

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

**MAY 20, 2014
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, May 20, 2014 at 6:15 p.m. at the Springettsbury Township Offices, 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Austin Hunt, Vice Chairman
John Fullmer
Cara Beth Zortman
Kathleen Phan
George Mount
Eric Lehmayr

MEMBERS NOT

IN ATTENDANCE: Bill Schenck, Chairman
George Dvoryak

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
Annette Hose, Fulton Financial
Elizabeth Peris, Fulton Financial
Brian Peachey, Fulton Financial
Jean Abreght, Stenographer

1. CALL TO ORDER

HUNT Vice Chairman Austin Hunt called the meeting to order. He announced that a Quorum was present.

2. ACTION ON MINUTES

A. Approval of Minutes: February 18, 2014 – Pension Board Meeting

MS. ZORTMAN MOVED TO APPROVE THE FEBRUARY 18TH PENSION BOARD MEETING MINUTES. MR. LEHMAYER 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 February 2014**
- B. Acknowledge Receipt of Fulton Financial Trust Report for March 2014**
- C. Acknowledge Receipt of Fulton Financial Trust Report for April 2014**
- D. Acknowledge Receipt of Compliance Audit Report for YAUFU Union Defined Benefit Pension Plan – January 1, 2011 to December 31, 2012**

MR. FULLMER MOVED TO ACKNOWLEDGE RECEIPT OF CORRESPONDENCE AND OTHER COMMUNICATIONS. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

- A. Fulton Financial – Investment Presentation**

HOSE Annette Hose, Fulton Financial, introduced Brian Peachey, Senior Vice President of the Retirement Services Division who was present to hear the presentation.

Ms. Hose reviewed Tab I, the First Quarter Accounting, January 1 to March 31, 2014. She stated the Market Value as of January 1, 2014 - \$4,071,099.80; Employee Contributions - \$10,897.28; Investment Income - \$22,180.81; Realized Gain - \$2,008.70; Unrealized Gain - \$42,136.33; Total Receipts: \$77,223.12. Disbursements for the Quarter: Pension Payments - \$43,778.19; Health Insurance Premium Payments - \$1,405.29; Trustee Fee - \$7,848.60; Actuarial Fee - \$3,950.00; Foreign Tax Withholding - \$5.51; Fee Rebates - \$353.54; Portfolio Market Value as of March 31, 2014 - \$4,091,688.87.

PERIS Elizabeth Peris presented a recap of the markets, an economic review, a strategy update, the portfolio, the Asset Allocation, Holdings and Performance along with the returns and risk parameters of portfolio.

The initial estimate of the First Quarter GDP (3%) came in less than what was expected, and economists are pulling back expectations for 2014 (2-1/2%). There is a very modest growth going forward coupled with a decline in trade and the right sizing of excess inventory. An increase in capital expenditures is expected with real estate (growth of 10 to 12% appreciation), updated technology, construction, new plants and equipment. The consumer is expected to continue to spend along with a significant growth in the labor force and improvement in the unemployment rate.

The Federal Reserve continues to reduce Quantitative Easing and maintaining the Federal funds rate at 0 to 25 basis points. A risk to the economy is seen as the monetary policy. The monetary policy is continuing to ease internationally; however, domestically the unwinding of the easing will be determined. Other risk is the emerging market slowdown, the current events in the Ukraine and the Pacific Rim. The recession appears to be over in the European markets.

Equity markets were pretty good during the First Quarter, and it is expected to continue to do well during the year. Interest rates are slow, and there is modest economic growth. Valuations could bring a pull back in the markets; however, that is time for an opportunity to increase positions in equities.

The MSCI All World was up about 1% for the First Quarter. The U. S. was strong but they continue to see the emerging markets struggle. A rotation or sell off was seen of high-momentum technology stocks; bio-tech fall back, as well as a lot of social media. Money was placed into more defensive sectors such as utilities, staples and energy.

The Fixed Income was short duration; however, the 10-year Treasury began the year at 3% is now down to 2-1/2%. They had made the call with the sectors and where possible they were over-weight in the below grade sector and will continue to do so going forward. They reduced the holding in PIMCO due to a management change.

Alternatives are contributing to the performance and reducing risk in the portfolio. They continue to recommend the use of alternatives with about 10% held in that sector.

The portfolio shows the market value at just under \$4.2 million. The policy has a position of 2-1/2% in cash, a 42-1/2% in Fixed, Equity at 35% and Alternatives just under 10%. The Asset Allocation is 6.1% for the long term so for the portfolio it's about \$250,000 a year in interest, dividends and appreciation. Year-to-date Interest Earned was \$22,800, Market Appreciation was \$42,465.00, a return of about 1.62% with an index of 1.5%.

On the Equities side, they made some adjustments and increased the number of Model Managers. They introduced some individual stocks which will maintain Equity performance but reduce the cost with a saving of approximately \$4,000.

The Performance of the portfolio: Fixed performance YTD up 1.62%; benchmark \$1.48%. Barclays Aggregate and MSCI All World were at 50%. Fixed Income YTD is up 1.86%. Equities performance was up 1.34%; MSCI All World was up

1.08%. Numbers since Inception: Portfolio has returned 5.6% since inception with a benchmark of 5.31%. YTD the number has exceeded the 2013 Actuarial Assumption which was 6-1/2%.

Risk Characteristics: Since Inception, return has been 5.6%; standard deviation is 7% versus the index of 4.86%. The Risk Adjusted Return is positive with a Sharp Ratio of .58% versus an index of .54%. Information Ratio is .05%. Over a one-year period the Sharp Ratio is 1.54% versus 1.22% and the Information Ratio is .5% versus 0%.

LEHMAYER Mr. Lehmayer requested additional information concerning inflation growth in the next six to 12 months.

PERIS Ms. Peris responded that they expect inflation to come up to that 2 percent target that the Fed is expecting. Inflation hurts the Equity returns but not as much as the Fixed Income returns. There is some protection in the Inflation Protecting Tips, such as Commodities and other asset classes.

LEHMAYER Mr. Lehmayer questioned how the asset allocation is determined and how often it is reviewed and recalibrated.

PERIS Ms. Peris responded that an annual review is done yearly.

PEACHEY Brian Peachey added that there is an overall Asset Allocation between Equity and Fixed Income, as well as an ongoing review of the Fund Managers at that time. Quarterly a tactical allocation is done of short-term opportunities.

PHAN Ms. Phan requested a copy of the current ISP and the Fee Schedule.

HUNT Mr. Hunt thanked Ms. Peris and Ms. Hose for their presentations.

6. OLD BUSINESS

There was no Old Business for discussion.

7. NEW BUSINESS

There was no New Business for discussion.

8. COMMITTEE MOTIONS

A. Acknowledge Payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$3,950.00 for Services Rendered from April 15, 2013 to February 16, 2014

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MOUNT George Mount asked for clarification and information on the invoice from Conrad Siegel. He specifically asked about the statement indicating, "Preparation of Actuarial Study to Determine Cost of Adding Members to Plan." His understanding was that the plan was closed to new members.

MCCOY Chief McCoy responded that it was a draft study done based on a request of the Union regarding Pension Benefits during contract negotiations.

MOUNT Mr. Mount noted that he had not been informed of that. He asked if the Union would receive a copy of the report.

MCCOY Chief McCoy responded that it would be provided during negotiations.

MR. FULLMER MOVED TO ACKNOWLEDGE PAYMENT. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

9. ADJOURNMENT

HUNT Acting Chairman Hunt adjourned the meeting at 6:47 p.m.

Respectfully submitted,

Signature on file at YAUFRR Headquarters

Robert McCoy
Secretary

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