

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

**MAY 17, 2022
APPROVED**

The York Area United Fire and Fire Pension Board meeting on Tuesday, May 17, 2022 at 6:30 p.m,
York, PA 17402.

MEMBERS IN

ATTENDANCE: Dan Rooney, Chairman, Spring Garden Township
Austin Hunt, Vice Chairman
Thomas Gwilt, Spring Garden Township
Deb McCune, Manchester Township
George Dvoryak, Springettsbury Township
Charles Wurster, Secretary, Springettsbury Township

NOT PRESENT: John Inch, Manchester Township

ALSO IN

ATTENDANCE: Daniel Hoff, YAUFR Chief
Steve Hovis, Solicitor
Lester Rhoads, Pension Board Rep
Dave Kane, Union Rep
Annette Hose, Fulton Financial Advisors
Elizabeth Peris, Fulton Financial Advisors
Sue Sipe, Stenographer

1. CALL TO ORDER

ROONEY Chairman Rooney called the York Area United Fire and Rescue Pension meeting to order.

2. ACTION ON MINUTES

A. Approval of Minutes: February 15, 2022 – Pension Board Meeting

MR. HUNT MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 15, 2022 PENSION BOARD MEETING AS SUBMITTED. MR. WURSTER 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 January 1, 2022 – January 31, 2022
- B. Acknowledge Receipt of Fulton Financial Trust Report for February 1, 2022 – February 28, 2022
- C. Acknowledge Receipt of Fulton Financial Trust Report for March 1, 2022 –

March 31, 2022

- D. Acknowledge Receipt of Fulton Financial Trust Quarterly Report for January 1, 2022 – March 31, 2022
- E. Acknowledge Receipt of Fulton Financial Trust Report for April 1, 2022 – April 30, 2022

MR. DVORYAK MOVED TO RECEIVE THE DOCUMENTS AS LISTED. MR. WURSTER WAS SECOND. MOTION WAS UNANIMOUSLY CARRIED.

5. REPORTS FROM FINANCIAL ADVISORS

A. Fulton Financial – Investment Presentation

HOSE Ms. Hose referred to Page 1 of the report for the quarter January 1 through March 31, 2022:

- Market value of the portfolio as of January 1 was \$7,369,175.
- Contribution receipts - \$9,030 from the employee contributions
- Total investment income receipt for the quarter - \$40,567
- Gains/Loss -\$349,379 (unrealized losses)
- Pension Payments - \$73,583
- Health Insurance Premium payment - \$75,999 (ended as of the beginning of January)
- Expenses including fees - \$12,068
- Portfolio as of March 31, 2022 - \$6,983,666

PERIS Ms. Peris stated in addition to the usual report she would report on the strategy going forward and any concerns, as well as providing an update on the market value as of today. She referred to page 2 of the report – Executive Summary:

- Market value as of May 17 is \$6.4 million which equates to a drop of approximately 11.5% (includes fees) - in comparison with the indices which are down 13.5%
- At the beginning of the year they ramped up the value style and year-to-date the value style has done better due to cyclical which are now becoming more defensive.
- In the first three months large cap domestic managers did extremely well by outperforming benchmarks.
- After the end of the quarter those managers are keeping pace with the markets with international managers starting to out-perform.
- The use of alternatives has deflected from the downside since they had commodity exposure and are starting to trend that back.
- Made sure they had hedges with insured equities along with market and neutral strategies within the portfolio with the goal of maintaining zero returns.
- Fixed income – managers have done relatively well making sure they were short duration and starting to see where these managers are moving out of the high yield market and moving into asset back securities.

WURSTER Mr. Wurster referred to Page 5 noting he is seeing a heavy concentration of the 5–10-year maturity on the historical fixed income. He asked if that change out of duration happened subsequent to March 31?

PERIS Ms. Peris indicated she did not know the maturing schedule right now, noting as of the end of March the duration of the portfolio was 5.12 years and the duration of the benchmark which is the Bloomberg aggregate is 6½ years. She indicated what they have seen with the yield curve movements is the short end move up more than what the long

end moved up. Today the 2-year reached 2.7. They have also seen with the 10 year is at 3% and at the beginning of the period it was the same. She noted this tells the long-term inflation trends will still be modest. The expectation is for the fed funds rate to be at 2-3/4 by the end of the year.

Ms. Peris stated what is shown on page 5 is their core bond strategy, which are the individual bonds. They use mutual funds to provide liquidity and also shorten duration with changes in credit quality which has increased in the portfolio because of the decrease in high yield. They also deal with international exposure which is low at this time. They couple the individual bonds which is approximately 60% of the portfolio with 40% in mutual funds.

Ms. Peris referred to page 4 the Equity Capitalization and Style Analysis. She indicated what they have seen so far this year is the worst beginning in the stock market since 1939. The drop in the market has been led by fan max stocks, i.e., Facebook, Google, Netflix and technology. Rising interest rates tends to target those gross stocks where the payoff is further out. Ms. Peris stated it is dependent upon inflation numbers, which have improved in some areas, but others have gotten worse and she cited examples of those. In those cases, they will continue to have the allocation with equities where they are overweight domestic while scaling back on international emerging markets.

Ms. Peris indicated earnings growth was strong with last year being over 50%, but now they are seeing the earnings growth is dropping down to about 8% this year. She noted even with the economy slowing, they think the economy will grow this year, possibly 3½% for the full year.

WURSTER Mr. Wurster asked Ms. Peris to comment on how the use of alternatives or exiting out one position on the stock side to get a better return.

PERIS Ms. Peris responded by referring to Page 9 and 10 stating how they look at alternatives which are classified in two areas – one of those with higher correlation to equity markets which can provide diversification as well as enhanced returns when trying to overcome the downside seen in the fixed income. The other asset classifications have low correlation to the equity markets as well as the fixed income markets. Last year they had an overweight to those high correlated alternatives and they removed that piece out of the fixed income allocations which gave additional enhanced returns. Ms. Peris noted this year they have trimmed back on those positions and added to the global GS absolute return tracker which has low correlation with the markets and a risk reducer which looks at trends in the market and geopolitical, economy trends.

Ms. Peris referred to page 9, listed under Alternatives the Calamos Market Neutral noting they go both long and short in equity markets as well as fixed income markets resulting in a net neutral position of 0%. She noted those two examples helped to provide additional risk diversification as well as helping with the returns in the portfolio.

Ms. Peris referred to page 14 which is the rolling returns for all the investments in the portfolio. She noted year-to-date the Alternatives of the class have returned -1.65%. When looking at what the global equity market has done, it was down 5-1/3% through the end of March and the Bloomberg Aggregate was down 6%. The Alternatives were down only 1.65% so in effect they outperformed the fixed income and the equity markets.

Individually the Calamos is down 1.36% and Diamond Hill Long/Short was positive. The FPA Crescent also a long/short fund, was down 3%. The GS Absolute Return was down 1.75%. Those returns were more muted than the fixed income markets as well as the equity markets. She noted they added the JOHCM Global Income Builder which provides dividends and interest.

Ms. Peris moved to page 12 to review the performance of each of the major asset classes into March, focusing not only on the short term but also the 10-year number to review the long term:

- Fixed income year to date is down 4.47%
- Bloomberg U.S. Aggregate is -5.93%
- Federated Core Broad (all the individual bonds) -5.32%
- All other managers in the portfolio are designed to provide shorter duration
- Returns over 10 years the bond portfolio has returned 3⅓% and the Bloomberg Aggregate has returned 2¼%
- Most of the outperformances have been because of the exposure to the corporate market as opposed to the treasury market.
- Going forward will continue to be overweight in corporates, investment grade and will keep it underweight with the government market at this time.
- On the equity side the portfolio year to day is -4½%
- The MSCI AC World -5.36%
- Boston Partners Large Cap Value positive 1.3%
- S&P Value Index was flat
- Strategic Growth Portfolio -6.69%
- S&P Growth Index -8.59%
- Equities long term have returned 10⅓%
- The MSCI AC returned 10%

Ms. Peris returned to page 14 to review the bottom three lines looking at what the portfolio has done over the long term before fees, after fees and comparing that to the broad policy index.

- Year to date -4.21%
- After fees -4.37%
- Benchmark -5.46% - which is 35% of the Bloomberg Aggregate and also 65% MSCI Acqui
- For the last 10 years the portfolio has returned 6.75% before fees and after fees 5.94%.
- The benchmark has returned 6.4%
- The 10-year expected return for this asset allocation is 6.5%
- Actuarial assumption is 6.5%

DVORYAK Mr. Dvoryak asked Ms. Peris to comment on the manager evaluation process which he noted in looking at the fund managers, appears it is under-performing for 1-3-5 year periods. He asked when is that evaluated and how is the mix determined for the long term?

PERIS Ms. Peris indicated each quarter an analysis is performed where they evaluate each manager relative to a proprietary grading system, which reviews their returns focusing on the three year and the five year and compare that to its peers. They also look at other statistics with numbers such as batting average, standard deviations and the risk adjusted

return numbers. When they see a fund or manager gets below a threshold of -2.5% they put it on a watch. She noted the one manager they recently sold out of the portfolio is Harding Loevner. They were under-performing and it was on their radar. When the Ukraine war began, the company did not take action to eliminate their Russian securities before the deadline in March.

In closing her report, Ms. Peris stated at this time additional dollars would not be deployed into the equity market. She noted there would be another inflation number in several weeks. They will also see another employment number. She noted concern with employment rates which the Non-Pharm payroll survey added 428,000 jobs to the market and another survey, The Household Survey which showed a drop in 350,000 jobs. She noted the Household Survey shows cash economy employment. She was not sure which way the labor markets will go since they are not seeing as many jobs as the Non-Pharm payroll is adding.

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

ROONEY Chairman Rooney adjourned the meeting at 7:05 p.m.

Respectfully submitted,

Signature on file at YAUFR Headquarters

Charles Wurster
Secretary

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