

Doylestown Township Pension Advisory Committee
Minutes for November 9, 2020

In attendance: Ed Denton, Chairman; Members: Robert Salanik, Joe Delikat, Tom Burke, Colleen Mullin Bill Mokriski and Sinclair Salisbury

Board of Supervisors Liaison: Jen Herring

Staff Liaisons: Finance Director Ken Wallace and Township Manager Stephanie J. Mason

Guest: Supervisor Nancy Santacecilia, Dir. of Parks and Recreation Karen Sweeney

WELCOME

Mr. Denton welcomed everyone to the meeting

Minutes Approval – October 19, 2020

The meeting minutes were reviewed. On motion of Mr. Salanik, seconded by Mr. Burke. Motion carried unanimously with Ms. Mullin abstained.

OLD BUSINESS:

2021 Budget Update:

Ms. Mason reported that the Board of Supervisors is incorporating the PAC's request regarding the reduction in interest rate of return as well as additional contributions to the defined benefit pension plans into the 2021 budget as well as the forecast through 2025.

Drafting of the New Investment Policy:

Mr. Burke shared the updated working document as of November 9th for the Investment Policy Statement. He indicated that the red highlighting and the magenta highlighting are areas that the Committee needs to review. (See attached)

Mr. Salisbury inquired as to the policy and asked if it is between the Township and an advisor or what role the PAC should play in the actual investment policy statement.

There was discussion amongst the PAC members indicating that approval would definitely come from the Board of Supervisors but input from the Township's Solicitor regarding the legality of the document would need further review.

Mr. Burke indicated that he was not an attorney and therefore he would rely on the Township's Solicitor in the future to edit any necessary language in said document. But he does believe that there needs to be a clear role for the PAC to play in helping and advising the Board of Supervisors.

In additions, the Township should have a contract with any future advisor and whether or not that language should be part of this or perhaps another document was also discussed.

Mr. Delikat commented that the Board of Supervisors ultimately makes the decision. However the PAC can make strong recommendations and suggestions in their role as unpaid volunteers. He indicated that Mr. Burke did a tremendous job on the IPS.

Mr. Denton indicated that he believes that Mr. Burke did a fantastic job and agrees with Mr. Delikat that the Board of Supervisors is ultimately responsible.

Ms. Herring commented that the Township Board should take ownership of the IPS.

Ms. Mullin read that the Board not the PAC has the primary role.

Mr. Delikat again indicated that the document must pass legal review and wordsmithing can occur at that time.

Discussions regarding the Investment objectives through the Discount Rate:

On page 2 of the document (see attached) needs to be confirmed. It was agreed that Mr. Wallace would review and send the appropriate implementation dates of when the discount rate is approved vs. when it becomes implemented.

Mr. Denton indicated that he believes that the document should live beyond the current advisors and consultants but be updated and reissued as needed.

Ms. Herring indicated the initial IPS was written by the current advisor and this document is different because it is being written by the PAC.

Mr. Burke indicated that on page 7 there is a series of miscellaneous and other items for consideration that are addressed that maybe helpful. He has seen them in other documents and perhaps these need to be clarified as well especially on the issue of terminating the advisor.

Ms. Herring inquired whether it limits termination for cause.

Mr. Delikat agreed that the IPS should be generic and that it should address the issues Ms. Herring raised.

Ms. Mullin indicated that the proposed IPS has the advisor signing the document. She indicated that in her field most times the advisors do not sign such agreements.

Again, it was discussed that the Solicitor will review and comment on the appropriate signatures for such a document.

Mr. Mokriski asked when the Solicitor would review the document. Would it wait until the Committee had completed its review and the Board of Supervisors has seen it?

Mr. Delikat commented that since 2017 things have been slow for the task force for the effort that's been expended and hopes that things will happen quicker in the future.

Mr. Denton indicated that he hopes in the 1st quarter to be able to present to the Supervisors and Solicitor for the document to be adopted by the Board.

Mr. Mokriski indicated that he knows it takes a long time for such things but appreciates the great work of Mr. Burke.

Mr. Burke indicated that there is Reference/Policy Benchmarking on page 3. It lays out a tool for it to be created. It will provide the asset allocation that the Committee has been talking about.

There was also a question of relevance of cash as a sub-allocation. And a question on real estate as part of benchmarking as well as the ETFs and domestic and international investments.

Mr. Burke indicated that page 4 addresses the portfolios.

Ms. Mullin indicated that she doesn't want to restrict an advisor through the IPS. She believes it needs to be flexible.

Mr. Delikat's opinion is to look at the active vs. passive aspects along with the net total and the fee.

Mr. Salanik indicated that he agrees with Ms. Mullin and that policy should be flexible.

Mr. Burke indicated that flexibility and discussion on active management and reassessing the portfolios are important.

Mr. Denton indicated that the Committee should continue to have dialog, make the necessary changes and the document should be fully explained and vetted.

Mr. Delikat indicated that he believes it's time to move on with the IPS, give the document one more review and recommend and vote on it at the next PAC meeting and move it on to the Board of Supervisors.

Mr. Burke discussed re-balancing and the variance of 2%.

Mr. Delikat said you could change it to 3%. Mr. Salanik agreed 2-3%. Ms. Mullin indicated that you could go almost as high as 5%.

Consensus was that Mr. Burke would insert 5%.

Mr. Burke indicated that he would clean up the document for the next meeting.

Mr. Delikat asked Ms. Herring and Ms. Santacecilia what their opinion was. Mr. Herring indicated that she believes the PAC is doing a good job and the document should be generic. Ms. Santacecilia appreciated the institutional knowledge and the willingness of the members to meet with the Board of Supervisors to explain the topic.

Adjustments to Standard Pension Reports from Brede:

Teleconference is slated for Monday at 3PM with Mr. Denton, Mr. Delikat, Mr. Burke and DK Brede.

NEW BUSINESS

Review 3Q20 Pension Monitoring Report:

Mr. Denton indicated that the returns were very low at -8.3% for Uniformed and -9.4% for Non-Uniformed plans. He was concerned because his personal account at Vanguard and Fidelity had positive returns. The observation is of underperformance.

Mr. Delikat indicated that regardless of personal returns DK Brede is a professional and believes it should be equal or better than anyone's personal returns. He strongly believes an RFP for getting quotes in 2021 has to be PAC's objective.

Mr. Burke indicated that he is a proponent for a Reference/Policy Benchmark and investments should be mostly in equities.

The Committee reviewed the report from September 30, 2020, 3rd quarter performance.

Mr. Burke indicated that he had to dig deep to pull out the information. He also shared via email his thoughts and summary of the advisors 3rd quarter year to date 2020 report (see attachment). His concerns are always what's helping and contributing and what is hurting in terms of investment returns. He feels the current plan is substantially underperforming.

Mr. Salanik's concerns are the bad returns and how expensive the services are.

Ms. Mullin agrees with Mr. Burke on the need to know the contribution and detractions from the investments and the time period is important. She thinks it's important to go back to the advisor one more time to obtain the appropriate information for the report.

Mr. Delikat indicated that once the IPS is in place everything else is superfluous. He indicated that the market was up 1,200 points today. He also indicated that the PAC needs a new IPS and an enhanced report.

Mr. Burke indicated that year to date equity and fixed income information is important.

Ms. Mullin indicated that on page 24 of the Brede report addresses what contributed and detracted.

It was agreed that talking to DK Brede on Monday would be beneficial for the PAC.

Mr. Denton suggested that discussion on creating an RFP could begin at the December PAC meeting. Mr. Burke commented that RFP's can take a long time.

Being no further business the meeting adjourned at 6:03 p.m. on motion of Mr. Delikat, seconded by Ms. Mullin. Motion carried unanimously.

Respectfully submitted,

Stephanie J. Mason
Township Manager/Secretary