

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

**FEBRUARY 21, 2017
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, February 21, 2017 at 6:30 p.m. at YAUFRR Headquarters, 50 Commons Drive, York, PA 17402.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Austin Hunt, Vice Chairman
Eric Lehmayr, Secretary/Treasurer
Kathleen Phan
Cara Beth Zortman
George Mount, Pension Board Representative

MEMBERS NOT

IN ATTENDANCE: Rich Mellon
Blanda Nace, Springettsbury Township

ALSO IN

ATTENDANCE: Dan Hoff, YAUFRR Chief
Steve Hovis, Solicitor
Jay VanPelt, YAUFRR
John Woods, YAUFRR
Matt Arnold, YAUFRR
Dave Brosend, Manchester Township
Lisa Wingert, Manchester Township
Annette Hose, Fulton Financial Advisors
Elizabeth Peris, Fulton Financial Advisors
Jean Abrecht, Stenographer

1. CALL TO ORDER

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

2. ACTION ON MINUTES

A. Approval of Minutes: November 15, 2016 – Pension Board Meeting

MOUNT George Mount suggested that the Manchester Township people be listed as “Also in Attendance” as they are not members of the Pension Board.

MR. LEHMAYER MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 15, 2016 MINUTES AS AMENDED. MS. ZORTMAN WAS SECOND. 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 November 1, 2016 – November 30, 2016
- B. Acknowledge Receipt of Fulton Financial Trust Report for December 1, 2016 – December 31, 2016
- C. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for October 1, 2016 – December 31, 2016
- D. Acknowledge Receipt of Fulton Financial Trust Annual Report for January 1, 2016 – December 31, 2016
- E. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2017 – January 31, 2017

MS. ZORTMAN MOVED TO ACKNOWLEDGE RECEIPT OF FULTON FINANCIAL REPORTS FOR NOVEMBER, DECEMBER, THE QUARTER FOR OCTOBER THROUGH DECEMBER 2016 AND FOR JANUARY THROUGH DECEMBER 2016, THE ANNUAL, AND FOR THE MONTH OF JANUARY 2017. MR. LEHMAYER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

- A. Fulton Financial – Investment Presentation

HOSE Annette Hose reviewed the Investments for the quarter, October 1, 2016 through December 31, 2016. Market Value as of October 1, 2016, \$4,354,601.73. Receipts included employer contribution \$263,647.00, Firefighters’ contribution, \$11,237.56. Income Received for the quarter was \$34,107.94. Capital Gains, both realized and unrealized showed a 4th Quarter of \$51,004.23. Total Receipts were \$257,988.27. Disbursements for the quarter – Pension payments were \$54,249.03. Expenses were \$9,171.31 with Total Disbursements of \$63,420.34. Market Value as of December 31, 2016 \$4,549,169.66.

Executive Review

PERIS Elizabeth Peris provided a review of the Executive Summary as of the end of December. She noted several points:

- End of December Market Value was over \$4.5 million
- Asset Allocation has about 45% in Cash and Fixed Income. Target is 45%
- Alternatives are at just under 7.5; target is 20%; can expect to earn about 5% annually; over the next 10 years can expect to earn between 2% to 6% annually slightly lower than Actuarial Assumption.

- Reduced returns in the Equity Market; portfolio returned -38%; index of Bond market was down .83%

SCHENCK Mr. Schenck commented on the analysis, allocation and ranges. He asked whether the portfolio is “up to speed” with the returns being less than what the plan needs. He asked whether any opportunities were missing.

PERIS Ms. Peris responded that if the equity allocation were raised to about 65%, the risk parameters could potentially be at a 12% downside in any one year. Potential range of returns could average about 5.5% and could possibly be up to 7% return in one year. In a down year the risk is significantly higher.

LEHMAYER Mr. Lehmaye questioned whether Ms. Peris would recommend increasing the equities.

PERIS Ms. Peris responded that she could raise the equity allocation within the Investment Policy up to 60%, which she had done over the past year. At this time the allocation is closer to 50% with the market appreciation.

LEHMAYER Mr. Lehmaye commented that equities had shown historic trends with another record high this date across the board.

PERIS Ms. Peris stated that a portfolio must be a diversified one to control the risk, especially within a municipal plan where it is important to control that risk. There was just one quarter where the impact in the bond market was very significant due to the almost 1% increase in the interest rates.

PHAN Ms. Phan commented that during previous discussions on the equities, the board became comfortable with the plan.

PERIS Ms. Peris noted that with the current planning there won't be any new entrants into the plan. It's closed.

HOSE Ms. Hose noted that the challenge with the plan is there is no inflow of contributions coming in so the outflow is larger than the inflow at this point.

Equity Capitalization and Style Analysis

PERIS Ms. Peris continued with her report and noted that the Net Contributions were \$44,600. Domestic Large Cap is about 58%. Mid-Cap is light at the end of 2016 and the Small Cap was elevated. International Position is 30% with the target of 31%. The Style Analysis money is blended but has broken even between growth and value. An accelerating global growth is forecasted.

The Trump Presidency brought a rally, and the global economic growth is expected to continue. Also expected is small and mid-cap companies to do well. International exposure is just over 30%; more risk with developed international due to elections in Europe.

LEHMAYER Mr. Lehmayer asked how the Brexit would play into the plan.

PERIS Ms. Peris responded that was part of the anxiety with Europe in the developed markets. The bigger issue may be in what comes of the France and Germany elections.

Historical Fixed Income Fundamentals - This fund was an actively managed fund with individual bonds. Duration of this portfolio is 4.8 years. Duration of the Barclay's aggregate is about 6.15 years, which results in short duration that protects the portfolio with interest rate increases. There is about 9% in low investment grade. The IPS allows them to go up to 10%, which they have done. There is a 27% exposure in triple B rated bonds with the index of 14. Expect to continue that for the near term.

Historical Holdings - Duration of the actively managed bond portfolio is 4.8 years but the overall bond portfolio is about 4.5 years' duration. Last year in May a McKee fund was switched to Boston Partners with a very positive result. The Federated Strategic Value they have continued to reduce through the year. That is the high-dividend paying position, which was supplemented with some passively managed funds.

Growth Analysis – Another change made in the portfolio was Harbor International which was sold and replaced with Oakmark International. Chart indicates variabilities in returns from each calendar year.

Performance Summary – Returns for the quarter for bonds, fixed income portfolio return -1.86. Barclay's Aggregate in same period was down -2.98%. While negative it is still up on the benchmark. For the full year, it was up 4.85%; benchmark was up 2.65%. On the equity side, the index was underperformed during the year largely due to the Manager's selection process. In addition, small cap position was sold. Alternatives in 2016 contributed to performance up 7% for the year and 2-1/3% for the quarter. Performance for the quarter, -38%; for the year, up 5.75%; 10-year up about 4.5%; index is 4.75%; so it is right on target.

MOUNT Mr. Mount asked for a current balance. He wondered, inasmuch as the market is doing better.

HOSE Ms. Hose indicated she could email that to him.

MOUNT Mr. Mount stated he was just wondering about it.

HOSE Ms. Hose stated that when the Actuarial Evaluation Report comes in from Conrad Siegel, she would like to have a copy of it. She did not think the assumption would change from 6.5%, but they will want to double-check that.

LEHMAYER Mr. Lehmayer asked when they would meet with the Pension Board to discuss the Actuarial Report.

HOSE Ms. Hose responded that over the last few years the meetings typically had been quarterly.

LEHMAYER Mr. Lehmayer responded that he thought it was important to meet with them quarterly. He questioned who on their staff makes decisions for the allocation of funds between equities and fixed.

PERIS Ms. Peris responded that there is a committee comprised of six to eight senior portfolio managers. They have a scheduled monthly meeting where they review the allocations, review the economy, review the markets and make decisions on where it is best to be positioned. They review all the investment managers to be sure they are following what they should be doing with a thorough analysis of that.

LEHMAYER Mr. Lehmayer asked who the one person is who oversees the portfolio.

PERIS Ms. Peris responded that she makes the final decision but is guided by their team.

LEHMAYER Mr. Lehmayer noted that the ultimate pick of equities rests on you.

PERIS Ms. Peris responded that was correct, but unless there are extenuating circumstances they will go with what the best thought process is in the organization. The extenuating circumstances tend to more driven by social criteria and an organization's tolerance for risk.

LEHMAYER Mr. Lehmayer indicated that the board tends to be conservative and for good reason. He just wouldn't want to be missing the boat on the equities side.

PERIS Ms. Peris understood.

HOVIS Solicitor Hovis mentioned, with respect to the meetings, all meetings are advertised as quarterly meeting with the understanding of this group. Meetings could be scheduled if needed.

HOSE Ms. Hose added that Fulton will continue to provide the reports quarterly.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE MOTIONS

There were no Committee Motions.

9. ADJOURNMENT

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

Respectfully submitted,

Signature on file at YAUFRR Headquarters

Eric Lehmayr
Secretary

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