



Doylestown Township

Pension Advisory Committee Meeting

425 Wells Road
Doylestown, PA 18901
215-348-9915
<http://Doylestownpa.org>
f t i y

~ MINUTES ~

Monday, April 13, 2020

4:30 PM

DRAFT

This meeting was held remotely via Go To Meeting due to the ongoing COVID-19 virus and the Stay at Home order issued by Gov. Wolf.

IN ATTENDANCE:

Members: Ed Denton, Chairman; Joe Delikat, Robert Salanik, Colleen Mullin, Thomas Burke

Non-Uniformed Representative: Sinclair Salisbury, Vice Chairman; Uniformed Rep: Detective Bill Mokriski

Guest: Dutch Reeser, Twp. Resident and pensioner

Board of Supervisors Liaison: Jen Herring

Staff: Township Manager Stephanie Mason, Finance Director Ken Wallace

I. WELCOME

Ms. Mason opened the meeting.

II. MINUTES - March 9, 2020

Mr. Burke indicated that he was omitted from the March 9th minutes, but he was at the meeting.

On MOTION by Mr. Delikat with the correction of adding Mr. Burke, seconded by Ms. Mullin the minutes were unanimously approved.

III. OLD BUSINESS

Deb Brede Debrief

Mr. Denton indicated that Deb Brede, DK Brede, made a presentation at the last meeting. He asked members to share their thoughts as to how that went.

Ms. Mullin indicated that Ms. Brede did what she was asked.

Mr. Delikat indicated that there was a lot of information that needs to be consolidated for the Board of Supervisors. He also indicated that he looked at the weighted index verses actuals. He shared information with Mr. Denton and Mr. Salanik only. It was only ½ % difference, which is very reasonable.

Mr. Delikat reiterated that the Committee needs to take Ms. Brede's information and boil it down for the Board of Supervisors into a simple presentation.

Mr. Salanik indicated that Ms. Brede did a nice job and it was a nice presentation. However, so much has changed since March 9th.

Mr. Wallace concurred that Ms. Brede did a nice job. She provided what the Committee needed and was cognizant of the information details for the Committee. She spent a lot more time going over the details than she has in the past.

Mr. Salisbury had no comment.

Mr. Burke was concerned with the format, especially on the attribution reports. He thought it could have been clearer. He believes we need to be clearer on the benchmarks, what helped us, what hurt us.

Ms. Herring commented that the meeting went well. She looks forward to how the Committee will take the information and drill it down for the Board of Supervisors.

Mr. Mokriski had a question regarding the proposed 6% discount rate and whether it is feasible to obtain.

Mr. Denton commented that he agrees with everyone. It was one of the best meetings thus far. Ms. Brede got the message and is getting to know each other and giving direct answers to questions. However, there is always room for improvement.

IV. NEW BUSINESS:

Township Investment Policy (TPI)

Mr. Burke provided with a great review of the existing policy with several suggestions, they are attached for easy reference.

Mr. Denton thought it would be best to take time over the next few meetings to discuss and to do a systematic review.

Mr. Burke went over his suggestions for the Investment Policy and under number 2 – The Investment Objectives – the question of whether or not the actuarial assumption outlined is being addressed.

He also believes that information on period geometric returns such as creating benchmarks of our own investments would be beneficial. He also discussed global versus domestic investments and how the global international market has underperformed and although used as a diversification tool, he questioned whether or not the US equity market would be better to be in especially how its performed in the last 1, 3 and 10 year period. Also, looking at fixed income i.e. the Barclay's Global Market knowing that we are at the 65/35 benchmark. He further noted that that information was absent in the investment policy statement.

Also, discussed was the portfolio risk using managed funds and ATFs. He agrees that we shouldn't reference a single stock or bond but someone should be looking at the prospectus. We need to be aware of the risk in fixed income as well. Knowing what funds help or hurt the plan.

Mr. Salanik indicated that he was impressed with Mr. Burke's work. He questioned the domestic outperforming the fixed income.

Mr. Burke indicated that the Barclays Aggregate like the S&P has high yields and multiple components but noticed a lack of US Treasuries in the plan. US Treasuries has done well in the last 20 years.

Ms. Mullin indicated she thought Mr. Burke did a great job on the policy statement but questioned only having funds in the US equity market. There are opportunities in the global market.

Mr. Burke reiterated that having a conversation on the pros and cons, however long term impact and perhaps limiting the amount would be a better discussion.

Ms. Mullin talked about being more specific in the policy. She agreed that reviewing the prospectus would be helpful.

Mr. Delikat commented on international investment and indicated that it would take a year to get back to normal but he did say that Ms. Brede is close to her target.

Mr. Burke looked at the first quarter and the equity market and the Barclays Aggregate could be switched out for the S&P.

Mr. Denton agreed this would be a discussion for another meeting.

Ms. Herring questioned whether the IPS has to have the assumption rate included. Could it not have a range and a goal and when the expectation of that assumption could be achieved in the portfolio for example the target of 6%?

Mr. Delikat commented that the 65/35 basis of the plan with an assumption is being met. However, with the assumption of 8%, DK Brede falls short.

Ms. Mullin questioned the numbers in the IPS and whether or not it's relative to the actual assumptions.

Mr. Denton suggested that Mr. Burke and Ms. Mullin continue to work on it and have a revision and discussion points for a future meeting.

Discount Rate Target

Mr. Denton indicated that there are some questions. What are the rates now and in the future? How quickly can we get there? How does the Township go about funding it? What are the tradeoffs?

Mr. Salanik indicated that the determining 6% is a problem since the plan is averaging 5.5%. The question is how we get from 7.75% to 5.5% or even 6%. PAC needs to meet with Ways and Means Committee and look at the budget. He believes the Township needs to raise taxes, cut expenditures or modify the plans. Mr. Denton commented that the Pension Committee is not in a position to say how Township should get there. Cost reinforcement, adjustments and savings are up to the Board of Supervisors.

Mr. Delikat indicated last year he had done a chart with \$375,000 over a 15 year period being put into the plans along with a lowering of the discount rate to 5.5% - 6% would increase the MMO from a budgetary standpoint. However, the cost to achieve it was significant and the Board allocated \$125,000 for 2020 as well as in a five-year projection along with lowering the discount rate a .5% every two years. He also stated that the Supervisors agreed that if the 2019 revenue ended up being ahead after the audit those funds would be put toward the pension plans.

Mr. Burke indicated that the 6% should have been there in the past but will probably take 14 years to achieve, which could be unrealistic.

Ms. Mullin suggested that the discount rate should be accelerated by 50 basis points or .5% reduction every 2 years.

Mr. Denton suggested that Mr. Salanik and Ms. Mullin work on it. It would be helpful to have the actuary along with DK Brede provide expert opinion along with the Committee's opinion to provide thoughts in collaboration to the Board of Supervisors.

Mr. Salanik commented that if we've only done 5.5% shouldn't that be in consideration as well verses 6% looking at it from a reasonable rate and amount of time to get there.

Mr. Denton commented that he and Mr. Salanik would work on that.

Mr. Denton asked about a future meeting date with the Board of Supervisors. Ms. Mason indicated that it would probably be in the middle of May with the Ways and Means and at a budget work session.

Mr. Denton asked Ms. Herring what information she thought would be needed for the Board. She suggested an update to the Board on what the method is and a period for the solution to be addressed financially. The Board of Supervisors needs to know what those costs are.

Mr. Denton commented that he doesn't think the Committee would have that information in 30 days but they could work on updating the Board on the process and situation.

Mr. Delikat indicated that he would take a stab at the \$375,000 that was talked about in the fall of 2019, redo his charts, and share them with the Committee.

Mr. Denton suggested that there are three scenarios: an aggressive, a slow and something in between.

Ms. Herring thanked everyone for putting in the time, for the Committee especially at this difficult time. She indicated that the pension plan is a significant part of the Township's budget and it is very important to understand all the ramifications of funding the plans now and in the future.

VI. ADJOURNMENT

Being no further business, the meeting, adjourned at 6:00 PM on a motion of Mr. Delikat, seconded by Mr. Salanik and unanimously approved.

Respectfully submitted,

Stephanie J. Mason
Township Manager