

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

**AUGUST 17, 2021
APPROVED**

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

MEMBERS IN

ATTENDANCE: Austin Hunt, Chairman
Dan Rooney, Vice Chairman, Spring Garden Township
John Inch, Manchester Township (via Zoom)
Thomas Gwilt, Spring Garden Township
Lisa Wingert, Manchester Township
George Dvoryak, Springettsbury Township
Charles Wurster, Secretary, Springettsbury Township

ALSO IN

ATTENDANCE: Daniel Hoff, YAUFRR Chief
Steve Hovis, Solicitor
Lester Rhoads, Pension Board Rep
Annette Hose, Fulton Financial Advisors
Elizabeth Peris, Fulton Financial Advisors
Lisa Einsig, YAUFRR
Sue Sipe, Stenographer

1. CALL TO ORDER

HUNT Chairman Hunt called the York Area United Fire and Rescue Pension meeting to order.

2. ACTION ON MINUTES

A. Approval of Minutes: May 18, 2021 – Pension Board Meeting

MR. RHOADS MOVED TO APPROVE THE MINUTES OF THE MAY 18, 2021 PENSION BOARD MEETING AS SUBMITTED. MS. WINGERT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

3. PUBLIC COMMENT

There was no public comment.

4. CORRESPONDENCE AND OTHER COMMUNICATIONS

- A. Acknowledge Receipt of Fulton Financial Trust Report for May 1, 2021 – May 31, 2021
- B. Acknowledge Receipt of Fulton Financial Trust Report for June 1, 2021 – June 30, 2021
- C. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for April 1, 2021 – June 30, 2021
- D. Acknowledge Receipt of Fulton Financial Trust Report for July 1, 2021 – July 31, 2021

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

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE

Ms. Hose referred to Page 1 reporting the following:

- Receipts for the quarter became the contribution of \$8,311
- Investment income of \$28,658
- Gains in the portfolio of \$339,098
- Total receipts for the quarter \$376,068
- Disbursements for the quarter, pension payments to the retirees - \$73,632
- Expenses of \$11,523 – total expense for the quarter at \$85,155
- Value as of June 30, 2021 was \$6,914,335

PERIS

Ms. Peris stated as the portfolio reached \$6.9 million, they are looking for a \$7 million growth for the end of the year. This is based on the equity markets during the period which continue to hit new highs. This was all supported by strong earnings growth as well as a strong rebound in the economy.

- The equity market is measured by the MSCI of 7.4% in the quarter and is 12.3% year to date.
- Within the fixed income since the end of the year the interest rates have risen, but have started to flatten in the second quarter, so the markets fall back some of the loss seen in the first quarter.
- The reason for the flattening of the yield curve in the second quarter was the above trend in inflation is going to be transitory going forward.
- In the second quarter Barclays aggregate returned 1.83%.
- This quarter the portfolio returned before fees 5.58% which is an approximate total of \$427,700 of interest, dividends and depreciation.
- Net of fees the portfolio is at 5.4% and the index was at 5.44%.
- Year to date – up 8.45% and net of fees 8.09% which is ahead of the index of 7.28%

- The index is 35% Barclays aggregate and 65% MSCI

Asset Allocation

Ms. Peris stated at the beginning of the year they changed the equity allocation and moved it up to 65%.

- They decreased the fixed income target to 30%.
- The alternative classification was 5%.
- This expected long term return is 6% and is more in line with what the actuarial assumption is at 6.5%.
- The goal is to earn the additional half a percent through investment management.
- She noted what they have done within the portfolio is allowing it to appreciate.
- The equities currently are slightly above that target.
- They think the economy has transitioned from the early cycle into the mid-cycle of economic growth.
- At some point the interest rates will rise and will also see earnings growth continue to accelerate but then start to decline.
- They anticipate strong earnings growth due to the expectation the economy will continue to grow.
- She noted with the alternative class they are emphasizing those alternatives have a low correlation to the fixed income markets, with zero correlation or negative correlation.

Equity Allocation

Ms. Peris provided information regarding the reasoning behind the allocation:

- In moving to the mid-cycle economic growth they started to see a rotation of leadership within the capitalization, as well as the styles and sectors
- Starting in mid-May, early June is when the value styles started underperforming relative to growth. That trend continued through the end of September.
- Starting to see values re-emerging again. They believe the balance will be mixed for a while so they have taken a neutral position between growth and value which is to have approximately 55% weighting in growth and 45% weighting in value.
- In moving from early cycle to mid cycle the small cap sector starts to underperform large cap, so they have moved dollars out of small cap. The long-term allocation is approximately 10%, with the portfolio now just under 7½%.
- Internationally the emerging markets also tend to start to underperform during the mid-cycle. There are also other factors with the emerging markets due to China's resurgence in Covid as well as economic slow-down.
- They also remain underweight in the national developed international. They had increased that position due to the European economic growth which is accelerating and will be above trend.

Fixed Income

Ms. Peris stated this portfolio represents approximately 65% of the fixed income portfolio and is comprised of the individual bonds. This is complemented by mutual funds to provide liquidity and also with other opportunities.

- The credit rating is A+.
- Other key indicator is the duration which is a measure of sensitivity to the interest changes over 5 years.
- The Barclays aggregate duration is 6.3 years – with the short duration when interest rates rise this portfolio will have less impact than what the markets do.
- Noteworthy when reporting three months ago, the duration of this portfolio was 5.38 years so they have shortened that within the fixed income.
- In anticipation of that increase they will continue to monitor the shortened durations appropriately.
- They continue to overweight corporate credit. The portfolio is approximately 50% corporate credit when the index is 30%.
- They have a high yield position of 8.5%. The policy allows up to 10%.
- They have mortgage backs of 15%. The index is 30%. Treasuries and governments weighting portfolio is 26%. The index is 40%.

Inflation – Ms. Peris addressed why they believe the above-trend inflation is transitory.

- They believe they will continue to see this above trend economic growth which will help through inflation and increase interest rates.
- This is based on strong consumer demand.
- She indicated they will continue to see the economic growth and the hospitality and travel industries growth starting to climb.
- The federal reserve has mentioned they have made progress and will remain accommodative and have left short-term interest rates at zero to a quarter percent.
- She noted they expect them to announce the reduction in the bond purchases later in the year.
- They are looking for the labor market numbers.
- Most of the job gains are in the service sector.
- September will see the end of the extended unemployment benefits.
- Back to school will help ease childcare concerns.
- With the labor markets they are seeing more jobs than unemployed and there is a shortage of workers with increased wages.
- There is rotation and movement within the labor market.
- The wage growth could lead to further inflation. They are monitoring this.
- Much of the inflation being seen currently is the shortages in goods with consumer demand.

Portfolio – Historical Analysis

- Balance in 2016 – 4.3 million
- As of the end of June 2021 – 7 million

- Variability of returns – can expect to earn an average 6% but at the same time could see a downside of 9% and an upside as high as 22-23%
- Each calendar year those returns have fallen within that range

Returns on a Rolling Basis

- They will evaluate in detail what was done in the second quarter of this year and will emphasize the long-term performance of the portfolio
- Fixed Income – returned 2.04% - Barclays aggregate was up 1.83%
- The out-performance is attributed to the corporate exposure as well as the high yield exposure.
- Looking at the 5-year – up 4.48% relative to a 3.3% index
- Over the 10 years returned 4.19% compared to 3.39%
- On the equity side – up 7.5% for the quarter – the index was up 7.39%
- Longer term the equities from 5 years returned 14.23% vs. 14.61%
- The 10-year number is up 10.46% compared to 9.9%

Portfolio as a Whole

- Changes made at the beginning of the year were primarily based on moving the equities up to 65%.
- Total portfolio – 5.58% net of fees 5.4% and benchmark is 5.44%
- With the five-year number they have made significant gains because of what they did year to date over the past year.
- For the five-year period – up 9.64%
- The goal is to earn 6.5% on an annualized basis
- The five-year index was 9.38%
- 10 year – 7% has been the return – net of fees 6.2% and the benchmark was 7.34%.

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

HUNT Chairman Hunt adjourned the meeting at 6:58 p.m.

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

**AUGUST 17, 2021
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Respectfully submitted,

Signature on file at YAUFRR Headquarters

Charles Wurster
Secretary

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