

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

**FEBRUARY 16, 2021
APPROVED**

The York Area United Fire and Fire Pension Board meeting on Tuesday, February 16, 2021 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
John Inch, Manchester Township
Thomas Gwilt, Spring Garden Township
Deb McCune, Manchester Township (Alternate)

NOT PRESENT: Lisa Wingert, Manchester Township
Aaron Eckert, Pension Board Rep

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
Lisa Einsig, YAUFR
Laurie Noel, YAUFR
Sue Sipe, Stenographer

1. CALL TO ORDER

HUNT Chairman Hunt called the 1st quarter York Area United Fire and Rescue Pension meeting to order. By roll call a quorum was determined with eight members present: Messrs. Hunt, Wurster, Rooney, Dvoryak, Inch, Rhoads, Gwilt and Ms. McCune.

2. ACTION ON MINUTES

A. Approval of Minutes: November 17, 2020 – Pension Board Meeting

MR. DVORYAK MOVED TO APPROVE THE MINUTES OF THE NOVEMBER 17, 2020 PENSION BOARD MEETING. MR. RHOADS 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 Receipt of Fulton Financial Trust Report for November 1, 2020
– November 30, 2020
- B. Acknowledge Receipt of Fulton Financial Trust Report for December 1, 2020
– December 31, 2020
- C. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for October 1, 2020 – December 31, 2020
- D. Acknowledge Receipt of Fulton Financial Trust Annual Report for January 1, 2020 – December 31, 2020
- E. Acknowledge Receipt of Fulton Financial Trust Report for January 1, 2021 – January 31, 2021.

MR. WURSTER MOVED TO RECEIVE THE DOCUMENTS AS LISTED ON THE AGENDA. MR. INCH 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 following Investment Presentation:

- Fourth quarter of the year started at \$5,820,422.32 – total contributions coming in for the fourth quarter last year
- \$286,721 was the municipal obligation funded in October 2020.
- The firefighter's contribution was \$8,194.98
- The investment income for the quarter at \$45,569.40
- Unrealized and realized gains are \$448,034.34
- Distributions for the quarter which were the monthly pension payments disbursed - \$73,632.03
- Expenses are \$10,516 which takes the portfolio at the end of the year at \$6,524,793.75.
- She noted it was a good market for the fourth quarter.

PERIS Elisabeth Peris presented the asset allocation and the performance through December 31, 2020.

- The market value at the end of December was \$6.5 million with 51% of the portfolio invested in equities.
- The current portfolio is at \$6.7 million with 65% of the portfolio invested in equities
- The investment policy statement was officially signed on February 1, 2021.
- The primary reason behind asset allocation is because the actuarial assumption is 6.5% and the expected return with 65% equities is 6¼%. The equity allocation was raised in order to achieve the actuarial assumption.

- Cash flows for the year started at \$5.8 million – net contributions were \$35,700.
- Income for the year was \$ 138,745.60.
- Fees total \$41,000. This was a net return of over 13% for the year.
- Net of fees was 12¼% and the index during that period was 12¾%.
- In the fourth quarter they had strong returns, most of which were as a result of post-election and as the uncertainty faded they saw the account up 8.2% with net fees at 8%, and the index during that period was 7.5%.
- The index at this point was 50% the MSCI ACWI for this stock market and 50% of the Barclays Aggregate for the fixed income market.

Ms. Peris stated another comparison was made when looking at what peers have done and when looking at the Morningstar Peer Review information:

- Those portfolios which had an allocation between 30-50% equities returned 8.85% for 2020.
- Portfolios having an allocation between 50-70% in equities returned 11.72%
- YAUFR's portfolio outperformed both of those peer indices. The strong returns in 2020 were fueled by monetary and fiscal policy which was implemented during the course of the year.
- At the end of 2020 during the fourth quarter was the cyclical start to outperform in the stock market as well as small caps in the emerging markets.

HUNT Mr. Hunt asked if the percentage increase shown include the employer contributions.

PERIS Ms. Peris responded under the Quarter-to-Date the net contributions less withdrawals do include what the employees contributed plus the contribution from the state.

HUNT Mr. Hunt asked does that 8.2% growth quarter to date include the contributions?

PERIS Ms. Peris responded no it does not. That is pure investment performance. She noted including the contributions is the growth in the portfolio close to 12%. They exclude the contributions, negating the cash flow effects.

PERIS Ms. Peris moved on to the Asset Mix as of the end of December 2020, pointing out what the mix was versus the policy at that time. She discussed what the new ranges are in the investment policy statement:

- The new target for the cash and fixed income is 30%.
- The new target for the equity is 65% and the alternatives target is 5%.
- With the equities the range is 40-70%, providing flexibility on the downside to help protect the fund.
- The upside is limited to 70%.

WURSTER Mr. Wurster commented that the report sounds consistent with what was discussed as a group.

PERIS Ms. Peris stated for the next report the policy ranges will reflect those changes.

Ms. Peris referred to the Equity Capitalization and Style Analysis page which she indicated is looking at what the mix of equities was as of mid-January. It also indicates future growth. She noted they are expecting a strong economic growth in the second half of 2021. This is predicated on the effective rollout of the Covid vaccine and individuals willing to receive the vaccine as well as herd immunity. She noted this strong uptick in economic growth is based on many factors, i.e., households with accumulated savings because of the quarantine, allowing for greater consumption for leisure and hospitality with businesses rebuilding inventory. They are also seeing a large amount of corporate leverage which should help expand the profit margins of businesses going forward. With this above-trend economic growth they expect rising inflation, and the yield curve steepen with the expectation the dollar will continue to fall. She noted they have moved dollars into the “deep cyclicals”, i.e., energy sector, financials, industrials – those sectors that outperform when there is strong economic growth. At the same time, they do want to keep an eye on technology, expecting it to be cyclical during the course of the year. Other sectors that do well in this environment are the small caps, therefore, they have increased small cap exposure and also increased emerging markets. The international is shown for 20% with the target at 26%. All of that increase begins within the emerging markets sector, which is effective with the receipt of the new investment policy statement.

HUNT Mr. Hunt commented he has seen steel and lumber prices are started to spike upward. He asked if she was seeing raw materials pushing inflation?

PERIS Ms. Peris responded yes – with inflation raw materials are increasing. She noted other factors include when full employment is obtained that will hopefully spur additional inflation – economic growth. She indicated currently increases in prices are coming from the commodity sector and also businesses rebuilding their inventory for raw materials.

PERIS Ms. Peris referred to the Fixed Income portfolio, noting they are starting the year out with a shorter duration than the bench mark. She indicated the chart which highlights the individual bonds in the portfolio, pointing out the duration is 5.62 years.

- The duration of the Barclays aggregate currently is 6 years.
- The credit rating is 8+ which is above the credit rating of the bench mark.
- It can be expected this year the funds rate will remain anchored at 0-1/4%.
- They are confident the fed will continue their pace of treasury and mortgage back security purchases until substantial further progress has been achieved with respect to employment and inflation goals.

- The inflation target still remains below that 2% long-term target. They expect that short-term rate to remain anchored to 25%. At the same time they are seeing yield curve start to steepen.
- Because of the inflation expectations and economic growth in this environment they are over-weighting spread products. They have a large amount of investment grade corporates but they also have an exposure to high yield.
- In the investment policy statement, they can invest to 10% in below investment grade which is a B as shown on the page.
- Rating is currently at 8½% of the bond portfolio. She commented on the bonds that are shown as NR, noting there is a Yankee bond, they are all A-rated or above. She noted this is just a problem with their pricing service not putting in the bond credit rating.

Ms. Peris referred to Page 10 of the presentation which she indicated provides an historical perspective of the growth of the portfolio over the years. The beginning of 2015 it was at \$4.3 million, it is now in excess of \$6.5 million. She noted the chart displays the net contributions during the period which are starting to decline as the payups are now starting to exceed contributions and fees. It also shows the volatility of returns, some negative years – 2016 was an average year, and 2017, 2019 and 2020 had strong returns in the stock market.

Ms. Peris moved on to the Total Portfolio:

- The fixed income for the quarter was up 2.6%.
- Year-to-date at 9.51% and the out-performance compared to the Barclay Aggregate is because of the exposure to spread products and the under-weighting of the U.S. treasury market. What they saw in the beginning of the year is because of the weighting in high yield. There was slight under-performance but it quickly regained out-performance as the spread product continued to do very well.
- Over the last 10 years the return is 4.44% and the bench mark at 3.84%.
- Longer term numbers are positive.
- Equities were up 13.96% for the quarter and the MSCI ACWI was up 14.68%.
- The slight underperformance is because of the strength in the emerging markets
- Year-to-date was up 18.37%
- The ACWI was up 16.246%
- The year-to-date performance is attributable to the overweight in large cap value and technology issues. As well, some of the managers did well this year.
- For a 10-year period the equities are up 9.82% and the ACWI is up 9%.
- The strength of the emerging markets was up over 18%, with 19.7% in the 4th quarter.
- The alternatives contributed to performance – 9% in the last quarter and 3.36% for the year.

- The 1 year number 13.07% and net fees 12.28% with the benchmark 12.77%.
- The other key indicator is the actuarial assumption at 6.5% and for the five-year period the return was more than the 6.5%.
- The 10 year is slightly behind and while 'Since Inception' is behind. At the same time they have increased the equity allocation over the last several years.
- Originally the allocation to equities was close to 35% and it has been increased to 50% with the latest move to increase it to 65%.

HUNT Mr. Hunt asked if there were any start-up charges associated with closing down some funds and moving funds with the new investment funds.

PERIS Ms. Peris indicated all the mutual funds they use have no rogues in them. There could be additional expenses because they purchased additional stocks. The cost to their broker is 3 to 5 cents a share. She noted the trading costs each year are less than \$100.

HUNT Mr. Hunt asked Ms. Peris to go over page 19 – Economic Heat Map.

PERIS Ms. Peris indicated the Economic Heat Map provides economic indicators that are followed to gauge the trend of economic growth. Oranges and reds indicate not good, while moving into the yellows indicates improvement with green showing very good. She noted April of 2020 shows it was the worst on the chart. What happened during the recession is that most of the individuals who were laid off are in hospitality and leisure industries, which are some of the lower income paying positions. This resulted in seeing hourly wages start to decrease dramatically.

HUNT Mr. Hunt thanked Ms. Peris and Ms. Hose for their report.

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

8. COMMITTEE REPORTS

There were no committee reports

9. COMMITTEE MOTIONS

There were no committee motions.

10. ADJOURNMENT

**YORK AREA UNITED FIRE AND RESCUE COMMISSION
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APPROVED**

HUNT Chairman Hunt adjourned the meeting at 7:02 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Charles Wurster
Secretary

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