

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

**FEBRUARY 18, 2020  
APPROVED**

The York Area United Fire and Rescue Commission held a Fire Pension Board Meeting on Tuesday, February 18, 2020 at 6:30 p.m. at YAUFRR Headquarters, 50 Commons Drive, York, PA 17402.

**MEMBERS IN**

**ATTENDANCE:** Austin Hunt, Chairman  
Charles Wurster, Springettsbury Township  
George Dvoryak, Springettsbury Township  
Mike Thomas, Spring Garden Township  
Dan Rooney, Spring Garden Township  
Lisa Wingert, Manchester Township (via Skype)  
Deb McCune, Manchester Township  
John Inch, Manchester Township  
Aaron Eckert, Fire Representative  
Les Rhoads, Fire Representative

**ALSO IN**

**ATTENDANCE:** Dan Hoff, Chief  
Steve Hovis, Solicitor  
Elizabeth Peris, Fulton Financial Advisors  
Annette Hose, Fulton Financial Advisors  
Don Bishop, Springettsbury Township (Alternate) in audience  
Jean Abreght, Stenographer

**1. CALL TO ORDER**

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

**Comment concerning Ms. Wingert's attendance via Skype. She is not counted for the quorum. She can vote but does not have to vote.**

**2. ACTION ON MINUTES**

A. Approval of Minutes – November 19, 2019 – Pension Board Meeting

**MR. ROONEY MOVED FOR APPROVAL OF MINUTES OF THE NOVEMBER 19, 2019 PENSION BOARD MEETING. MR. RHOADS WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**3. PUBLIC COMMENT**

There were no public comments.

**4. CORRESPONDENCE AND OTHER COMMUNICATIONS**

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- A. Acknowledge Receipt of Fulton Financial Trust Report for November 1, 2019 – November 30, 2019
- B. Acknowledge Receipt of Fulton Financial Trust Report for December 1, 2019 – December 31, 2019
- C. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for October 1, 2019 – December 31, 2019
- D. Acknowledge Receipt of Fulton Financial Trust Annual Report for January 1, 2019 – December 31, 2019
- E. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2020 – January 31, 2020
- F. Acknowledge Receipt of Auditor General Compliance Audits for the period of January 1, 2015 to December 31, 2018 for the Union Defined Benefit Pension Plan, Union Defined Contribution Pension Plan and the Administrative Defined Contribution Pension Plan

**MR. DVORYAK MOVED TO ACKNOWLEDGE RECEIPT OF THE REPORTS A THROUGH F AS LISTED ON THE AGENDA. MR. INCH WAS SECOND. MOTION UNANIMOUSLY CARRIED.**

**5. REPORTS FROM FINANCIAL ADVISORS**

- A. Fulton Financial – Investment Presentation

**HOSE** Annette Hose introduced herself and Elizabeth Peris of Fulton Financial Advisers for the newer board members. She noted they serve as the Trustee and Investment Advisor for the YAUFR Pension Fund. She stated that she and Ms. Peris would present the quarterly reports to the board. In addition, Chief Hoff requested to have an Addendum presented to address questions from the November Fire Pension Board meeting surrounding meeting the Actuarial Assumption of 6-1/2%.

Annette Hose presented the Accounting for the period October 1, 2019 through December 31, 2019. Market Value as of October 1, 2019, \$5,296,218.76; Quarterly Employee/Firefighters Contributions, \$7,936. The Minimum Municipal Obligation was funded in last quarter of \$285,277.00. Gain for the quarter, \$213,405.59; Disbursements (Pension Payments to Retirees) \$63,563 plus Health Insurance Premium Payments of \$277.97; Disbursement of \$63,791.52; Expenses \$9,792.43; Total Disbursements \$73,583.95. Market Value as of December 31, 2019 - \$5,788,598.77.

**PERIS** Elizabeth Peris provided the Investment Presentation for which documentation the board had been provided. She reviewed the Executive Summary for the board, which showed the Asset Allocation of Cash 2.5%, Fixed Income 42.6%, Equities 51.5% and Alternatives 3.4%. She called attention to the Quarterly Returns showing 17.55%; Net of Fees 16.71%. Market value is just below \$5.8 Million. Within the Actuarial Statement the liability of the pension plan is \$5.9 Million. The plan is on target with the Policy Statement. The Equity allocation revealed most of the dollars are in the domestic markets. Ms. Peris commented that the risk of recession is low in the U.S. despite the Coronavirus risks. Domestic markets tend to have a more resilient earnings patterns so they will continue to overweight domestic versus

international markets. When the Coronavirus subsides, they will see the impact on the Chinese economy and re-evaluate the international markets. She noted the Growth style is more expensive than Value but they see more potential in the Growth as the emphasis is on technology that is driving the U.S. economy.

Bond Portfolio - Ms. Peris commented on the bond portfolio which holds just over \$1.6 Million in individual bonds; about 2/3's of the total bond portfolio. It is supplemented with some Mutual Fund liquidity.

Interest Rates - The Federal Reserve Board expected interest rates to remain on hold for the remainder of the year. Economic growth is slow with little inflation which will keep the interest rate stable for 2020. Because of the interest rates, the portfolio earnings will be about 2.96% yield to maturity return.

Calendar Returns – 2019, 17.55%; 2018, -5.5%; 2017, 13.75% showing the variability and risk in the portfolio. Overall goal is to earn 6.5% for the Actuarial Assumption.

Portfolio Performance – A time weighted methodology is used for evaluating returns. Fixed Income for one year was 9.46%; Equities were 27.13%. The benchmark in the Investment Policy Statement in the MSCI All World global equity was 26.6%. The 10-year was up 9.58% versus the MSCI 8.79% mostly due to overweight domestic markets relative to the international markets. Total Managed performance over 5 Years, 5.50%; Net of Fees 4.69%; 10 Year 6.78%. The 10 Year result is close to the Actuarial figures; however, the benchmarks won't meet the Assumption.

**PERIS** Ms. Peris noted that the remainder of the meeting would be a review of the portfolio returns going forward and how to meet the 6-1/2% Actuarial Assumption.

**HOSE** Ms. Hose had prepared additional documentation for a review and potential plan to meet the Actuarial Assumption of 6-1/2%. She noted that the economy in 2019 enabled a 17% return on the portfolio, which reveals the ebbs and flows of how the markets move. She reviewed documentation showing the entire year 2019 Market Value. As of January 1, 2019, \$4,914,919.65; MMO Contribution of \$285,277.00; 5% Employee Contributions \$35,181.74; Total Receipts of \$159,999.59. Disbursements (9/10 Retirees) included \$254,254.20; Expenses (Fulton) \$33,247.04 (-57%); Outside Managers \$4,568.39; (-08%); Actuarial Fee (Conrad Siegel) \$10,000.00 (-17%); minus Withholding Taxes and Rebates for a Total Disbursements \$303,185.28. A recap: Inflow: \$320,458; Outflow: \$303,185.28.

**PERIS** Ms. Peris revealed the math that leads to the Actuarial Unfunded Liability.

**HOSE** Ms. Hose indicated that Conrad Siegel reviews all the numbers, and that is how they determine the 6-1/2% Unfunded Liabilities on a five-year-basis

**HOFF** Chief Hoff noted for clarification that the audit report included the surviving spouse in with the other nine retirees.

- PERIS** Ms. Peris called attention to the first page in the supplemental materials. She noted the table showing asset allocations, expected returns and risk parameters. Currently the portfolio would be in the balanced growth category with global diversification with equities returning just below 8% over long term. She revealed several possibilities for future investments with methodologies and analyses, some with substantial risks involved. She noted that there is a lot of material in the Actuarial report. The Pension Plan funded status is 87-1/2, and the pension plan is well funded compared to others in Pennsylvania. As an organization the answers are unknown as to whether to increase the allocation to 65% to get the 6-1/2% for the Actuarial Assumption.
- WURSTER** Mr. Wurster questioned a comment from 2019 with regard to taking on some high yield debts and corporate bonds. He asked whether they still want to have that focus on corporates and whether there is risk to that during the credit cycle/economic cycle. He added whether that would be part of the balanced growth scenario.
- PERIS** Ms. Peris responded that the Investment Policy Statement allows up to 10% in high yield. The current allocation is between 5% and 10% and they see very low risk of default with those organizations. High yield exposure continues, and the spread between high yield and corporate debt is very narrow at this time. They continue to monitor this closely.
- WURSTER** Mr. Wurster questioned Fulton Financial Advisors' perspective on the GRECO crisis in the repo market and whether it affects high yield bonds.
- PERIS** Ms. Peris responded that the repo market would impact the money market more than the high yield market at this time. They use the Goldman Sachs Money Market and the Federated Money Market, two of the largest providers for money markets in the U.S. They are continually updated and they are confident they can continue.
- WURSTER** Mr. Wurster questioned their perspective on energy holdings.
- PERIS** Ms. Peris responded that energy had not performed well because the price had dropped dramatically, especially due to the Coronavirus and China being a large consumer of fossil fuels. They do not see as much potential in the internet sector as they have in the past. In addition, if there is a shortage in energy in the U. S. they are able to bring enough product to market very quickly. Technology has allowed them to sense the risk which can go up and down very quickly.
- PERIS** Ms. Peris commented that the one thing that isn't noted are called correlations. One sector with the lowest correlations is the International Fixed Income; about 50 for most asset classes. She indicated the high yield market has a very high correlation with the stock market.. The U. S. Midcap market and the Developed International have very similar risk return; also somewhat correlated. One way to help reduce this in the portfolio is to decrease the International exposure and put the money into the U.S. market. That eliminates the currency risk and can help the risk profile.

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Ms. Peris called attention to the page showing the Asset Classes and the Target Ranges based on the IPS of 50% Equities. The Equity target would remain at 50% with a range between 40% and 60%. Fixed Income target would be 47.5% with the range between 40% and 60%. That would result in the 5-1/3% expected. Some new policy benchmarks could be created and, if appropriate, equity allocation up to 65%.

**WURSTER** Mr. Wurster questioned the alternative investments she mentioned.

**PERIS** Ms. Peris responded that there are various alternatives. The ones they use in this portfolio are funds that can go both long and short all sorts of markets. Some of them are called market mutual which are 100% long and 100% short. Some commodities can be included. They use Act 40 Mutual Funds with daily liquidity in the portfolio for diversification of fees up front. Long term expected return of alternatives is 3% or 4%. If it is at 3% it is not going to generate much return just to diversity and reduce the risk.

**HOSE** Ms. Hose questioned whether they had addressed all the questions from the board.

**HUNT** Chairman Hunt responded that they had and noted it was great information. It does prompt more questions; however, it does help the board to visualize a lot of cross currents.

**PERIS** Ms. Peris commented that they are facing an aging workforce, more retirees, less contributions from the current workforce due to the number of participants in the plan dwindling. It is a closed plan, no new entrants. There is another item currently in the plan where that 5% will have to be paid when compensation goes into the plan to fund it. The situation will come where there could be more outflows than inflows. The goal is that when the last pensioner receives the last check, the plan would be at zero. It needs to be fully funded plus.

**RHOADS** Mr. Rhoads questioned whether they could see how much the plan would have returned if it was out of the balanced growth and into the growth fund.

**PERIS** Ms. Peris responded that in 2019, clients who had a growth fund were north of 20% returns. She added that it varies from client to client based on their returns.

**RHOADS** Mr. Rhoads thanked her and noted he was just curious as to what type of returns those plans would produce.

**HUNT** Chairman Hunt noted that if you look at the chart, you could have lost 20%.

**PERIS** Ms. Peris added that in 2018 there would have been a bigger loss.

**RHOADS** Mr. Rhoads understood.

**HUNT** Chairman Hunt stated that he was putting together a Subcommittee to review the current policy of the Pension Plan. He hoped to have a Firefighter and at least two board members. They may be drawing on Ms. Peris and Ms. Hose for information.

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He wanted to be certain the Commission is meeting and maintaining its fiduciary responsibility.

**PERIS** Ms. Peris indicated that in reviewing the Actuarial statement, she and Ms. Hose had some questions as well.

**6. OLD BUSINESS**

There was no Old Business.

**7. NEW BUSINESS**

There was no New Business.

**8. COMMITTEE MOTIONS**

There were no Committee Motions.

**9. ADJOURNMENT**

**HUNT** Chairman Hunt adjourned the Pension Board meeting at 7:15 p.m.

Respectfully submitted,

*Signature on file at YAUFR Headquarters*

Charles Wurster  
Secretary

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