

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

**MAY 28, 2013
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, May 28, 2013 at 6:30 p.m.

MEMBERS IN

ATTENDANCE: Austin Hunt, Vice Chairman
John Fullmer
George Dvoryak
George Mount

MEMBERS NOT

IN ATTENDANCE: Bill Schenck, Chairman
Don Bishop
Richard Guyer
Cara Beth Zortman

ALSO IN

ATTENDANCE: Greg Maust, Spring Garden Township Manager
Steve Hovis, Solicitor
Robert McCoy, YAUFRR Chief
Sandra Ratcliffe
Dan Hoff, YAUFRR
Jean Abreght, Stenographer

1. CALL TO ORDER

HUNT Vice Chairman Austin Hunt 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: February 19, 2013 – Pension Board Meeting

MR. DVORYAK MOVED FOR APPROVAL OF MINUTES OF FEBRUARY 19, 2013 PENSION BOARD MEETING. MR. FULLMER WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There were no public comments.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

A. Acknowledge Receipt of Fulton Financial Trust Report for February 2013
B. Acknowledge Receipt of Fulton Financial Trust Report for March 2013

C. Acknowledge Receipt of Fulton Financial Trust Report for April 2013

HUNT Mr. Hunt acknowledged receipt of the Fulton Financial Trust Reports for February, March and April of 2013.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE Annette Hose stated that the board should have received packets with the report. She presented the accounting for the First Quarter, January 1 to March 31, 2013. Market Value of the account was \$3,671,001.01. Total Employee Contributions for the quarter were \$11,221.52. Other Receipts of \$6,000 does not represent new money coming into the plan. In the Pension Plan there are sub-accounts, and money is transferred from those accounts into the main accounts in order to pay out to pensioners. Total Income was \$17,591.91. Realized Gain was \$35,493.54; Unrealized Gain due to the rising market value of the portfolio was \$68,463.66. Total Gains were \$103,957.20. On the Disbursement side the pension payments for the quarter were \$49,778.19, and Health Insurance Premium Payments \$1,405.29. Total Disbursements were \$51,183.48. Trustee Management Fee was \$7,274.34; Actuarial Fee was \$1,450.00; Fee Rebates of \$66.62 with Total Expenses \$8,657.72. Total Disbursements were \$59,841.20. Market Value as of March 31, 2013 was \$3,749,930.54.

PERIS Ms. Elizabeth Peris presented the Economic Review, Investment Strategy, Portfolio Allocations, Holdings and Performance. A summary of her report follows:

- Economy through the first quarter – approximately 2-1/2% positive; however, below expectations.
- Sequestration has begun to take effect of about ½% subtracted from GDP for the defense spending cuts.
- Economic data is mixed but positive considering manufacturing and non-manufacturing numbers.
- Employment – Increase of 155,000 non-farm jobs added; significant improvement.
- Housing – Market continues to bolster economy; both new and existing home sales positive.
- Consumer confidence is up.
- Inflation – Europe continues to cut interest rates and remains in recession. Germany attempting to raise economic growth.
- China reported disappointing manufacturing numbers.

- Continued monitoring of Europe, China and the U. S. Federal Reserve.
- FRB Governor indicated it would take three to four months to determine impact of fiscal drag on economy. Market reacted positively.
- FRB Chairman Bernanke testified before Congress that interest rates could begin to be raised as early as July. Negative impact on the market.
- Continued monitoring of economic growth, labor markets and inflation rates.

Ms. Peris reported on the investment strategy relative to the bond market and indicated the yield had begun to rise and is expected to continue.

- Continue to be constructive on equities.
- Recommended the portfolio be brought into diversified asset classes by adjusting the allocation between international and domestic equities.
- Domestic sector continues overweight in large cap.
- Growth over value is favored domestically as part of the economic cycle.
- Profit margins are coming under pressure.
- Fixed Income – Rising interest rates and world's economy affects price risks of bonds.
- Organizations have refinanced at very low rates and getting the most of repayment at end of bond maturity.
- Bond portfolio shows an increase into the international markets

Ms. Peris stated that the market value in the portfolio as of the end of March was slightly above \$3.7 million.

- Allocation is slightly under 2% in cash; fixed income is 56-1/2%; equities are 41.7%.
- Year to date earned income and market appreciation over depreciation totaled approximately \$120,000 during the quarter; a 3.32% return.
- Economy/market value balances as of 3/31/13 equaled \$72,480.90 in cash.
- Fixed income stayed the same at \$2.1 million.
- Equity just shy of \$1.6 million.

Ms. Peris indicated that the duration of the Fixed Income Portfolio is 3.9 years; Intermediate Government is .9 and the Barclays Aggregate is 4.9 years. Sector allocations are approximately 20% in U. S. Government compared to 41% for the aggregate and 45% investment grade credit.

Ms. Peris discussed the performance in the portfolio.

- Year to date fixed income returned .41% for 1 year exceeding the benchmark of -12%.

- Year to date performance is up 3.32% in line with historical benchmark of 3.32%. The MSCI over 3 months is 2.74%.
- Historical return of portfolio since inception is about 5.28%; index of 5.16%.
- Investment Policy Statement did not help to reduce risks in the portfolio.
- Sharpe Ratio return was 0.5% versus index of 0.48%.
- Information Ratio is 0.02%.

DVORYAK Mr. Dvoryak questioned the 5.31% return over a 7 year period and whether that was a net figure for the year.

PERIS Ms. Peris responded that the figure is a gross return.

DVORYAK Mr. Dvoryak commented that the Actuary suggested a 6-1/2% per year return for this portfolio. He questioned whether it was reasonable to expect a 6-1/2% return with the asset allocation model in place of 55/40.

PERIS Ms. Peris responded that it was not reasonable with the expectation for the market. However, she added that the portfolio is right at the top and expectations had been received. They are running the long-term allocation, but for a 6% return there should be at least 35% in Fixed and 35% in Equities; other possibilities could be 45/55% or 40/60%.

DVORYAK Mr. Dvoryak asked whether there was anything within the current policy statement that would benefit the portfolio with the current assumption rate.

PERIS Ms. Peris responded that there was a 10% range on each side so the policy is at 40%.

FULLMER Mr. Fullmer stated that the Actuary establishes the targets.

PERIS Ms. Peris added that the Actuary brings in the liability side.

DVORYAK Mr. Dvoryak commented that was the difference between the actual and expected unfunded liability.

PERIS Ms. Peris noted that most organizations have lowered their assumptions. The policy is at 40% equity allocation.

DVORYAK Mr. Dvoryak asked whether bonds are as low as 50%; 45%.

PERIS Ms. Peris responded that they are at 45%; 55%.

DVORYAK Mr. Dvoryak asked whether that is the same within the policy.

PERIS Ms. Peris responded that they kept the same allocations. The more restrictive, the more limitations there are. One of the biggest things is in the fixed income that can include other asset classes as long as they average A- quality.

DVORYAK Mr. Dvoryak commented that in order to hit 6-1/2% of the actuarial it will be necessary to step up the risk.

PERIS Ms. Peris noted that other asset classes can be brought in to assist. They will be putting additional information together for the next meeting.

DVORYAK Mr. Dvoryak asked whether she would have seen the 6-1/2% result with a 55/40% allocation over a period of time.

PERIS Ms. Peris noted that a review of the historical benchmarks over a 7-year period would reveal that it would have produced a little over 5%. The 10-year period may have resulted in 6-1/2%. She added that it all speaks to the allocation.

PERIS Ms. Peris elaborated on the Fixed Income detail and credit rating duration. The duration is 4.67 years still below the index and is A rated. She added information on the B rated bonds as shown in the report provided. She summarized the 2019 Federated High Yield Strategy portion of the portfolio, which monitors mutual funds and purchases a family of high yield bonds with no risk in individual bonds. That produced 8-1/4% with just under \$150,000.

6. OLD BUSINESS

There was no Old Business for action.

7. NEW BUSINESS

A. Acknowledge Receipt of Conrad Siegel Actuaries YAUFU Union Defined Benefit Pension Plan Actuarial Valuation as of January 1, 2013.

HUNT Mr. Hunt acknowledged receipt of the Conrad Siegel valuation.

8. COMMITTEE MOTIONS

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- A. Acknowledge Payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$4,560.00 for Services Rendered from January 1, 2013 – April 14, 2013.

HUNT Mr. Hunt acknowledged payment to Conrad Siegel in the amount of \$4,560.00.

9. ADJOURNMENT

HUNT Vice Chairman Austin Hunt adjourned the meeting at 7:10 p.m.

Respectfully submitted,

Signature on file at YAUFRR Headquarters

Robert McCoy, Jr.
Secretary

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