

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

**MAY 15, 2018
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, May 15, 2018, at 6:30 p.m. at YAUFR Headquarters, 50 Commons Drive, York, PA 17402.

MEMBERS IN ATTENDANCE: Austin Hunt, Chairman (Ar. 6:40 p.m.)
Dan Rooney, Secretary, Spring Garden Township
Cara Beth Zortman, Spring Garden Township
Lisa Wingert, Manchester Township
Dave Brosend, Manchester Township

MEMBERS NOT IN ATTENDANCE: Kathleen Phan, Vice President
George Dvoryak, Treasurer, Springettsbury Township

ALSO IN ATTENDANCE: Dan Hoff, YAUFR Chief
Steve Hovis, Solicitor
Annette Hose, Fulton Financial Advisors
Elizabeth Peris, Fulton Financial Advisors
Jean Abreght, Stenographer

1. CALL TO ORDER

HOFF Chief Hoff suggested to begin receiving the Financial Report from Fulton Financial until a Quorum would be present. He noted that no action could be taken.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE Annette Hose reviewed the accounting for the First Quarter of the 2018, January 1, 2018 through March 31, 2018. Market Value on January 1 was \$5,191,756.12. Employee Contributions were \$9,872.34. The Total Investment Income for the Quarter was \$25,084.44. There was an Unrealized Loss of \$38,246.27. Disbursements of Pension Payments were \$54,249.03 (not including the May 1st payment for Mr. Mellon). Expenses for the Quarter were \$9,923.08. Market Value as of March 31, 2018 was \$5,124,294.52.

PERIS Elizabeth Peris presented the Investment Review for the Quarter. She noted that the Executive Summary shows a balanced portfolio for which the expected return will be about 6% on an annualized basis. As well, there is a range of negative 8% up to a positive 22% return. She noted that the expected return is slightly below the Actuarial Assumption. Year-to-Date the portfolio has returned a -.27%, and even though negative, the returns are relatively good because the Index was down

-1.1% based on 50% of the Barclay's Aggregate Index and 50% of the MSCI All World Index.

Ms. Peris reviewed each page of the written report, which had been provided to the members of the board. Of note they have managed the portfolio within the confines of the Investment Policy Statement but slightly high for the Equity position. There are some risks in the markets currently; however they believe the global growth will continue in the near term. Interest rates are expected to normalize.

BROSEND Mr. Brosend questioned the Diversified Alternatives in the Asset Allocation Analysis. The Policy shows 20% and the report shows 4.62%, which indicates about a 15% difference. He asked why they wouldn't lighten up on the Fixed Income in the rising Interest rate environment and not scrape along in the alternatives.

PERIS Ms. Peris responded that they decided to keep the allocation due to shifts in the market as part of their strategy. It is important to get the right mix of Alternatives. Year-to-date they have returned -1%.

BROSEND Mr. Brosend commented that most of the Fixed Income is in Fixed Income Funds as opposed to Actual Bonds.

PERIS Ms. Peris responded that about 70% of the Fixed Income portfolio is in Actual Individual Bonds. She added that the Bond Portfolio is actively managed.

BROSEND Mr. Brosend questioned the Par Value/Market Value shown in the report. He wondered about the value as the securities mature.

PERIS Ms. Peris responded that some of the Par Value includes Mutual Funds for the High Yield Sector as well as the International Sector. She could not provide the Par Value of the Mutual Funds but offered to provide that information at the next meeting.

Ms. Peris called attention to the Growth Analysis in the report, which shows the variability in the returns for each calendar year. All the returns are within a standard deviation.

Ms. Peris discussed the Portfolio Performance Summary, 3/31/18. Fixed Income was -1%. Barclay's Aggregate was -1.46%. Since inception the Fixed Income is at 3.98% and the Barclay's Aggregate was 3.94%. Equities were .22% and the MSCI All World was -96%. Since inception Equities are 7.13% and the MSCI All World is 6.61%. The Total Managed Performance revealed -27% year-to-date; however, since inception 5.36%. Over five years 5.50%; for one year 9.13%.

Ms. Peris discussed the Risk in the portfolio over 5 years. The annualized standard deviation is 5.24% vs. the benchmark of 5.27%. Returns are better for the five-year period and the Sharp Ratio is .99 versus .95. The information ratio is now at .09 versus .07.

HUNT Chairman Hunt commented that the graphs on pages 13 to 22 on growth and performance are very similar. He also noted that the Fixed Income selections seem to provide better results than the Equities.

PERIS Ms. Peris responded that improvements had been made in the equity selection process. In addition, following the recession, Index Funds outperformed with Active Managers, which tend to do better than Passive Managers. However, Passive Managers again will perform better, and they will recognize that and make that transition.

HOSE Ms. Hose mentioned one thing that probably has affected the last several years also is the Cash Flow. Disbursements have pretty much taken over. We've had a much higher level of Disbursements versus Contributions coming in.

PERIS Ms. Peris noted that because of the increased Cash needs within the Portfolio, she has had to keep a higher Cash position in the Portfolio than she typically would. The Cash position can reduce the overall performance. Management of the Asset Allocation and allocating it to the Investment Policy Statement are a few of the things they provide. The third is the management of the Selection Process, and Asset Allocation is over 90% of the returns. Over the past quarter and the past year, the Equity Managers had out-performed the benchmarks.

Ms. Peris called attention to the quarterly Economic and Market Review.

BROSEND Mr. Brosend questioned whether they ever do any type of tactical overlay in view of the rising interest rate.

PERIS Ms. Peris referred Mr. Brosend to page 7 of the report. Under the Fixed Income there is a Primary Manager, the Federated Fixed. They have added a layer called the Ultra Short Fund to help shorten the duration of the portfolio. The Lord Abbett also has a very short duration and PIMCO adds some additional below investment grade credit, as well as some short duration.

ROONEY Mr. Rooney made a general market comment. He questioned whether they review the assumptions or asset allocations every quarter and make adjustments. He asked where they might see the next year or next quarter as far as bond rates, low unemployment.

PERIS Ms. Peris responded that they have a monthly meeting where the core decision-making group meets to go over what the markets have done, where they are going and whether they should make any tactical changes such as overweighting in International or reducing a sector or shortening duration. In addition, there are

daily meetings as well. Asset allocation process is reviewed once a year with what the capital market assumptions are for the next 10 years.

ROONEY Mr. Rooney asked whether there are adjustments for the next quarter.

PERIS Ms. Peris responded that they would have to review the trade negotiations and the geo-political risks. She did not see any changes in short duration or being overweight in the higher yielding Fixed Income because the risk of a recession is not near term. They do not see it in the next few months. Consumer spending is strong. Ms. Peris concluded the report.

HUNT Chairman Hunt thanked them for their report.

HOVIS Solicitor Hovis stated that the meeting had not formally been opened.

1. CALL TO ORDER

HUNT Chairman Hunt called the meeting to order and stated that a Quorum, was present.

2. ACTION ON MINUTES

A. Approval of Minutes – February 20, 2018 – Pension Board Meeting

MR. ROONEY MOVED TO APPROVE THE PENSION BOARD MEETING MINUTES OF FERUARY 20, 2018. MS. ZORTMAN WAS SECOND. MOTION CARRIED. MR. BROSEND ABSTAINED AS HE WAS NOT PRESENT.

3. PUBLIC COMMENT

There was no public comment.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

A. Acknowledge Receipt of Fulton Financial Trust Report for February 1, 2018 – February 28, 2018

B. Acknowledge Receipt of Fulton Financial Trust Report for March 1, 2018 – March 30, 2018

C. Acknowledge Receipt of Fulton Financial Trust Report for April 1, 2018 – April 30, 2018

D. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for January 1, 2018 – April 30, 2018

MS. ZORTMAN MOVED TO ACKNOWLEDGE RECEIPT OF THE ITEMS A THROUGH D. MS. WINGERT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

This report was given earlier during the agenda.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

WINGERT Ms. Wingert suggested that the Commission would receive the report information on a quarterly basis. However, she did not think it was necessary to have them read it to the Commissioners. She suggested that the meetings be held only twice a year.

BROSEND Mr. Brosend indicated that he would prefer quarterly meetings. They are bound by the Investment Policy Statement, and the Commission has a fiduciary responsibility to review the Portfolio at least once a year to make sure they are handling the funds appropriately. He personally does not need all the information they provide.

HUNT Chairman Hunt asked Solicitor Hovis for his legal perspective.

HOVIS Solicitor Hovis noted the huge fiduciary duty of the Commission. The reports need to be provided on a regular or quarterly basis.

HUNT Chairman Hunt was not abdicating the fiduciary responsibility, but if they follow the Investment Policy that the Commission established and fail, it is our responsibility.

HOVIS Solicitor Hovis noted that would be the check and balance of getting the report, opening it up and reviewing how they have allocated it, and noting that they have.

WINGERT Ms. Wingert asked him whether he thought twice a year would be adequate.

HOVIS Solicitor Hovis stated that twice a year for a presentation would be fine. He added that receiving a report sent to the Commission from Fulton on a quarterly basis would be satisfactory.

WINGERT Ms. Wingert was fine with that as well.

BROSEND Mr. Brosend stated he would not want to go less than twice a year.

HOFF Chief Hoff noted that would basically be returning to the way it was done previously.

HOVIS Solicitor Hovis stated that there were quarterly reports and twice a year presentations.

HUNT Chairman Hunt asked what the Fiscal Year pattern would be; February and October.

HOFF Chief Hoff responded that was about right. They were here in February. He added that four meetings were advertised.

HOVIS Solicitor Hovis responded that it is done that way in case there is a need for more.

Consensus of the Commission is to hold a meeting twice a year with quarterly reports submitted by Fulton Financial.

8. COMMITTEE MOTIONS

- A. Acknowledge pension payments began for retired firefighter Richard Mellon Effective May 1, 2018
- B. Acknowledge payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$3,750.00 for services rendered from May 2, 2018 through April 15, 2018

MS. ZORTMAN MOVED TO ACKNOWLEDGE PENSION PAYMENTS BEGINNING FOR FIREFIGHTER RICHARD MELLON EFFECTIVE MAY 1, 2018. MS. WINGERT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

MS. ZORTMAN MOVED TO AUTHORIZE PAYMENT TO CONRAD SIEGEL ACTUARIES IN THE AMOUNT OF \$3,750 FOR SERVICES RENDERED FROM MAY 2, 2018 THROUGH APRIL 15, 2018.

9. ADJOURNMENT

HUNT Chairman Hunt adjourned the meeting at 7:20 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Dan Rooney
Secretary

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