

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

**MAY 18, 2021
APPROVED**

The York Area United Fire and Fire Pension Board meeting on Tuesday, May 18, 2021 at 6:30 p.m. by Zoom technology, York, PA 17402.

MEMBERS IN

ATTENDANCE: Austin Hunt, Chairman
Dan Rooney, Vice Chairman, Spring Garden Township
John Inch, Manchester Township
Thomas Gwilt, Spring Garden Township
Lisa Wingert, Manchester Township
Lester Rhoads, Pension Board Rep

NOT PRESENT: George Dvoryak, Springettsbury Township
Charles Wurster, Secretary, Springettsbury 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
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 without a quorum at 6:37 with four members present: Messrs. Hunt, Rooney, Rhoads, and Ms. Wingert. It was determined to proceed with the informational portion of the meeting.

2. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

PERIS Elizabeth Peris presented the following Investment Presentation:

- As of January 1, 2021 the market value was \$6,525,000.
- Contributions from employees \$7,400.
- During the period net income received was \$21,300.
- Capital gains both realized and unrealized was \$154,800.
- Total receipts for the first quarter were \$183,600.
- During the same period \$73,600 was paid out of distributions including pension payments as well as health insurance payments.
- In the expenses within the account were trustee fees of \$11,150 and foreign tax withholding was \$200.

- Fee rebates which are the return of the 12B1 fees and the shareholder servicing fees which are mutual funds – total of expenses is \$11,300 for a total disbursement of \$85,000.
- Market value as of the end of the period was \$6,623.

Executive Summary

- At the end of January beginning of February the investment policy statement was changed from a 50% equity allocation to a 65% equity allocation.
- As of the end of March the equity portfolio was below 65% and is approximately 4.3 million.
- The reason for the adjustment was to provide a higher rate of return which would match or exceed the actuarial assumption which was 6%. Expectation is to have this portfolio with this allocation to return on average approximately 6% a year.
- During the 1st quarter of 2021 equities were very positive on robust earnings and also improving economic fundamentals.
- The equity portfolio measured by the MSCI ACWU was up approximately 4.857%.
- In contrast the fixed income portfolio lagged due to a steep yield curve, which happens when there is an above-trend economic growth.
- The Barclays Aggregate for the first quarter was down 3.33%.
- The portfolio at the end of the period netted a return of 2.55% after fees. The index during that period was 1.75%.

Asset Allocation

- The policy does reflect the new target allocations that were adopted.
- As a contrast, the equity allocation at month end was 4.3 million.
- At the end of December it was 3.3 million so approximately 1 million dollars through purchases as well as appreciation added to the equity portfolio.
- Most of the dollars were taken out of the income portfolio as well as cash so the fixed income was 2.5 million at the end of December and is now 1.8 million.

HUNT

Mr. Hunt asked if the diversified alternatives is the real estate investment added some time ago.

PERIS

Ms. Peris stated it is another basket of products and strategies which may include long/short equities. There is absolute return which has low correlation to fixed income and equity markets which provides a small stable positive return. There is also market neutral which has a 100% long in one position and 100% short in another position.

Equity and Capital Style Analysis

- As of the end of the period, changes made reflect the inflation rally through the first quarter of 2021.

- A rotation was made into the interest sensitive stocks, also deep cyclicals which include sectors, i.e., energy, industrials, the financial sectors as well with small cap.
- They neutralized exposure to the tech areas, including growth and increased exposure to value, and small cap to maintain that diversification.
- There are periods that show the growth style outperforming, but are seeing this rotation into value. They think it will continue for a period expecting that the next period of economic growth will be fueled by consumer consumption.
- Because of the issue with the supply chain and the investment shortages they expect a lot of business investment going forward as well.
- They expect the economic boom to continue and be above trend for a period.
- They think they will maintain an overweight in the domestic markets.
- They are looking to increase exposure in the international, especially the developed value style to take advantage of what they can see as the European markets start to come out of their Covid situation.
- They are keeping eyes posted on the rising inflation expectation, thinking this is the biggest risk to economic growth, also risk to the stock market and the fixed income market.
- Another thing that drove inflation this past month was prices of airline tickets and hospitality as well as travel expenses starting to skyrocket.
- Underlying some of the employment numbers, there are currently many job openings. Starting to see the movement between jobs start to pick up. Starting to see wage pressure with companies.
- Also seeing pressure in the housing market with increase in price of lumber and other house building products. This includes rental properties with the rent moratorium.
- Two factors to observe - first is the output gap which at this time the economy is still below trend so there is a significant output gap where inflation is not seen.
- Also seeing the unemployment numbers still below 4%. Potentially should see this resolved by year end. Continue to monitor it at this time. Will provide an update by the next quarter.

Bond Portfolio Credit Quality and Duration

- Shows 65% of the bond portfolio.
- They partnered with Federated.
- The credit rating is a plus and the benchmark which is the aggregate also has an A+ credit rating.
- The duration of this bond portfolio is 5.38 and the duration of the aggregate is 5.62.
- The duration will continue to remain short and could see shortening duration even more should inflation pick up at a faster clip.
- Also they are overweighting corporate credit which includes both investment grade as well as high yield.
- The portfolio permits up to 10% in high yield and currently there is a 9% rate in the high yield market.

- Weighting in Triple B weighted bonds is approximately 25%.
- In comparison the index is at 12%.
- The triple A rating bonds which is primarily treasuries, exposure is at 30% and the index is at 69%.
- Bonds indicated as not rated, those are Yankee bonds which are A rated or better – this is an issue they have with their pricing in-service when they bring in the bond rating.

Growth Analysis

- Shows the market value of the portfolio from year to year and the variability of the annual returns.
- What they expect from this portfolio are returns that range from a negative 11% up to a positive 27%.
- In 2016 started at 4.3 million and now it is 6.6 million.

Review of Portfolio Performance

- Fixed Income – YTD down 2¼%.
- The benchmark is down 3-1/3%. This is with the duration stance taken and also the position to be in which is below investment grade as well as corporate investment grade.
- For 10 years it is up 4.16% and the index during that period was 3.44%.

Equities

- YTD is up 5.58% and the MSCI ACWU is up 4.57%. This is attributable to the allocation moves.
- Decreasing the small cap exposure, increasing small cap, also putting more dollars into the cyclical sectors.
- Had strong outperformance from two of the managers – one is the Boston partners which is approximately 20% of the equity piece. They were up 14.17% and the S&P 500 value index was up 10.77%.
- The other manager was Fulton Strategic Growth portfolio - it was up 3% and the S&P 500 growth was up 2.12%. This is also 20% of the equity portfolio.
- Looking at the longer term number on the equity line – equities for 10 years are up 9.74% and the index is up 9.15%.

Alternatives at the bottom of the page

- One of the first periods where the alternatives are shown as contributory to the performance of the fund. So far YTD at 4.9%.
- The Wilshire Liquid Alternative index is the best one out there and is not indicative of how it is structured but it is up 2%.
- Shown below on the page are some of the funds they are using.
- Total Portfolio for YTD as well as the 10 year number which is up 2.55% net of fees.
- The benchmark is up 1.75%.

- The one year number is up over 30%
- The one year number for equities was up 55% for the index.
- The 10 year is up 6.57% before fees – after fees 5.75% and the index was 6.91%.
- Since the account was opened the total account is up 6% and that matches the actuarial assumption for that period.

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

HUNT Chairman Hunt called the end of the informational portion of the meeting at 6:59. The remainder of the meeting agenda was called to order with a quorum with six members present: Messrs. Hunt, Rooney, Rhoads, Inch, Gwilt and Ms. Wingert.

3. ACTION ON MINUTES

A. Approval of Minutes: February 16, 2021 – Pension Board Meeting

MR. RHOADS MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 16, 2021 PENSION BOARD MEETING. MR. ROONEY WAS SECOND. BY ROLL CALL VOTE THE MOTION WAS UNANIMOUSLY CARRIED.

4. PUBLIC COMMENT

There was no public comment.

5. CORRESPONDENCE AND OTHER COMMUNICATIONS

- A. Acknowledge Receipt of Fulton Financial Trust Report for February 1, 2021 – February 28, 2021
- B. Acknowledge Receipt of Fulton Financial Trust Report for March 1, 2021 – March 31, 2021
- C. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for January 1, 2021 – March 31, 2021
- D. Acknowledge Receipt of Fulton Financial Trust Annual Report for April 1, 2021 – April 30, 2021

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

6. OLD BUSINESS

There was no Old Business.

7. NEW BUSINESS

There was no New Business.

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8. COMMITTEE REPORTS

There were no committee reports

9. COMMITTEE MOTIONS

There were no committee motions.

10. ADJOURNMENT

HUNT Chairman Hunt adjourned the meeting at 7:07 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Charles Wurster
Secretary

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