



**Doylestown Township**  
**Pension Advisory Committee Meeting**  
**~ MINUTES ~**

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**Monday, May 13, 2019**

**4:30 PM**

**Large Conference Room**

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IN ATTENDANCE

Chairman Sinclair Salisbury, Vice Chairman Ed Denton, Greg Schuster, Colleen Mullin, Joe Delikat, Nancy Wasch, Board Liaison Ken Snyder and non-voting members: Ken Wallace and Stephanie Mason

Absent: Ofc. Tim Reihl,

Guest: Margaret Trageser, Employee; Dutch Reeser, Resident

WELCOME

Mr. Salisbury opened the meeting and welcomed everyone in attendance.

MINUTES APPROVAL – April 8, 2019

Mr. Delikat commented on the section related to returns and indicated that Ms. Brede told the Board of Supervisors that meeting a target of 5 ½ % - 6% was more realistic than 8%.

Ms. Wasch indicated that the wording should be that “the amount .... Didn’t match up with actual returns”

MOTION to approve the minutes by Ms. Wasch, seconded by Mr. Denton with the proposed amendment. Motion carried. Ms. Mullin and Mr. Schuster abstained. 5-0-2 vote.

OLD BUSINESS

Pension Monitoring Report Update – Ms. Mullin and Mr. Delikat indicated that they had met and are not sure how pension plan is aggregated. Not benchmarked against the S&P 500. Unhappy with the report going to need to ask Ms. Brede to provide a new report.

Ms. Mullin indicated that she took some of the information and put it into her companies’ reporting software to see how things can be prepared to apple to apple. Suggested to mock up to show to Ms. Brede something that we’d like to use.

Also a report from Warminster was provided. However the full report is 61 pages, but examples that they provided is what Mr. Delikat believes the Committee should be seeing.

Mr. Denton believes this would show if Ms. Brede beating the benchmarks and what the fees are and credit quality of the plan and assets in the market.

They indicated that Mr. Delikat and Mr. Denton attended the Warminster meeting found it to be very professional presentation. The presenter was allotted over 40 minutes to present information. The presentation was easy to follow. Again Mr. Denton believes the next steps would be to mock up a report, share Warminster's layout with Ms. Brede. Indicate that preference would be to have something bond vs. in a folder where everything could be tabbed in the bond copy.

It was suggested that in June we could go over this. In the meantime Ms. Mason and Mr. Wallace should contact Ms. Brede ask for an outline on how she could provide a different type of report that the Committee could review in June and tweak in July before meeting with her in August. She will attend the August meeting.

Mr. Schuster indicated that the Warminster group meets quarterly and has refined the report over a time.

Receiving the outline from Ms. Brede, Ms. Mullin, Ms. Mason and Mr. Wallace could have a conference call with Ms. Brede for additional information and examples of what would be helpful.

Mr. Delikat indicated that he sent Mr. Denton a spreadsheet showing fees and what Warminster pays compared to what the Township is paying DK Brede, which he believes is \$40,000 or more.

The question be could we benchmark against other companies.

Ms. Mullin indicated that we can always build on the benchmarks.

Ms. Wasch questioned the economic update. It was reminded that the actuarial data comes in every two years.

Mr. Denton suggested combining reports but not reinventing the wheel.

Between now and July the Committee should work to develop an outline for the next meeting and to inform DK Brede.

Discount Rate Target Range Update – Mr. Denton and Ms. Wasch provided some handouts from the American Academy of Actuaries and an SRA Issue Brief Municipal Pension Fund Rate, Report from the Pew Fund on cash flow and some other reports that will be provided next time.

Mr. Denton indicated that using rate with bond vs. pension is very conservative.

Ms. Wasch talked about private pensions and tax payer which is funded by revenues.

Ms. Mullin provided a self-assessment of information that she recently received, which is also helpful.

Mr. Snyder asked Mr. Schuster for Warminster's information. He indicated that they use an 8% rate of return and are 80% funded.

Ms. Wasch indicated that talking about private pensions and fiduciaries responsible to the tax payers in our plan.

Mr. Schuster indicated that Warminster has been using smoothing vs. market rates.

#### NEW BUSINESS

Ways and Means Meeting on May 22<sup>nd</sup> – Mr. Denton spoke with Ms. Bray Chairman of the Ways and Means Committee. Believes there should be planning time line for the Township what and when one is needed. For the Township finances having funds in and out and getting a better picture for big projects. It would be valuable to know the discount rates and how the Ways and Means Committee could budget those impacts those impacts on the Township budget that will help the pension plan.

Mr. Denton indicated that you can't put an artificial constraint you have to go with a rational discount rate and implement over time.

Ms. Wasch indicated that input from the Ways and Means Committee is needed.

Mr. Salisbury indicated that Tom Anderson's office and the actuary would come up with the rate and those need to be provided and known.

Mr. Snyder if you know you're going to do a quarter percent even if you're using the old data you could approximate a rate and an amount needed budget wise. He further commented that do we need the actuary to do the work.

Mr. Denton indicated that we have the 2016 data from Mr. Kennedy from Tom Anderson. He believes we could be comfortable with that data.

Ms. Mullin indicated that that could be infused into the budget process and phased in over time.

Mr. Delikat indicated as Mr. Kennedy suggested ratcheting down over time such as every other year and eventually meeting DK Brede's suggestion of a rate return of 5 ½% - 6 ½%. This could take and 8 – 10 or maybe even 14 years to get there.

Mr. Denton indicated that we don't want to wait 30 years to solve the problem. Hopefully, it can be solved in the next 5-10 years, but compounds for the Township and the Township has to be able to balance the budget and meet the demands for the pension contribution, based on the MMOs. Wouldn't want to put it all in now based on dollar cost averaging. Obviously the need to consider the cash flow will offset by delaying action.

Mr. Wallace indicated that the next step is to prepare for 2021, the new report with MMOs this Fall for 2020 and work towards constantly reducing this time. He further indicated that by June 30<sup>th</sup> wage information have to be provided to Mr. Kennedy.

A question would be that at that time they could provide us with additional rate reduction such as 7 ½%-6%. Just a simple assumption would be helpful. Could be part of the MMO process. We have the information back from 2017. Don't know how much work it would for them to complete.

Mr. Wallace indicated that he will ask when he speaks with Mr. Kennedy regarding the June 30<sup>th</sup> wage information.

Mr. Delikat indicated that it is best to keep in mind that the Township is not 100% funded and what is the target that we are comfortable with? 95% - 99%? What is the assumption for wage increases, current inflation, considering the long term impacts of the police contracts in the future, etc.

Mr. Wallace further explained that the Commonwealth of Pennsylvania has a DCED new reporting system that we have to comply with as well.

Mr. Denton indicated that he would like to send some information and slides to Ms. Bray to help fuel the discussion at the Ways and Means Committee.

To recap, the next actuarial change could be for 2021, the meeting with Way and Meetings on May 22<sup>nd</sup>, meet with Ms. Brede in August, Mr. Kennedy in September.

Ms. Wasch indicated that a move to methodology and protocols and that we do the analysis every time going forward is probably best.

Mr. Snyder asked a question on what we need from Ways and Means. It was suggested that recommendations that are reasonable, what would be a significant amount of money to borrow, what range it would be, figure that can be handled by the Township of targeting 100% funding vs. working to get to 95% - 100%, and hoping that the Ways and Means can come up with that in the budget process.

Mr. Denton indicated that it's just reminding that ways to quantify this and it's not all going to be done in one year. It will take time to reach a rate of return of 6% - 6 ½% for example and being patient and realizing what and how long it will take to get there from the budget impact standpoint. Once the MMO for 2020 is in we can start formulating a plan. Of course, recognizing the fund balance policy keeping \$1M in the general fund.

The Committee adjourned at 6:19 PM

Respectfully submitted by

Stephanie J. Mason  
Secretary