

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

**NOVEMBER 19, 2019  
APPROVED**

The York Area United Fire and Rescue Commission held a Fire Pension Board Meeting on Tuesday, November 19, 2019 at 6:30 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 (arrived 6:45 p.m.)  
Dan Rooney, Secretary

**ALSO IN**

**ATTENDANCE:** Dan Hoff, Chief  
Steve Hovis, Solicitor  
Jean Abreght, Stenographer

**1. CALL TO ORDER**

**HUNT** Chairman Hunt called the Pension Board Meeting to order and certified that a quorum was present.

**2. ACTION ON MINUTES**

**MR. ROONEY MOVED TO APPROVE THE MAY 21, 2019 PENSION BOARD MINUTES. MS. WINGERT WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**3. PUBLIC COMMENT**

There was no public comment.

**4. CORRESPONDENCE AND OTHER COMMUNICATIONS**

- A. Acknowledge *Previous* Receipt of Fulton Financial Trust Report for April 1, 2019 – April 30, 2019
- B. Acknowledge *Previous* Receipt of Fulton Financial Trust Report for May 1, 2019 – May 31, 2019
- C. Acknowledge *Previous* Receipt of Fulton Financial Trust Report for June 1, 2019 – June 30, 2019
- D. Acknowledge *Previous* Receipt of Fulton Financial Trust Quarterly Report for April 1, 2019 – June 30, 2019
- E. Acknowledge *Previous* Receipt of Fulton Financial Trust Report for July 1, 2019 – July 31, 2019
- F. Acknowledge Receipt of Fulton Financial Trust Report for August 1, 2019 – August 31, 2019

- G. Acknowledge Receipt of Fulton Financial Trust Report for September 1, 2019 – September 30, 2019
- H. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for July 1, 2019 – September 30, 2019

**MR. TOMEVI MOVED TO ACKNOWLEDGE RECEIPT OF ITEMS A THROUGH H.  
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 plan for the Third Quarter, July 1 through September 30, 2019. Market Value as of the beginning of the Quarter for the Pension Plan was at \$5,316,550. Firefighter Contributions were \$9,656.85 for the Quarter. Gains for the Quarter: Investment Income of \$32,279.33. The Total Gain for Capital Gains was at \$17,156.37. Total Receipts amounted to \$59,092.55. On the Disbursement Side: Pension Payments and Health Insurance Premium Payment, a total of \$63,791.52. Expenses were for Trustee and Management Fee along with the Actuarial Fee Expense that was paid to Conrad Siegel and some Fee Rebates coming in equating to \$15,632.70. Market Value of the Pension Plan as of the end of September 30, 2019 was at \$5,296,218.76.

**PERIS** Elizabeth Peris called attention to page 2 of the written report presented to the board members. This was a snapshot as of the end of the Quarter. Market Value was just below \$5.3 million. A contribution was made of \$285,000 in October for a Market Value just under \$5.7 million. Trade negotiations are having a favorable impact. There are concerns about the Global Economic Growth and the Monetary Policy; however, the most probable outlook is that there is no recession in the near term. Excesses are not seen in the economy. They are watchful of the public debt situation, as well as the federal government. The Monetary Policy, along with the Federal Reserve reducing interest rates three times in 2019 rather than raising interest rates has alleviated some fears of a recession going forward. Unemployment rates are very low along with modest wage gains, which is positive overall. Manufacturing is a very slow, small piece of the economy, about 7 percent of U.S. output, however, manufacturing products and supply equates to about 45 percent of the stock market. Any slowdown affects the stock market.

Ms. Peris reported Year-to-Date earnings up over 12-1/4 percent based on the S&P, which is up over 20 percent through the end of September. Fixed Income markets are up about 8-1/2 percent. This shows a positive year in both the Bond and Stock markets. With regard to the policy Cash is slightly below the range at 2.50 percent. Fixed Income is 42-1/2 percent; Equity is at 35 percent and the Diversified Alternatives are at 20 percent. She noted the Cash target is to provide for the pension payments and expenses of the account. Equity markets have been

the best performing of the major asset classes. Ms. Peris reported that the Federal Reserve lowered Interest Rates with a target of 1-1/2 to 1-1/4 percent. Two-Year Treasury and the 10-Year Treasury difference between those is about 1/4 of a percent and perhaps up to about a .3 percent. The total Bond portfolio is \$2.3 million; total credit rating is \$1.6 million.

Ms. Peris noted that the portfolio is expected to earn 6 percent annually on average. The Actuarial Assumption is 6-1/2 percent.

**DVORYAK** Mr. Dvoryak commented that there had been publicity where some of the larger investment firms have been dialing down their expectation of the next 10 years with a standard 60/40 portfolio. He noted he looked forward to Fulton's numbers to see what they reveal in the Actuarial Assumption.

**PERIS** Ms. Peris responded that they had lowered their numbers and made the Efficient Front Tier steeper which drives more risks. She called attention to the Detailed Portfolio Performance showing quarters, year-to-date and one year to 10-year performance. Fixed Income Year-To-Date is up 8.22 percent; Barclay's Aggregate up 8.52 percent. Fixed Income 10-year is up 3.87 percent; Index is up 3.75 percent. Bond market is up 10.3 percent. Equity is up 16.94 percent Year-To-Date; MSCI All World is up 16.2 percent. S&P is up 20.55 percent, YTD; One-year S&P number is up 4-1/4 percent. Equities 10-year number 9-3/4 percent. Total Before Fees YTD 12.01 percent; After Fees 11.41 percent; Index is up 12 1/4 percent. For 10 years the portfolio Net of Fees is up 5 percent; benchmark is up 6.6 percent very close to the Actuarial Assumption.

**HUNT** Chairman Hunt questioned what generates the Benchmark.

**PERIS** Ms. Peris responded that currently it is 50 percent Barclay's Aggregate and 50 percent MSA Aggregate.

**HOSE** Ms. Hose commented that during earlier years of the Pension Plan, the Fixed Income Allocation on the Investment Policy Statement was 60 percent. It was a 60/40 mix to Fixed Income and through the years. There was no way to meet the Actuarial Assumption with a 60 percent Fixed Income exposure so the Investment Policy Statement was amended to a 50/50 Allocation split.

**HUNT** Chairman Hunt questioned if the investments were done with what the Benchmark indicated, wouldn't there have been a realized 6.62 percent over 10 years.

**PERIS** Ms. Peris responded that it would have been correct before fees. She noted the three-year column will show that it is close.

**HUNT** Chairman Hunt asked Ms. Peris to explain the various funds and various managers.

- PERIS** Ms. Peris explained the use of Active Managers and what they have done toward delivering above-market returns.
- HUNT** Chairman Hunt commented that the numbers show that they have not delivered.
- PERIS** Ms. Peris explained that it also is the blending of how it's done. She explained a review of International and how that squeezed the benchmark in the portfolio. In addition, the Investment Policy Statement required investments without benchmarks.
- DVORYAK** Mr. Dvoryak questioned whether there is available an Index that mirrors how the portfolio should be directed.
- PERIS** Ms. Peris indicated that it may be possible to recreate that.
- HUNT** Chairman Hunt commented that they should change what they are doing to match the benchmark.
- DVORYAK** Mr. Dvoryak indicated it sounded as though the board had controlled how they've invested, and he was not sure that the benchmark is a fair comparison.
- HOSE** Ms. Hose noted it is not a true apples to apples comparison.
- TOMEVI** Mr. Tomevi stated that it may be helpful for the next meeting with Fulton to have a recommendation to the board as to what should be done next and whether that involves Investment Policy Statement changes.
- PERIS** Ms. Peris noted that it will involve Capital Market expectations and what the stock market might potentially do over the next 10 years. A new Investment Policy Statement will have ranges for each of the asset classes and sub-categories, review the risk tolerances. The current Pension Plan with a potential earning power of 6-1/2 percent would have had a higher Equity allocation; however, because of the municipality status, it had a lower risk tolerance which gave up the extra potential return with less volatility.
- TOMEVI** Mr. Tomevi added that it is important to consider individuals being weaned off the pensions. There may be a situation where money will not come in except from investment return.
- HOSE** Ms. Hose responded that the Assumption could potentially go up. The last study was done for 2018 so the next study could actuate the 6-1/2 to 7.
- PERIS** Ms. Peris noted that then they would need to look at strategies.
- TOMEVI** Mr. Tomevi indicated that all that insight will be very helpful.
- BROSEND** Mr. Brosend provided some additional comments from his field of expertise in the financial industry.

- The Index they're using is a very common Fiduciary Index to use when you're talking about a Raw Based Active Exposure. However, it doesn't give the drilled down detail.
- Mr. Dvoryak is looking for that type of information as sort of follow-up to what is being reported because if it is underperforming that's where it requires a drill down.
- Drilling down includes what is in Small Cap, Mid Cap, Large Cap, Growth Value and split it up including International. AME Index is a catchall and is a fine fiduciary way to catch all, unless more detail is needed.
- The question as to why the Indexes are outperforming may be answered this way. Indexes are just baskets of non-managed assets.
- Following 40 years of declining interest rates, the biggest Bond/Bull Market in U. S. History has occurred. Rates are going down, and Bond prices are going up. Add a manager to outperforming funds, they will take their fees out of there.
- When the outperformance changes, the interest rates flatten out and then start to rise. That is where the value of some of the managers will position the Portfolio to make money in a rising rate environment rather than an Index.
- Where the Stock Managers make money is when times are bad, and it is called Relative Performance. When the fund is down 20 but the market is down 30, relative performance is pretty good.
- Currently, all that is necessary is to be in the stock market because there is easy money by the Feds just driving things up. The Asset prices in stocks is a result.
- Indexes keep cutting their fees, and investors are using Index Funds. If assets keep going into the Index Fund and they keep buying the same stocks, they keep driving the same prices up, and the regular managers can't keep up because they are trying to outperform that.
- As the Indexes keep getting more and more money funneling and individuals getting out of the Market and into the Individual Stocks, the Indexes keep working until it doesn't.
- When it doesn't is when the Market starts to drop and that's where the Commission will see the active, traditional Mutual Fund Managers outperform. That's what you're paying for and you're not getting that right now because it's not that easy.

**PERIS** Ms. Peris acknowledged Mr. Brosend's point as accurate. She noted at the end of the recession Index Funds were the strongest performing because everything was down and all of the markets were very highly correlated. When the markets are less correlated it results in a higher performance.

**HUNT** Chairman Hunt commented that 2008 is the end of the 10-year window.

**BROSEND** Mr. Brosend noted that was all he wanted to say to try to put things in slightly different terms.

**HUNT** Chairman Hunt thanked him and noted it was actually very helpful.

**BROSEND** Mr. Brosend offered to respond to questions off line.

**6. OLD BUSINESS**

There was no Old Business.

**7. NEW BUSINESS**

A. Acknowledge – Auditor General Engagement Letter for Pension audit for January 1, 2015 to December 31, 2018

**MR. TOMEVI MOVED TO ACKNOWLEDGE THE AUDITOR GENERAL’S ENGAGEMENT LETTER. MS. WINGERT WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**8. COMMITTEE MOTIONS**

A. Authorize payment to Conrad Siegel Actuaries from Firefighters Pension Fund in the amount of \$6,150.00 for services rendered from December 17, 2018 through June 16, 2019

**MS. WINGERT MOVED TO AUTHORIZE PAYMENT TO CONRAD SIEGEL ACTUARIES IN THE AMOUNT OF \$6,150 FOR SERVICES RENDERED FROM DECEMBER 17, 2018 THROUGH JUNE 16, 2019. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**WINGERT** Ms. Wingert questioned whether Fulton could come and present a review but then have a subcommittee to review it a second time a year. She noted she does not understand some of what they are saying as it is not her expertise.

**HUNT** Chairman Hunt agreed. He noted that the fund is losing ground on the investment side and there is a negative cash flow.

**TOMEVI** Mr. Tomevi commented that he wondered if funds could be invested together with other invested funds but separated for individual Pension plan purposes. He thought perhaps fees could be reduced. There could be a sub-board with a greater understanding of investments.

**HOVIS** Solicitor Hovis indicated there would have to be Joint Investment Policies that are identical with a hired identical manager. The YAUFR board is made up of seven members here and two Firefighters. They cannot be making decisions that impact Springettsbury Township or anything like that. There may be different philosophies of the two pension boards.

- HUNT** Chairman Hunt questioned whether the Auditor General has a recommendation for some sort of standard.
- HOVIS** Solicitor Hovis responded that he wanted to go with a PMRS.
- BROSEND** Mr. Brosend stated that was what Manchester Township has.
- WINGERT** Ms. Wingert stated that theirs is ARS. She questioned Mr. Brosend as to whether the PMRS has been doing very well for Manchester.
- BROSEND** Mr. Brosend responded that they are within their obligation.
- HOVIS** Solicitor Hovis indicated they keep a very low benchmark.
- HUNT** Chairman Hunt asked Mr. Brosend to explain how the Actuarial Analysis got to be 6-1/2 percent.
- BROSEND** Mr. Brosend responded that his guess would be that interest rates were much higher back then. The Bonds were yielding 5-1/2 to 6 percent and that coupled with Equities would provide growth. That type of Actuarial Assessment would be accurate. The reason companies are coming out with different types of asset allocations is because bonds are paying so little. If a Portfolio projection is built off of 5 percent interest on the bonds getting 1-1/2 percent interest, then the other 3-1/2 percent interest must come from the equity or stock side.
- DVORYAK** Mr. Dvoryak commented that had been happening since the 2008 market financial meltdown. Investment companies have been dialing down expectations for future returns for both stocks and bonds. If there is a standard 60/40 portfolio, 60 percent stocks and 40 percent bonds, the assumption is a good return. Considering the next 10 years seems to indicate a dialing back of what to expect in the future. He questioned how large a drop would Fixed Income be because Bonds are at about 2 percent.
- BROSEND** Mr. Brosend responded that going out 10 years it would be about 1.5 percent.
- WINGERT** Ms. Wingert noted that this discussion is in Mr. Brosend's area of expertise. She questioned whether the Commission should continue with Fulton.
- BROSEND** Mr. Brosend responded that he did not think they are doing a bad job, and they are not overly expensive. They are very diversified with different managers, which can be good; however, sometimes that won't work very well. They are employing a very solid strategy. He added that would not mean it should not be shopped.
- WINGERT** Ms. Wingert indicated that was the assurance she needed. She asked whether there should be a sub-committee or someone who really knows what they are doing to ask questions.

- BROSEND** Mr. Brosend responded that they are likely to come back with lower actuarials, and they are going to discuss interest rates and assets.
- DVORYAK** Mr. Dvoryak added that when they do that, if the Commission adopts that, it means the amount that is paid into pensions grows dramatically; contributions from YAUFR will need to grow to make up the gap.
- HUNT** Chairman Hunt noted that a hard commitment will be made to find a benefit in order to make up the shortfall. The townships have to make up the shortfall if the investment doesn't keep up with the expected liability.
- TOMEVI** Mr. Tomevi noted it will certainly happen.
- HUNT** Chairman Hunt stated that he was pleased to hear that the economic forecast is rosier than he would have expected.

**Reorganization**

- HOVIS** Solicitor Hovis stated that a Resolution must be adopted appointing whoever the new members are delegated to the Commission. This will be done following the municipality reorganizations after the New Year.

**9. ADJOURNMENT**

- HUNT** Chairman Hunt adjourned the meeting at 7:28 p.m.

Respectfully submitted,

*Signature on file at YAUFR Headquarters*

Dan Rooney  
Secretary

ja