commented that they had outperformed the benchmarks last year.

PERIS Ms. Peris responded that she would add the futures and options language to the policy, forward it to Chief McCoy and then other details can be worked through as necessary.

**MR. BISHOP MOVED FOR THE ADOPTION OF THE INVESTMENT POLICY
STATEMENT AS AMENDED. MOTION UNANIMOUSLY CARRIED.**

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6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE MOTIONS

- A. Acknowledge Payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$1,450.00 for Services Rendered from January 1, 2012 – December 31, 2012.

MR. BISHOP MOVED TO ACKNOWLEDGE PAYMENT TO CONRAD SIEGEL IN THE AMOUNT OF \$1,450.00. MOTION UNANIMOUSLY CARRIED.

MELLON Mr. Mellon commented that the original pension plan documents still say Springettsbury Township. He asked if the documents could be updated and reissued.

HOVIS Solicitor Hovis noted that it had been amended by resolution of the commission to redefine all the changes.

MELLON Mr. Mellon noted that they wanted to be certain that all the documents indicate YAUFR instead of Springettsbury.

MCCOY Chief McCoy stated that the documents would be updated and reissued.

9. ADJOURNMENT

SCHENCK Chairman Schenck adjourned the meeting at 7:15 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Robert McCoy
Secretary

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