

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

**MAY 21, 2019
APPROVED**

The York Area United Fire and Rescue Commission held a Fire Pension Board Meeting on Tuesday, May 21, 2019 at 6:00 p.m. at YAUFR Headquarters, 50 Commons Drive, York, PA 17402.

MEMBERS IN

ATTENDANCE: Austin Hunt, Chairman
Justin Tomevi, Vice Chairman
George Dvoryak, Treasurer
Cara Beth Zortman
Lisa Wingert
David Brosend
Les Rhoads, Representative, Fire Pension Board

MEMBERS NOT

IN ATTENDANCE: Dan Rooney, Secretary

ALSO IN

ATTENDANCE: Dan Hoff, Chief
Steve Hovis, Solicitor
John Woods, YAUFR BC
Jay VanPelt, YAUFR BC
Paul Grubbs, YAUFR
Charles Wurster, Springettsbury Township
Jean Abreght, Stenographer

1. CALL TO ORDER

HUNT Chairman Austin Hunt called the Fire Pension Board meeting to order and declared that a Quorum was present. He noted that Commissioner Rooney would not be present, nor would Firefighter Eckert.

2. ACTION ON MINUTES

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

MS. ZORTMAN MOVED TO ACCEPT MINUTES OF THE NOVEMBER 20, 2018 PENSION BOARD MEETING AS PRESENTED. MR. DVORYAK 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 Previous Receipt of Fulton Financial Trust Report for October 1, 2018 – October 31, 2018
- B. Acknowledge Previous Receipt of Fulton Financial Trust Report for November 1, 2018 – November 30, 2018
- C. Acknowledge Previous Receipt of Fulton Financial Trust Report for December 1, 2018 – December 31, 2018
- D. Acknowledge Previous Receipt of Fulton Financial Trust Quarterly Report for October 1, 2018 – December 31, 2018
- E. Acknowledge Previous Receipt of Fulton Financial Trust Annual Report for January 1, 2018 – December 31, 2018
- F. Acknowledge Previous Receipt of Fulton Financial Trust Report for January 1, 2019 – January 31, 2019
- G. Acknowledge Receipt of Fulton Financial Trust Report for February 1, 2019 – February 28, 2019
- H. Acknowledge Receipt of Fulton Financial Trust Report for March 1, 2019 – March 31, 2019
- I. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for January 1, 2019 – March 31, 2019

MR. TOMEVI MOVED TO ACKNOWLEDGE CORRESPONDENCE AND OTHER COMMUNICATIONS A THROUGH I. MR. DVORYAK WAS SECOND. MOTION UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

- A. Fulton Financial – Investment Presentation

HOSE Annette Hose presented the accounting for the quarter January 1, 2019 through March 31, 2019. Market Value as of January 1, 2019 was \$4,914,919.65. Total Receipts for the Quarter were \$383,616.26 represented by \$8,241.85 of Firefighters' contributions; \$31,620.54 of Investment Income Receipts for the Quarter and a Total Gain for the Quarter of \$343,753.87. Total Disbursements out of the Pension Plan \$76,585.37 represented by \$63,791.52 of Pension Payments out to retirees and \$12,793.85 of Expenses including the Trustee Management Fee. Market Value as of March 31, 2019 was \$5,221,950.54.

PERIS Elizabeth Peris reported on the Investment portion of the packet, the Executive Summary as of 3/31/19. At the end of the First Quarter the portfolio Market Value was \$5,221,950.75. Year-to-Date in the portfolio shows 7.68% and the Index is 7.45%. The Index being used is 50% Barclays Aggregate Bond Index and 50% the MSCI all country World Index on the Equity side. The allocation is 50% Equities and 50% Fixed Income.

Ms. Peris indicated that based on the Capital market expectations of a year and a half ago, a 6% return going forward could be expected. The Actuarial Assumption from the last Actuarial Report was 6-1/2% so the expected return is below the Actuarial Assumption. A new Actuarial Assumption will be forthcoming; however, it is expected to remain the same or very close.

Ms. Peris stated that the portfolios had done well up through September 30th; however, there was a downside risk in the fourth quarter with concern about an economic slowdown, as well as trade negotiations and concerns with the Federal Reserve policy. A reversal was evident during the first quarter of 2019.

Ms. Peris cited Equity strategies which did well in the First Quarter. Returns were driven by multiple expansion. At the end of 2018 the PE ratio for the S&P 500 was 14-1/2, and by the end of the Quarter had moved above 17, which was slightly overvalued. Domestic Large Cap is at 56.7% above the target of 52.8%. Mid Cap and Small Cap are on target with the long-term strategic plan. International allocation is underweight. Market Value of individual Bonds is at \$1.5 million, average A rated with a duration of 5.6 years.

Ms. Peris discussed the yield curve, which had inverted. This inversion is from the Federal Reserve funding 2-1/2%; this date the two-year was at 2.2%; 10-year is at 2.4%. This indicates a slower growth but on pace with long-term trends.

Ms. Peris reviewed the Performance. Fixed Income Year to Date, 3.48%; Barclays Aggregate is up 2.94%. 10-year Fixed Income is up 4.4%; Index is up 3.77%. Equities Year to Date, 12.57%; MSCI 12.17%. Ten year 12.44%; MSCI 11.98%. Total managed returns for entire portfolio: Year to Date up 7.68%; Net of Fees 7.48%; Ten year 7.32%; Net of Fees 6.47%

Ms. Peris stated that a review of the Investment Policy Statement will take place during the August meeting. At that time the Actuarial Assumption Statement will be available. A review of the fees of the Pension Plan follows.

HOSE Annette Hose reported that during the last Pension Board Meeting there was discussion concerning getting an understanding of how the overall fee is calculated for the pension plan. A report was presented covering the Trustee and Asset Management Fees and Investment Management Costs. She stated that Fulton Financial Advisors is Trustee of the plan and serves as another layer of Fiduciary for the plan. They assure that everything within the plan is running in compliance including coordination with Conrad Siegel. They serve as Custodians for the Plan meaning they hold all the assets of this plan, issue pension distributions for the pensioners and do all the tax reporting for those pension distributions. That falls under the Trustee realm. The Asset Management Fee is for managing the assets of the plan, which is on a tiered schedule: 1% on the first \$1,000,000; .65 basis points or .65% on the next \$2,000,000; .50 on the next \$2,000,000 and then .45% on assets over \$5,000,000. It equates with the plan as follows: Latest asset value of \$5,277,132 and on an annualized basis that's \$34,247 as a percentage of assets representing .65% of assets. It does not include the total fees paid to Conrad Siegel for Fulton Financial Advisors and not the Actuarial fees.

PERIS Ms. Peris added that the asset management includes the Investment Policy review, working through the capital market expectations, and determining what the appropriate asset allocation should be for YAUFR. It also involves the manager selection process and review and takes into consideration any tactical changes to be made to the asset allocation overweighting and underweighting certain asset classes. In addition, a risk/return analysis is done for YAUFR.

HOSE Ms. Hose reported on the second portion of the report which are the internal costs, the Fund Expense Ratios, and expenses of managers. That was determined by breaking it down within the portfolio by taking the asset value within each of the funds, taking the investment internal expense ratio and at the bottom an average of 30 basis points or .30%. Internal Expense Ratios of all the funds held in the portfolio represents .30%.

PERIS Ms. Peris noted that when they report the returns, two returns are reported. One is before the Trustee Investment Management Fee, which includes 30 basis points already being subtracted. The gross number is net of fees. This same review was done two years ago, and the internal costs at that time were 35 basis points so they

have been reduced to 30 basis points, and the primary reason for that is within the Equity portion. Also contributing to that is many of the index managers have lowered their fees over the course of the last two years.

At that time they indicated YAUFR could increase the equity allocation to 60%; however, the Commission was hesitant to do that because of the additional risk to the portfolio.

HOSE Ms. Hose stated that the policy limits them to the 50%. Historically, when the pension plan first began, the allocation they were limited to was 40% Equity of exposure. They thought there was no way they could meet that Actuarial Assumption at 40% equity exposure, and that is why they like to revisit the policy. They would unlikely hit the target of 6-1/2% with a 50/50.

PERIS Ms. Peris noted that they have had periods where they underperformed because of managers and other times there were some outside allocation decisions that were not the best in hindsight. Part of it is the more conservative nature within the portfolio. Initially, the policy index for the equity was the S&P500 and they had a mandate to include International in the portfolio. Long-term history reveals that International allocation detracted from that performance relative to the benchmark. She noted that for municipalities the 50/50 is average, which is much more conservative than for businesses. Corporate pension plans are more aggressive, usually 65%.

HOSE Ms. Hose commented that the challenge here might be the demographics of the pensioners. It's frozen so the number of contributors is diminishing. The number of pensioners is increasing. So as Conrad Siegel does that valuation, that Actuarial Assumption, they're trying to balance all that out as well, and the challenge then for the Commission is how to meet that Assumption but yet maintain some type of conservatism to the portfolio.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

A. COMMITTEE MOTIONS

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

**MAY 21, 2019
APPROVED**

- A. Authorize payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$3,500.00 for services rendered from April 16, 2018 through December 16, 2018.

MS. WINGERT MOVED TO AUTHORIZE PAYMENT TO CONRAD SIEGEL IN THE AMOUNT OF \$3,500. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

8. ADJOURNMENT

HUNT Chairman Hunt adjourned the meeting at 7:08 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Dan Rooney
Secretary

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