



Doylestown Township

Pension Advisory Committee Meeting

~ Minutes ~

425 Wells Road
Doylestown, PA 18901
<http://doylestownpa.org/>
Twitter: @DoylestownTwp
www.facebook.com/doylestowntwp
215-348-9915

Monday, August 14, 2023

4:30 PM

Community Meeting Room

In Attendance: Ed Denton, Chairman; Sinclair Salisbury, Vice Chairman; Bill Mokriski; Tom Burke; Bob Salanik and Ed Richardson.

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

Liaison: Jen Herring, Supervisors

Guest: Joe Wolfram, Vanguard

Welcome

Mr. Denton welcomed everyone to the meeting.

Public Comments

No comments

Approval of Minutes

On motion of Mr. Salanik, seconded by Mr. Richardson the minutes of the June 12, 2023 were unanimously approved.

Old Business

Debrief on meeting with Actuary & Jim Kennedy: Mr. Denton indicated that he spoke with Mr. Kennedy regarding the cash flow analysis & sensitivity analysis targeting the 6% interest rate. Unfortunately, the cost of such a study is approximately \$3,000 which would need the Board of Supervisors approval. He is suggesting that we hold off at this time or perhaps make it part of the budget process. At present we are at 6 ¾% going to 6% fully in 2025 but directing the actuary in fall of 2024, approximately a year away. It was noted that the new MMO's are out and although 1.4 Mr. Wallace indicated that the budget has 1.7.

Mr. Salanik indicated that he believes the cash flow analysis for the non-uniformed plan would be more beneficial.

Mr. Denton asked if Mr. Wallace could check with the actuary to see if that study would cost less. If not, we would have to wait for the ACT 205 report developed in 1/1/25.

There was some discussion with the cash flow as to whether or not additional funds needed to go into the non-uniformed vs. the police since the non-uniformed is a closed plan.

Mr. Wallace reminded the committee that the reports are typically paid out of the pension plans not the General Fund.

The consensus was that the cash flow analysis may be more beneficial especially on the non-uniformed plan, even Mr. Wolfram indicated that you could wait to the next study since the plans are going to 6%.

New Business

Vanguard Portfolio review (YTDS performance to 6/30/23) – Joe Wolfram

Mr. Wolfram presented the attached report to the committee, discussing the equity in fixed income, the active and index plans that at being utilized and indicated that all have positive performance. He also

indicated that there has been a resurgence in investments into the tech sector. The Federal Reserve has increased interest rates has created a yield curve inversion and with other factors is a prediction of a recession. Mr. Wolfram reviewed the report starting on page 4 with the overall context through June 30th being very positive, especially the last three months stocks have been positive. On pages 4 & 5 you can see the benchmark summary.

Mr. Denton inquired about US vs. international asset allocations, especially in personal plans vs. institutional plans. Mr. Wolfram explained the difference as to when they may or may not be valued or undervalued and when it's best to utilize international in a portfolio. Mr. Burke indicated that it is certainly an academic assumption, but Mr. Wolfram is correct that international has a place in such a plan.

Pages 6 & 7 provide a portfolio monthly snapshot and allocations snapshot depicted graphically as well as in the charts.

Page 9 references the performance summary by the various securities as does pages 10, 11 & 12.

For the Police plan he indicated that later in the document the same information is provided for the non-uniformed plan. He also indicated that in several instances the plan is out performing the benchmarks which is positive.

There was a discussion regarding A.I. which in video returned 200%

Page 13 provides portfolio performance for the year and page 14 provides the assets weighted contributions to performance.

Page 15 cash flow and market value summary is provided and pages 16 & 17 investment expense summary for the Police Pension Plan is also provided.

Prior to discussing the performance of the non-uniformed plan starting on page 18 Mr. Richardson inquired about the non-uniformed plan and de-risking it since it is a closed plan. The committee and Mr. Wolfram discussed when de-risking a plan is utilized and at what point in the aspect of the plan it would be reviewed for de-risking.

There was a portfolio monthly snapshot and performance summary, cash flow and market summary, investment expense summary provided for the non-uniform plan.

Starting on page 23 the market update and economic outlook regarding global market returns and global equity market returns were reviewed. Page 26 reviewed the US equity sector returns and the domestic fixed income market returns on page 27.

The US Treasury yield curve was reviewed on page 28 and on pages 29 & 30 the headwinds for active fixed income and active equity mutual fund managers were reviewed. Vanguard's monthly market economic update was provided on page 31.

There was discussion regarding slide 28 and the US treasury and the Fed increasing rates twice, the shallow recession and the inverted yield curve and the two negative quarters of GDP. Unemployment is still at 3 ½ %. The question is whether or not another Fed increase will take place or even a decrease in the rate, Vanguard will continue to monitor the market and keep clients apprised of any concerns.

Mr. Wolfram went on to review the slides regarding the 2023 S&P 500 performance top contributors and artificial intelligence on pages 35 through 47.

Mr. Wolfram indicated that he is not making any suggested changes regarding plan investments or the risk returns.

Mr. Richardson inquired about small real estate investment diversification and REITs, this was discussed among the committee members and Mr. Wolfram, he indicated that there is a small portion of the portfolio that has real estate but not significant.

Mr. Burke discussed tactical impacts, overall decision making regarding Long Rate T and the long end and the short end of the curve.

Overall, it was agreed that the plans are doing well.

Being no further business, on motion of Mr. Salanik, seconded by Mr. Richardson the meeting adjourned at 5:47 pm.

Respectfully submitted,

Stephanie J Mason, Township Secretary