

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

**AUGUST 15, 2017  
APPROVED**

The York Area United Fire and Rescue Commission held a Pension Board Meeting on Tuesday, August 15, 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  
Cara Beth Zortman  
George Mount, Pension Board Representative  
Rich Mellon, Pension Board Representative

**MEMBERS NOT**

**IN ATTENDANCE:** Kathleen Phan  
Blanda Nace  
Mike Thomas  
Lisa Wingert

**ALSO IN**

**ATTENDANCE:** Dan Hoff, YAUFRR Chief  
Steve Hovis, Solicitor  
John Woods, YAUFRR  
Jay VanPelt, YAUFRR  
Matt Arnold, YAUFRR  
Jean Abreght, Stenographer

**1 CALL TO ORDER**

A. Opening Ceremony

**SCHENCK** Chairman Bill Schenck called an Informational Work Session to order at 6:15 p.m. prior to the Pension Board Meeting.

**HOSE** Annette Hose stated that in a previous meeting, discussion was held about providing an overview of Fulton Financial Advisors, the firm, how the account is managed and the fees that are taken for the account. They had provided documentation for the board, "An Investment Management Review." The report can be referred to for specific details. A summary notes that Fulton Bank was founded in 1882; Trust Department opened July 10, 1919. Fulton Financial Corporation was created in 1982; operates six banks in five states; \$18 billion in assets. Fulton Financial Advisors manages \$9 billion for 3,000 clients. The report included a listing of the resources and services provided, as well as bios of the individual team members who are responsible for the YAUFRR Portfolio.

**PERIS** Elizabeth Peris provided an overview of the investment process used to manage the portfolio. She noted there are a number of strategies:

- Identification of the Client Needs/Goals – Municipality with a combined benefits plan.
- Revenue streams fund the plan, along with contributions from current participants plus tax revenue dollars.
- Analysis of individuals approaching retirement at 55 years of age with 25 years of service.
- Review of the Actuarial Assumption, currently 6-1/2%, setting preferences and tolerances.
- Setting a Strategic Allocation of large cap stocks and national stocks, bonds, sectors in Fixed Income market.
- Performing due diligence along with selection of external managers.

Ms. Peris explained the Strategic Asset Allocation by identifying the Expected Returns showing a Balanced Return, a Growth Return and an Aggressive Growth Return in consideration of a 1-year annualized return, an Annual Volatility and a Probability of Loss. She also commented on Long Term Capital Market Assumptions.

Ms. Peris compared the two types of Investment Management, Passive and Active, which are selected as a Best Fit Solution for the portfolio.

Ms. Peris identified the holdings in the portfolio and noted the fees, identified as 35%, netted at .35 basis points. If there were no internal manager the .35 basis points would be divided by four, estimating a fee of approximately \$15,000 a year in internal management; however, that is not the fee that is paid to Fulton Financial. She identified the FFA Services, i.e., Trustee, Investment Management and Custody Services, which is set up on a tiered schedule, about .67 basis points or about \$30,500 a year. The Conrad Siegle fee is a variable fee. Conrad Siegle calculates the MMO, which costs approximately \$2,000 a year.

A lengthy discussion took place and is summarized for these minutes:

- Actuary is projecting 6.5%. Actuarial Assumption difficult to change; based on demographics and current funding. Investment Policy could be changed, which would assume more risk.
- The portfolio is 85% funded. If the plan were terminated as of this date and all the pensioners in the plan were paid out, the plan would be 15% short.
- Challenge to the plan is that no additional dollars are placed in the plan.
- Status of the plan this date: 12 are contributing; 7 paid now (6 and 1 spouse) and 1 deferred.
- Township to be responsible if calculations do not meet future goals.

The Investment Management Review presentation ended at 6:45 p.m.

**1. CALL TO ORDER**

**SCHENCK** Chairman Schenck called the meeting of the Pension Board to order.

**2. ACTION ON MINUTES**

A. Approval of Minutes – May 16, 2017 – Pension Board Meeting

**MR. HUNT MOVED TO APPROVE MINUTES OF THE MAY 16<sup>TH</sup> PENSION BOARD MEETING. 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 May 1, 2017 – May 31, 2017
- B. Acknowledge Receipt of Fulton Financial Trust Report for June 1, 2017 – June 30, 2017
- C. Acknowledge Receipt of Fulton Financial Trust Report for July 1, 2017 – July 31, 2017
- D. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for April 1, 2017 - June 30, 2017

**MR. LEHMAYER MOVED TO ACKNOWLEDGE RECEIPT OF THE FULTON FINANCIAL TRUST REPORTS AS LISTED AS NUMBER 4 ON THE AGENDA. MR. HUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**5. REPORTS FROM FINANCIAL ADVISORS**

A. Fulton Financial – Investment Presentation

**HOSE** Annette Hose reviewed the cash flow for the quarter. The Market Value as of April 1, 2017 - \$4,674,746.43; Receipts – Employee Contributions \$11,845.95; Investment Income - \$27,450.49; Unrealized Gain - \$97,655.38 for Total Receipts of \$136,951.82. Disbursements - \$54,249.03; Expenses \$16,145.05; Total Disbursements - \$70,394.08. Market Value as of June 30, 2017 - \$4,741,304.17.

**PERIS** Elizabeth Peris reported on the Executive Summary documented in the Investment Presentation booklet. She noted the Asset Allocation as of 6/30/17: Cash - \$65,239.25 (1.4%); Fixed Income \$1,946,497.21 (40.8%); Equities at \$2,540,571.74 (53.3%) Alternatives - \$213,037.52 (4.5%). Quarterly and Year-To-Date returns were 2.64%, and the Index was 2.84% matching the benchmark Quarterly and Year-To-Date.

Ms. Peris provided an Asset Allocation Analysis as of 6/30/17, which indicated what the allocation is relative to the Investment Policy Statement. Cash: 2.5%; Fixed Income 42.50%; Equity at 35%; and Diversified Alternatives at 20.0%. Each asset is within the IPS Range. She noted that the policy permits her to go up

to 50% in Equity. They continue to see global economic growth; however, there could be a pull back, but they do not see any recession on the horizon.

Ms. Peris reviewed the Equity Capitalization Categories and Style Analysis. Domestic Large Cap is at 54.0%; International is 36.0%. Strategic allocation is a higher allocation to value as opposed to the growth style.

Ms. Peris discussed the Fixed Income Portfolio indicating that the individual bonds held in the portfolio have an A rated quality with a duration of five years. As far as credit quality, most of the portfolio bonds (27%) are AAA; securities AAA (72%).

Ms. Peris discussed the Growth Analysis for several calendar years. 2012, 9.21%; 2013, 10.14%; 2014, 4.43%; 2015, - 2.13%; 2016, 5.75% - YTD 6.69%. An analysis of the net contributions includes contributions by the employee and payments showing the numbers dwindling in 2016. In addition, Fulton's fees were taken out.

**SCHENCK** Chairman Schenck stated that the total pension obligation, the MMO, which is what the township has to pay in is \$255,000. Of that \$113,000 was paying ahead to catch up to get to the 100% funded, all of which is amortized. It's actually over funding; member contribution is \$47,000.

**PERIS** Ms. Peris reported on returns for the quarter. Fixed Income is 1.58% with a benchmark of 1.45%, outperformance. Equity is at 4.11%, MSCI All World Index at 4.27%. International markets are doing better than the domestic markets. International Allocation has been increased, United States is about 52% of that index. About two-thirds of the portfolio is the domestic markets. Alternatives were a negative 2%. For total for the Quarter is 2.64% with a benchmark of 2.84%. For the Five-Year results, the portfolio is up 6% with a benchmark of 5.68%, which is above the expectations.

**LEHMAYER** Mr. Lehmayer questioned the timing of increasing the ratio of International and taking it from Domestic.

**PERIS** Ms. Peris noted that International economic growth is faster than the United States, and it is anticipated they will continue to do well. There will be a time when that will reverse, and the next recession will begin.

**LEHMAYER** Mr. Lehmayer asked whether it is nearing the time to begin increasing that International ratio.

**PERIS** Ms. Peris responded that it is not too late to pull back on U.S. Equities. International will follow suit. No country is having global growth.

**LEHMAYER** Mr. Lehmayer questioned whether the plan would be to continue increasing the International.

**PERIS** Ms. Peris responded that it is.

**LEHMAYER** Mr. Lehmayer commented that by next quarter the picture should be better than this one.

**PERIS** Ms. Peris responded that she thought it would be. She stated that the expectation is for the dollar amount to change.

**HUNT** Mr. Hunt asked how the pension historical benchmark differs from the index number.

**PERIS** Ms. Peris responded that the historical benchmark incorporates the changes to that mix between stocks and bonds. Prior to 2013 the Equity allocation was lower and built that in. The direction was to use different benchmarks, such as the S&P 500 as Equity benchmarks. She called attention to the Performance Statistics over five years. Returns of 6% with a benchmark of 5.68; Standard Deviation, a measure of risk was 4.94% versus a benchmark of 5.04%. The amount of return for the amount of risk is better than the index. This is a significant improvement from the past period.

**LEHMAYER** Mr. Lehmayer asked who controls what the ratio is for the assets.

**PERIS** Ms. Peris responded that a percentage is in active management and a percentage is in passive management.

**HOSE** Ms. Hose added that the team of portfolio managers meet on a regular basis as they go through the tactical analysis determining the 25% allocation in the large cap growth stage and including those from the top down.

**PERIS** Ms. Peris added that the managers are selected through that due diligence process screening. There is more active management in this portfolio than passive management.

**LEHMAYER** Mr. Lehmayer had compared the Detractors (page 19 in the report) with the Contributors. He saw a total of 12% Contributors and a -2.6 Detractors. He would think it would be a point to taking the funds out of the Detractors and putting them up to the Contributors.

**PERIS** Ms. Peris responded that this is just within the large growth manager, and the contribution is a factor of the weights in the portfolio times and what that stock did. She added that they review major contributors such as Apple and Facebook that have had great returns so far in the year-to-date. They had periodically trimmed them as they continued to appreciate. Then they look at items like Under Armour and if it does poorly, they will make that decision.

**LEHMAYER** Mr. Lehmayer understood the plan and the allocation. He would put more money in the Contributors column.

**PERIS** Ms. Peris responded that they have constraints. They couldn't have Apple at 25% of the portfolio. It would be a lot of risk.

**MOUNT** Mr. Mount indicated that this report is only one quarter too. Under Armour could have been in that top 10 the previous quarter.

**PERIS** Ms. Peris added that they will diversify away what they call the business risk. She concluded the review.

**SCHENCK** Chairman Schenck thanked Ms. Hose and Ms. Peris for the review and report.

**8. COMMITTEE MOTIONS**

- A. Acknowledge payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$1,220.00 for services rendered from March 14, 2016 through August 7, 2016.
- B. Acknowledge payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$6,150.00 for services rendered from August 8, 2016 through April 30, 2017

**MR. HUNT MOVED TO ACKNOWLEDGE PAYMENTS AS LISTED IN ITEMS A AND B ON THE AGENDA: THE \$1,220.00 AND THE \$6,150.00 TO CONRAD SIEGLE. MR. LEHMAYER WAS SECOND. MOTIONS UNANIMOUSLY CARRIED.**

**9. ADJOURNMENT**

**SCHENCK** Chairman Schenck adjourned the Pension Board Meeting at 7:15 p.m.

Respectfully submitted,

*Signature on file at YAUFRR Headquarters*

Eric Lehmayr  
Secretary

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