

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

**NOVEMBER 17, 2020
APPROVED**

The York Area United Fire and Fire Pension Board meeting on Tuesday, November 17, 2020 at 6:30 p.m. by Zoom technology, York, PA 17402.

MEMBERS IN

ATTENDANCE: Austin Hunt, Chairman
Charles Wurster, Secretary, Springettsbury Township
Dan Rooney, Vice Chairman, Spring Garden Township
George Dvoryak, Springettsbury Township
Lisa Wingert, Manchester Township
John Inch, Manchester Township

ALSO IN

ATTENDANCE: Daniel Hoff, YAUFR Chief
Steve Hovis, Solicitor
Annette Hose, Fulton Financial Advisors
Elizabeth Peris, Fulton Financial Advisors
Lester Rhoads, Pension Board Rep
Joe Stoppard, YAUFR
Lisa Einsig, YAUFR
Laurie Noel, YAUFR
Jean Abreght, Stenographer

1. CALL TO ORDER

HUNT Chairman Hunt called the York Area United Fire and Rescue Pension meeting to order. By roll call a quorum was determined with eight members present: Ms. Wingert and Messrs. Hunt, Wurster, Rooney, Dvoryak, Inch, Rhoads and Stoppard.

2. ACTION ON MINUTES

A. Approval of Minutes: May 19, 2020 – Pension Board Meeting

MR. DVORYAK MOVED TO APPROVE THE MINUTES OF THE MAY 19, 2020 PENSION BOARD MEETING. MS. WINGERT WAS SECOND. BY ROLL CALL VOTE THE MOTION WAS 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, 2020 – April 30, 2020
- B. Acknowledge Previous Receipt of Fulton Financial Trust Report for May 1, 2020 – May 31, 2020

- C. Acknowledge Previous Receipt of Fulton Financial Trust Report for June 1, 2020 – June 30, 2020
- D. Acknowledge Previous Receipt of Fulton Financial Trust Quarterly Report for April 1, 2020 – June 30, 2020
- E. Acknowledge Previous Receipt of Fulton Financial Trust Quarterly Report for July 1 – July 31, 2020
- F. Acknowledge Receipt of Fulton Financial Trust Report for August 1, 2020 – August 31, 2020
- G. Acknowledge Receipt of Fulton Financial Trust Report for September 1, 2020 – September 30, 2020
- H. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for July 1, 2020 – September 30, 2020
- I. Acknowledge Receipt of Fulton Financial Trust Report for October 1, 2020 – October 31, 2020

MR. ROONEY MOVED TO RECEIVE THE DOCUMENTS AS LISTED ON THE AGENDA. MS. WINGERT WAS SECOND. BY ROLL CALL VOTE THE MOTION WAS UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE Annette Hose presented the Cash Flow for the 3rd Quarter of the year. The Market Value at the beginning of the quarter was \$5,609,880.24. Cash Flow total receipts including Cash Contributions, Investment Income, Gains for the quarter resulted in about \$258,000. Cash Receipts totaled \$294,287.51. Disbursements for the quarter, which consisted of the Distribution of Pension Payments and the Expenses of Fees totaled \$83,745.43. The portfolio as of the end of September 30th was \$5,820,422.32. She pointed out that the portfolio to date is actually at \$6,330,000. The MMO Contribution of \$286,721 was contributed on October 28th.

PERIS Elisabeth Peris presented the Investment Review. She noted that, as Ms. Hose stated, the Balance is \$6.3 million as of this date. The Portfolio Allocation is targeted at 50% Equities. With a 50% Equity allocation the expected return over the long term is about 5.25%. That is based on an 8% return in Equities, 2.5% in Fixed and Cash at 1.5% return. Year-to-date Returns is up 9.43%; before fees and Net of Fees up 8.75%. Index during that period is 9.39%. Current Index is 50%; Brokers Aggregate at 50%, and 50% MSCI All World Equity Index.

Ms. Peris discussed what the markets have done noting the Asset Allocation Analysis. She noted what they foresee going forward. Post-election has resulted in a rebound in the markets, most of which is predicated on the uncertainty with the election. Once that has been resolved that will subside into a focus on the COVID vaccine. Because of the uncertainty they are staying very close to the long-term target allocations especially within the major asset classes. They look for a very slow economic growth and slow labor market growth, as well as a very

slow profit recovery. Any sort of stimulus package will be less robust and most policy decisions will stay closer to what they are currently. The Federal Reserve will continue to be very accommodating in the near term to keep the economy rolling.

Ms. Peris focused on the Equity Allocation, which at this time some changes are contemplated. Large cap at this time is 63% of the portfolio. Long-term target for Domestic Large Cap is 40% which is extremely overweight in that sector. The typical allocation is 37% to 38% and currently it at 20%. Large Cap Growth is favored at this time and has worked well for the portfolio through the end of September. The Technology sector retreated in October and doing well this current month. Value sector is beginning to outperform. Economic growth will be slow moving forward. Depending upon the Biden Presidency they are contemplating what might happen with the value of the dollar; a lower dollar would benefit the Emerging Market sector to which they may look to start increasing some exposure. They are seeing the Pacific Rim areas do better; however, they may look to move into some of the Deep Cyclical Value stocks which are tied to economic growth.

Ms. Peris discussed the Fixed Income Portfolio which represents the individual Bonds in the portfolio, about 70% of the Bonds at this time. The balance is made up of Mutual Funds which are available for liquidity needs. In addition, they help with some of the tactical decisions to be made. She noted that the word from the Federal Reserve is that they will keep the fund rate at 0% to a .25% for an extended period. They are committed to let the inflation run through to a long-term targeted 2%. They hope to have the yield curve steepen. The 10-Year Treasury had been hovering at below 1%. The Bond Portfolio is A+ Rated, very high credit quality. Duration of the individual Bonds is about 6-1/3 years. The benchmark is at six, but adding in the mutual funds the total portfolio is down to five years making it less sensitive to interest rate changes.

Ms. Peris stated that they are focusing on Corporate exposures as opposed to Government exposure. The portfolio is over 50% in Corporate Investment Grade; whereas the benchmark is 32% so a lot of exposure to the Corporate field. There is a 5% exposure to the High Yield Market; policy allows it to go up to 10%. It has been trimmed back down to about 5% of the portfolio.

Ms. Peris discussed the Portfolio Performance Detail. Fixed Income Returns for the quarter up 1-2/3%; Barclays Aggregate up .6%; year-to-date on par with the benchmark up 6.75% versus 6.8%. High-yield exposure hurt the returns in the Fixed Income portfolio. Long-term 10-year record the Fixed Income is at 4%; benchmark is 3.64%. The High yield and Corporates benefit the portfolio along with the year-to-date.

Ms. Peris focused on the Equities section for the quarter, up 8.98% versus Index of 8.13%; year-to-date up 3.82% versus Index of 1.37%. International Markets

are picking up and are outperforming the Domestic as of the end of September. The Sector and Asset Allocations have worked well by emphasizing Domestic Large Cap Growth. Growth is up 20% and Value is down 11% through the end of September which indicates the Managers have done an extremely strong job.

Ms. Peris highlighted the International sector. The Goldman Sachs GQG Partners International is up 8.75% for the quarter; EIFA Index was at 4.8%. GQG Partners in Emerging Markets are up 17% for the quarter and the Emerging Markets Index is up 9.56%; some really fantastic outperformance by the International Managers.

The Investment Portfolio for the quarter was just below 5% Net of Fees and year-to-date just below 4%. Indexes are up 4-1/3% and 4.9% respectively. The 10-year number is up 5.25% and the Index is up 6.2/3%. The Actuarial Assumption is, at this point, 6.5%. Ms. Peris directed the Board to review expected returns for different asset allocations in the Investment Portfolio Strategies.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE REPORTS

A. Pension Sub-Committee – Investment Policy Presentation

WURSTER Mr. Wurster provided a PowerPoint presentation of the Pension Sub-Committee's review of the current Investment Policy Statement Revisions. He reported that the Sub-Committee met throughout the course of the spring and summer. The Sub-Committee members were himself, Lester Rhoads and George Dvoryak. Their recommendations were presented.

Mr. Wurster reviewed the facts of the Pension Plan which included the number of participants at 22, the funding by Act 205, employee contributions and YAUFR funding from the municipalities.

The Actuarial Assumption rate of return of 6.5% must be achieved in order to meet the retiree obligations. The current investment mix is projected at 5.25%. The Coronavirus affected a draw down in equities. As well there was a dramatic drop in Gross Domestic Product in the first part of the year but a strong rebound in the second half of the year. However, with the current investment mix the result will remain at 5.25%.

The Sub-Committee proposed to expand the target ranges for Cash and Fixed Income to result in an 18% to 50% range. This would bring in the Fixed Income and expand the Equities to a 65% target. Research into the York and Lancaster

county-wide pension programs indicated a 65% target. As an alternative with a lower target and a more narrow range some of the funds can be used to increase Equities. Bonds have done well for a period, but Equities are going to be the better opportunity to increase the rate of return and hit the target of 6.5%

Mr. Wurster had provided two versions of the policy. One was a red-lined version that Ms. Peris had reviewed and made some technical changes. Some of the benchmarks were changed with a greater emphasis toward meeting the actuarial assumption. The Bond quality limits were changed with regard to the quality of the Bonds and when they are purchased. Mr. Wurster requested that the Commission adopt the changes to the Investment Policy as described in the red-lined version, as well as in the draft statement. Following the Commissions' approval Fulton Financial Advisors would be authorized to use the policy, which they helped to create. If adopted then Conrad Siegel, Actuary would be advised of the changes so that they can, as part of their next actuarial analysis of this plan, make the necessary changes.

HUNT Chairman Hunt asked how the target is set, i.e., by the actuarial assumption or by the Investment Policy.

WURSTER Mr. Wurster responded that there are two independent functions, i.e., the actuarial assessment projected retirement years for participants, amount of funds going in and expected rate of returns over time. The two independent forces are trying to self-reinforce each other and it is anticipated that the Investment Advisors will be able to get the rate of return to meet the Actuarial Assumption. There may be times where the Advisors will be able to exceed that which will offset any lower return times.

HUNT Chairman Hunt questioned when there would be a tipping point as employees retire there will not be any new employees. Act 205 funding is based on employee head count. He questioned whether the Actuarial Assumptions would need to be at 10%, 12% 14% to satisfy because there will be a negative cash flow as the retirees are drawing out of the principle.

WURSTER Mr. Wurster responded that he was correct; however, much could happen between now and then. With the Actuarial analysis that is done and early warning signals, there may be a point in time where the municipalities need to provide some funding. He added that by taking action today to improve the investment mix may be able to postpone the tipping point.

HUNT Chairman Hunt questioned a note on the Distress Score, now at zero. He asked how that would fit in with this discussion.

HOFF Chief Hoff responded that the last time YAUFR had a distress score it was one. That meant that there might be some difficulty. He asked Ms. Einsig if that had

been documented in the Audit Report. He noted the score is now at zero, which is the best score to get.

EINSIG Ms. Einsig confirmed that a statement is received notifying YAUFR of its rating.

HOVIS Solicitor Hovis added that it is a state function.

HUNT Chairman Hunt noted that a zero is better than one so that is improving.

WURSTER Mr. Wurster noted that with a better-than-average Actuarial Assumption returns, that distress number should stay at zero for some time. However, any given market that results in a downdraft a systemic downturn in all asset classes would be a challenge.

PERIS Ms. Peris thanked Mr. Wurster, Mr. Dvoryak and Mr. Rhoads. It was helpful and had been a rewarding experience. There were excellent questions that really focused on making sure that the plan will be here for the future pensioners.

HUNT Chairman Hunt asked if any of the Firefighters that are present wanted to add any comments and if it all made sense.

STOPPARD Mr. Stoppard indicated that he was satisfied and it all made sense.

HUNT Chairman Hunt asked about the MMO calculation and whether the township's contribution is based on immediate needs or long-term actuarial needs.

HOFF Chief Hoff responded that it is calculated every two years for the immediate needs; not projected long term.

HOVIS Solicitor Hovis stated that the new Investment Policy needed to be formulated into a Resolution establishing a new Investment Policy which could be done during the December meeting.

MR. WURSTER MOVED TO AUTHORIZE THE PREPARATION OF A RESOLUTION AMENDING THE INVESTMENT POLICY IN ACCORDANCE WITH THE RECOMMENDATION OF THE INVESTMENT COMMITTEE. MR. ROONEY WAS SECOND.

DVORYAK Mr. Dvoryak questioned why the Board could not simply approve the Amended Investment Policy Statement as presented and skip the need for a Resolution.

HOVIS Solicitor Hovis responded that his concern was that the Investment Advisors would want to see a formal authorization and not just a motion made for clarity's sake. He assumed that the Investment Policy by its terms cannot be amended without a Resolution.

BY ROLL CALL VOTE MOTION WAS APPROVED. MR. STOPPARD ABSTAINED.

HUNT Chairman Hunt expressed his thanks and appreciation for the Sub-Committee's excellent work.

9. COMMITTEE MOTIONS

There were no committee motions.

10. ADJOURNMENT

HUNT Chairman Hunt adjourned the meeting at 7:25 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Charles Wurster
Secretary

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