



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, March 14, 2022

4:30 PM

Community Meeting Room

In attendance:

Chairman Ed Denton; Vice Chairman Sinclair Salisbury; Thomas Burke; Joe Delikat; Bill Mokriski; Ken Wallace and Stephanie Mason

Absent: Colleen Mullin; Bob Salanik and Supervisor Jen Herring

WELCOME

Chairman Ed Denton welcomed everyone to the meeting.

APPROVAL OF PRIOR MEETING MINUTES – February 14, 2022

On Motion Mr. Salisbury, seconded by Mr. Mokriski, the minutes were approved with motion passed unanimously.

OLD BUSINESS

Status update on Vanguard Transition

Mr. Wallace indicated that things are going well. He also indicated that we are adding a new member as Ms. Rowand is retiring the end of March.

Updated IPS approval status – will be discussed at the April meeting

Mr. Denton also indicated that he is working on the year-end report and that will be part of education for the Board of Supervisors.

NEW BUSINESS

Develop outline for Year-End Report for Supervisors education

Making sure that we have the investment advisors out 2 times a year. We have the report from DK Brede, although they will not be coming out, we should anticipate having Vanguard come out possibly in May to talk about market overview. We can do this perhaps with the Board of Supervisors that could give us a year-to-date performance of the 1st quarter, current market conditions, a status of transition and a Vanguard tenure outlook.

Also, would like to meet with Mr. Kennedy. The purpose of this is to have a better understanding of the actuary aspect of the plan. Prior to having Mr. Kennedy come out Mr. Denton thought it best to have a discussion with Vanguard regarding the connection with the actuary so that questions can be developed and shared with Mr. Kennedy. Everyone agreed that Mr. Kenney's company Thomas J. Anderson is very good with state compliance paperwork.

The Committee believes they are asking for information that should be standard for the plans and not have to create special studies. This would be part of a brief discussion on how to approach gaining a better understanding of the actuarial report.

It was agreed that Vanguard should be able to provide assistance with this topic. It was also agreed that the next report would be 1/1/23. We will be going to 6 ¾% rate of return. Also, we should be working on recalibration of a report.

Mr. Denton said it should be a question of how much should we be putting in if we were at 6%.

The Committee reviewed the Non-Uniformed Pension Plan financial statements. Agreed that it had somewhat of a surplus.

Mr. Denton provided a handout showing some additional discounts and what things would really be (see attached) for those objectives.

Objective #6: Discussion on the Defined Contribution Plan

This was tabled as Ms. Mullin was absent.

Amended Agenda

On Motion of Mr. Denton, seconded by Mr. Mokriski, the Committee amended the agenda to include the following:

- a. Pension Plan Financial Statement
- b. Review prior year to date performance of the portfolio under previous advisor
- c. Questions on current investments regarding Russian investments.

Pension Plan Financial Statements of 12/31/21

Mr. Denton highlighted the handout and reviewed the disclaimers that need to be recognized and also talked about the next discount rate, referring to the CYA clauses as part of the document.

Review prior year performance of the portfolio under previous advisor

Mr. Burke referenced the prior advisor performance. Although, it did outperform in some areas, it under performed in the last 6 years. He pulled up the performance for 10 years and provided a handout.

Russian Investments

Mr. Burke indicated that we really have no specific securities we only operate with indexes. However, we should ask Vanguard what if any exposure the Pension Plans have at this time.

ADJOURNMENT

Being no further business, the meeting adjourned at 5:59 pm.

Respectfully submitted by


Stephanie J. Mason

DOYLESTOWN TOWNSHIP
NON-UNIFORMED PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2021

Date Prepared: February 15, 2022

The accompanying financial statements and notes were prepared based upon information provided by the municipality, its financial institution(s), and actuary. The Statement of Fiduciary Net Position was prepared as of December 31, 2021. The Statement of Changes in Fiduciary Net Position was prepared for the year ended December 31, 2021. The financial statements and notes should not be considered an Audit, Review, or Compilation Report as defined by the American Institute of Certified Public Accountants.

James P. Kennedy, President

Thomas J. Anderson & Associates, Inc.

THOMAS J. ANDERSON & ASSOCIATES, INC.
115 Westtown Road, Suite 101
West Chester, PA 19382
(610) 430-3385 Fax (610) 430-3387

DOYLESTOWN TOWNSHIP NON-UNIFORMED PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	6 years
Asset Valuation Method	Market Value
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	7.25% (Net of pension plan investment expense including inflation)
Retirement Age	60

Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

EMPLOYEES' PENSION PLAN OF THE TOWNSHIP OF DOYLESTOWN

ACTUARIAL CERTIFICATION

This report provides disclosure and reporting information as required under Government Accounting Standards Board Statement 68 (GASB 68) for the measurement period ending December 31, 2021. This information should be used for the fiscal year beginning January 1, 2021 and ending on December 31, 2021.

Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This accounting valuation report relies on liabilities calculated as part of the January 1, 2021 funding valuation for the Plan. The census data and benefit provisions underlying the liabilities were prepared as of January 1, 2021. This report also relies on asset information as of December 31, 2021 as supplied by Thomas J. Anderson & Associates, Inc.

With the provided liability and asset information, the total pension liability, net pension liability and pension expense were developed for the measurement period using standard actuarial techniques. In addition, the results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in GASB 68. The information in this report is not intended to supersede the advice and interpretations of the employer's auditor.

The undersigned is familiar with the near-term and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

Laura A. Prego

Laura A. Prego, EA, MAAA, MSEA
Enrolled Actuary 20-08067
Foster & Foster Consulting Actuaries, Inc.
1136 Hamilton Street
Suite 103
Allentown, PA 18101

2/15/2022

Date

Assets lowered -12.6%
@ 3/11/22

Adjust Discount Rate

Adjust Discount Rate

DISCOUNT RATE ASSUMPTION:

7.25%

6.25%

6.00%

6.00%

As Reported	
12/31/2021	
Financials	

Adjusted	
12/31/2021	
Estimate	

Adjusted	
3/11/2022	
Estimate	

Non-Uniform Pension
Total Pension Liability (TPL)
Plan Fiduciary Net Position
Net Pension Liability (NPL)

\$ 11,509,950
\$ 11,869,086
\$ (359,136)

Change
\$ 1,152,032

\$ 12,661,982
\$ 11,869,086
\$ 792,896

Change
\$ 288,008
\$ 11,869,086
\$ 1,080,904

Change
\$ (1,495,505)
\$ 10,373,581
\$ 2,576,409

% of Total Pension Liability 103.1%

93.7%

91.7%

80.1%

1% Discount Rate Change =

\$ 1,152,032

0.25% Discount Rate Change =

\$ 288,008

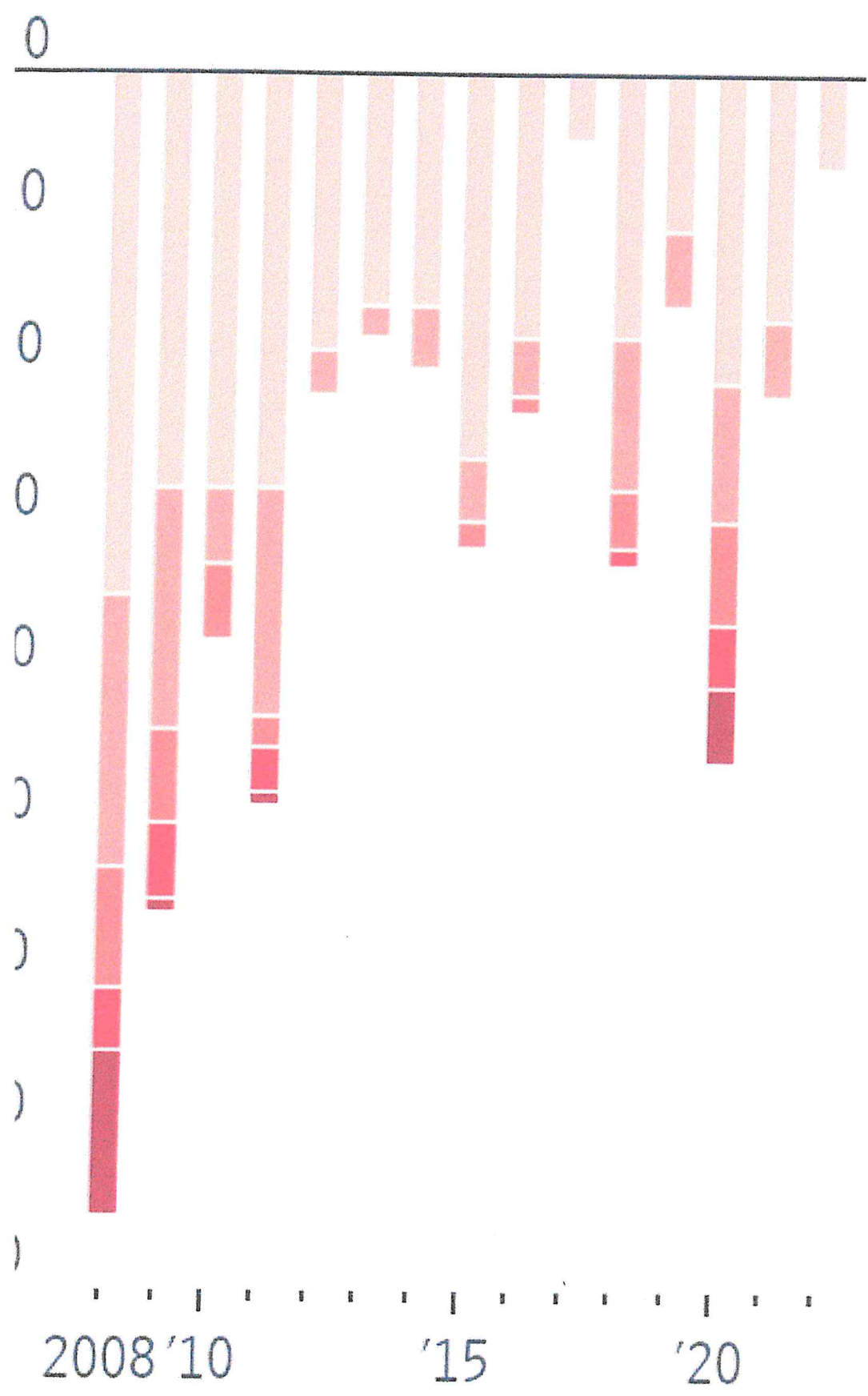
might have felt steady to some investors until recently, but it has dropped many times along the way...



- 1 August 2011:** Standard & Poor's downgrades U.S. debt from AAA.
- 2 February 2016:** Stocks sink roughly 10% from January highs as oil prices plunge.
- 3 December 2018:** Stocks suffer their worst December since 1931, falling 9%.
- 4 March 2020:** Stocks fall 34% in 23 trading days as Covid-19 puts the global economy into lockdown.
- 5 August 2020:** Stocks hit a new all-time high, up 56% from the March low in less than five months. *↓ w 12/1. 4th '22*
- 6 January 2022:** Stocks fall almost 10% as the Federal Reserve signals its intention

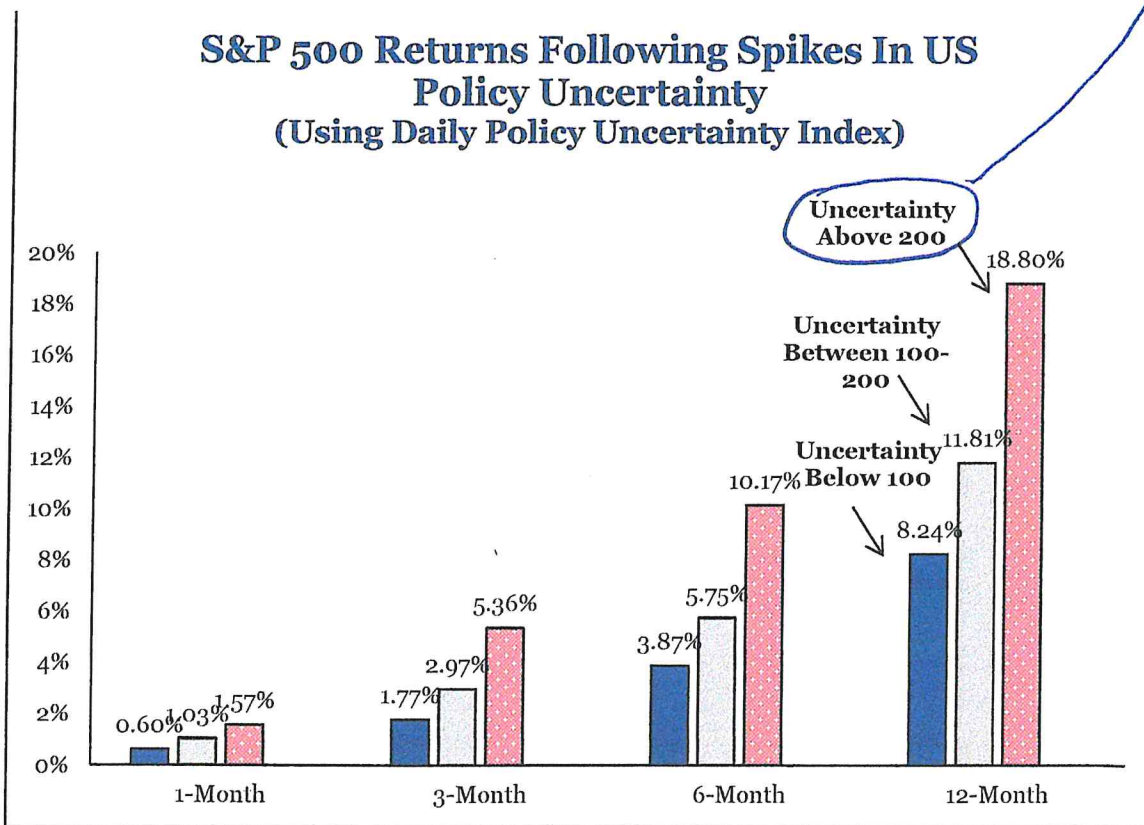
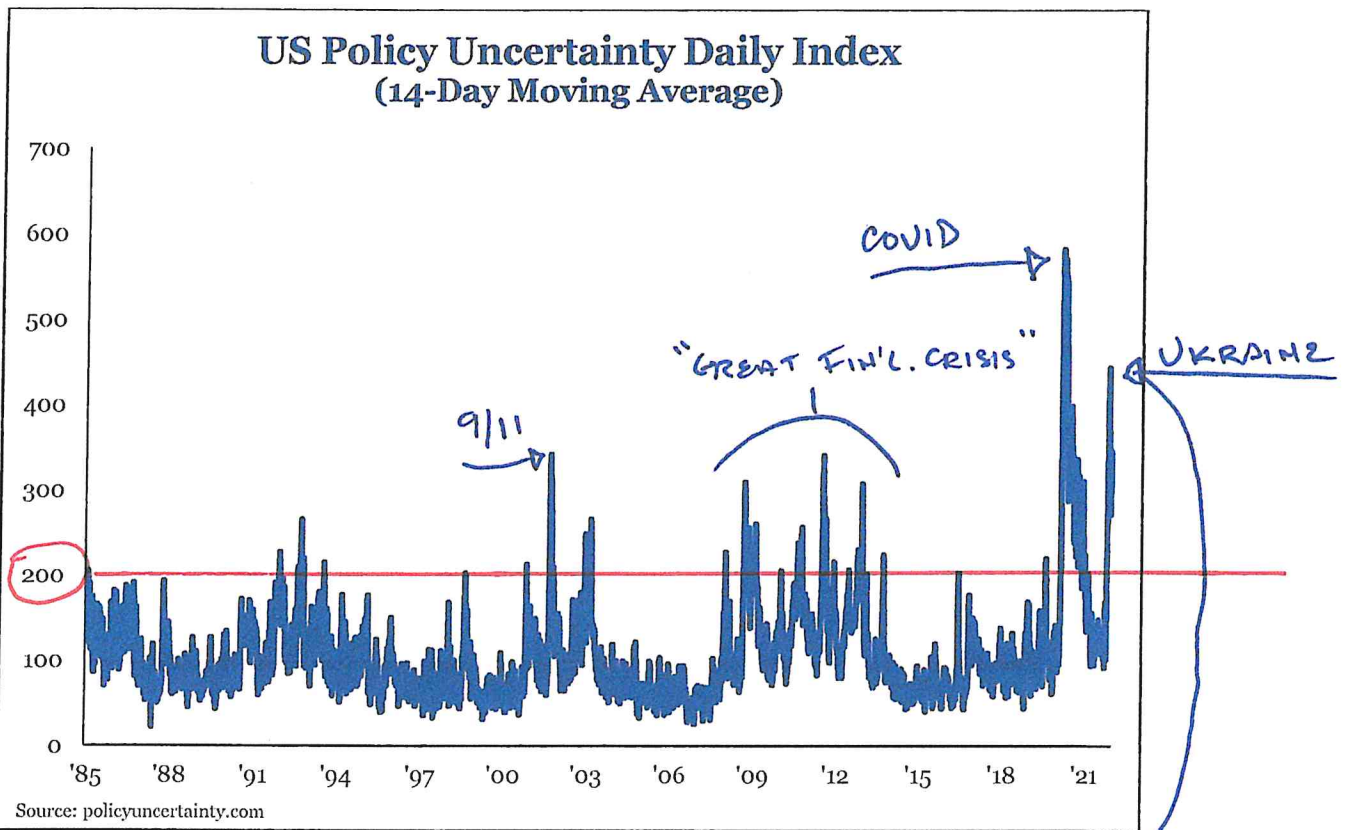
Number of S&P 500 declines of 1% or more

2



Note: Axis reversed to indicate the declines; through n. 27

S&P 500 AVERAGES BETTER FORWARD RETURNS AFTER SPIKES IN UNCERTAINTY

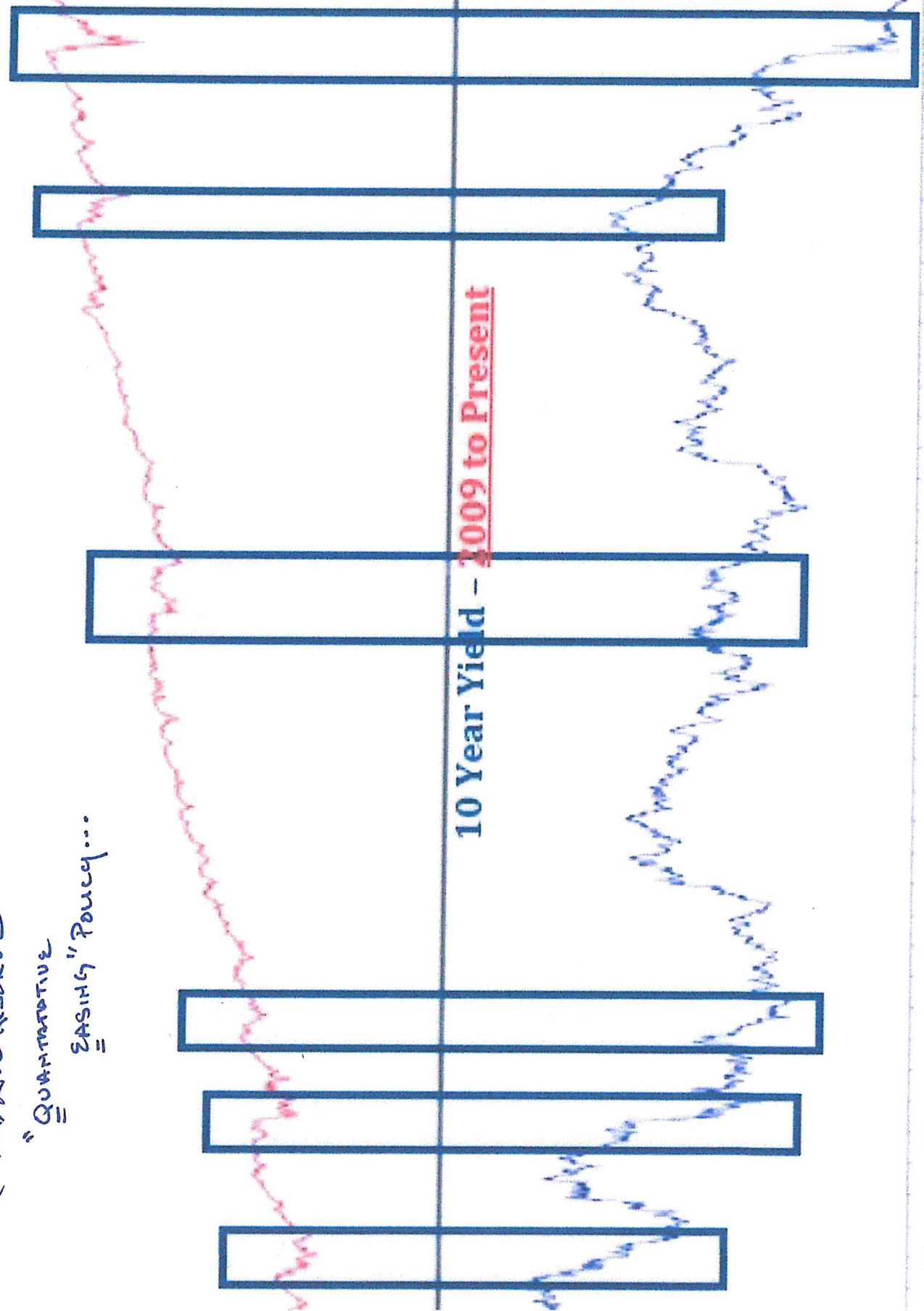


THE QE YEARS, BONDS WERE A HEDGE FOR STOCKS... BUT NOT THIS!

(4)

S&P 500 - 2009 to Present

TRADITIONAL RESERVE
"QUANTITATIVE"
EASING" POLICY...



10 Year Yield - 2009 to Present

Yields are their highs, only modes First mar correction QE era yie haven't g down in s

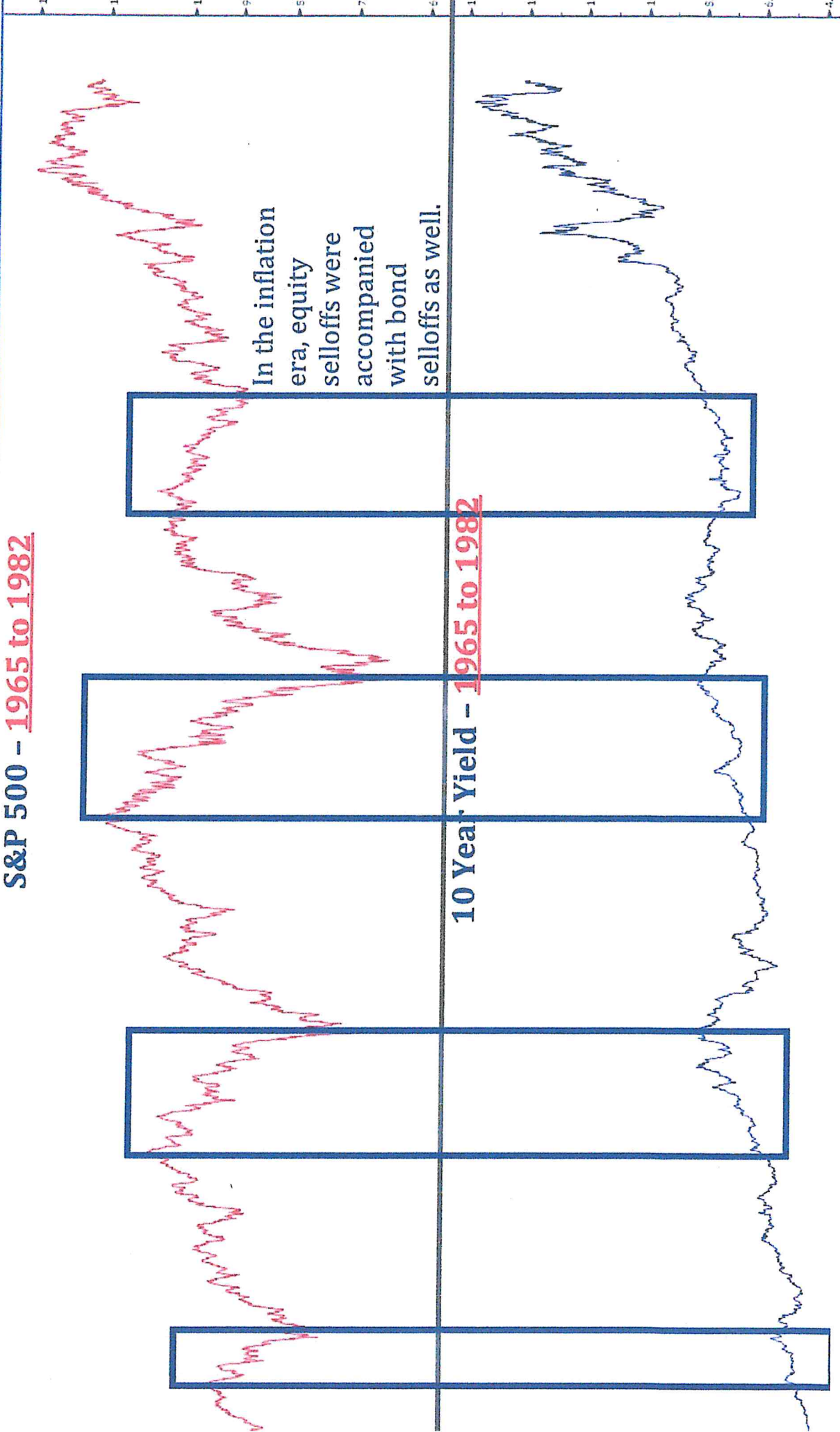


IN THE INFLATION YEARS, STOCKS & BONDS DECLINED TOGETHER

S&P 500 - 1965 to 1982

10 Year Yield - 1965 to 1982

In the inflation era, equity selloffs were accompanied with bond selloffs as well.





A LOOK AT TOTAL RETURNS BY DECADE

Total Returns By...

Asset Class,

	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	*2020s
Large-Cap Stocks	-0.1	9.2	19.4	7.8	5.9	17.6	18.2	-0.9	13.6	18.4
Long-Term Government	4.9	3.2	-0.1	1.4	5.5	12.6	8.8	7.7	6.6	16.7
Long-Term Corporate	6.9	2.7	1.0	1.7	6.2	13.0	8.4	7.6	8.0	15.4
Intermediate-Term Gov't	4.6	1.8	1.3	3.5	7.0	11.9	7.2	6.2	3.1	7.3
Small-Cap Stocks	1.4	20.7	16.9	15.5	11.5	15.8	15.1	6.3	12.4	6.6
Gold	5.3	0.1	0.1	0.0	30.7	-2.4	-3.3	14.3	3.3	2.2
Inflation	-2.0	5.4	2.2	2.5	7.4	5.1	2.9	2.5	1.8	1.4
Treasury Bills	0.6	0.4	1.9	3.9	6.3	8.9	4.9	2.8	0.5	0.4

Style,

	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	*2020s
Small-Cap Growth	5.4	11.5	17.7	10.6	5.8	10.1	11.3	-1.4	12.5	58.4
Large-Cap Growth	1.7	6.9	17.7	7.9	3.4	15.9	19.8	-1.2	15.2	36.2
Small-Cap Value	1.80	21.3	20.3	15.8	15.1	21.5	16.2	10.6	10.8	3.4
Large-Cap Value	-4.5	16.4	22.4	10.8	12.2	20.4	16.1	3.1	11.2	-3.4

And Region

	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	*2020s
United States	--	--	--	--	5.9	17.6	18.2	-0.9	13.6	18.4
World	--	--	--	--	7.0	19.9	12.0	0.2	10.1	16.5
Pacific	--	--	--	--	14.8	26.4	0.5	-0.3	6.6	12.3
EAFE	--	--	--	--	10.1	22.8	7.3	1.6	6.0	8.3
Canada	--	--	--	--	11.0	11.7	9.8	9.2	4.3	6.2
Europe	--	--	--	--	8.6	18.5	14.5	2.4	5.8	5.9

Source: Ibbotson, Data through 12/31/2020.

* *2020s is based on the single year of 2020