



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

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**Monday, July 9, 2018**

**4:30 PM**

**Large Conference Room**

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IN ATTENDANCE

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

Absent: Joe Delikat

WELCOME

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

MINUTES APPROVAL – June 11, 2018

ON MOTION of Mr. Schuster, seconded by Mr. Denton the minutes of June 11, 2018 were unanimously approved.

ACT 205 REPORT

Mr. Wallace provided information explaining the Act 205 Report which is completed by Thomas Anderson's office, a consultant for the Pension Committee and the Township. The report is submitted every other year and covers a 2 year period. This report covered 2015-2016 years. It identifies demographics and the value of the assets in the plan. It also indicates the establishment of the Pension Plans, which date back to 1973.

The report also translates to the MMOs that are used as the Minimum Municipal Obligation for the Township annually.

The wages that are used to complete the Act 205 report are based on the June 30<sup>th</sup> numbers and are a requirement by Act 205 to be reported. The MMOs are required to be accepted by the Township by September 30<sup>th</sup> of each year.

There was some discussion regarding the impact of the salaries based on overtime that might be incurred in the Public Works Department, say regarding a good winter, what happens versus bad winter and the impact at year end.

Mr. Wallace indicated that the mortality rate tables did change about 3 years ago. The reports reflect this as well.

INVESTMENT POLICY

There was discussion regarding the discount rate and the 65/35 investment which is similar to other communities based on the report that the Ways and Means subcommittee did.

Ms. Wasch talked about the demographics and the asset allocation and the need for more liquidity as the members in the plan age.

AGREEMENTS WITH PROVIDERS: DK BREDE AND THOMAS J. ANDERSON & ASSOCIATES

The Committee reviewed the agreements. It was discussed that it might be helpful to have the consultants come and talk to the Pension Advisory Committee. Both are scheduled with the Board of Supervisors.

It was suggested that they not meet with the Board of Supervisors but instead have one come to the August Pension Advisory Committee meeting and the other come to the September meeting.

Also noted that the DC plan was formed for the employees hired in the non-uniformed area after 2012.

The fees associated with the consultants were also discussed. DK Brede Associates is at 50 basis points. Many years ago the plan was managed solely by Blackrock and invested in Blackrock funds. The actuary and Tom Anderson's office assists the Township with the AG385 Reports and answer questions related to the plan and complete studies related to any plan changes and the impact on the defined benefit plans.

Mr. Schuster provided information from PFM that Warminster Township uses to manage their portfolio for pension plans and the reports they provide on a quarterly basis. They too have an 8% discount rate anticipated for their plans.

Ms. Mullin indicated that she too could provide information on various types of reports that are given to clients in her line of work.

It was noted that past pension advisory boards have not asked for any different types of format in reporting to the consultants.

Mr. Schuster suggested that it is important that the Committee advise the consultant of what they want. That way the consultants know what the Committee is looking for and can provide it accordingly.

There was some discussion regarding RFPs and whether or not this might be something that the Committee wants to recommend to the Board of Supervisors in the year ahead.

The consensus is that more information should be gathered before that takes place.

Mr. Schuster indicated that Warminster Township did recently go out for an RFP and was surprised to find out how many firms were interested. The in house Committee came up with five (5) firms to meet with before recommendation was made to that Board of Supervisors.

He indicated that two (2) members from the Board of Supervisors sat in along with employees on the Committee reviewing for the selection of the new consultant.

Mr. Denton handed out two sheets regarding the next steps for the Committee to consider.

The two (2) sheets addressed Ordinance No. 387 "To assist the Township Board of Supervisors in the administration of the Plan, a Pension Advisory Committee shall be established, which shall consist of ten (10) persons".

And 2, "the Committee shall recommend the adoption of rules and regulations and investment strategies for the administration of the pension plans to the Board of Supervisors of the Township".

Question: What is the scope limits of the Pension Advisory Committee's responsibility?

Pension Committee Charter Key Objectives - draft

The potential actions of the Doylestown Township Board of Supervisors with the assistance of the Pension Committee could take to put Doylestown Township's plans back on the right path.

1. Identify actions to reduce the Pension Plan funding deficit and improve the overall financial condition of the Pension Plans:
  - \* Identify and quantify potential sources of incremental funding (contributions)
  - \* Identify and quantify potential sources of cost savings
  - \* Identify actions that could increase/optimize Pension Plan Asset Returns at the appropriate risk level.
2. In support of the Board of Supervisors and Township Employees, enhance Pension Plan financial reporting, oversight function and transparency
3. Recommend what the appropriate Pension Plan Discount Rate (range) should be and rationale.
4. To ensure that the Township has the best professional support at a reasonable price, prepare a draft recommendation to establish a regular process to issue RFPs for Pension Plan related services for competitive bid, benchmarking, etc. (i.e. Investment Advisor, Actuary etc.)

Mr. Denton indicated that in 2018 the subcommittee's anticipation was that things would move along quicker, but regardless now the Pension Advisory Committee is in place in its current configuration that they can move forward with the suggestions that he outlined. So, the Pension Committee can identify and look at incremental costs and two make recommendations to the Board regarding discount rates, professional services etc.

Mr. Schuster indicated that in Warminster Township the Pension has a very narrow scope in what it can do.

Mr. Denton indicated that the discount rate is something that has been discussed for a while and just that the current rate of 8% is too high and change the rate and the MMO becomes a legal requirement then to pay that. He believes that gradually lowering the discount rate is the way to address the situation.

Mr. Schuster questioned the additional pays that the Township is putting in at the present time.

Mr. Denton indicated that it is kind of the same as if the discount rate were at 7 ¼%.

Mr. Salisbury inquired as to what the Committee thought the best way go about it would be.

Mr. Snyder suggested going through the documents and creating a recommendation and what resources we have to do this.

Mr. Denton indicated that when the Ways and Means subcommittee met with Mr. Kennedy they discussed in great detail the change in the discount rate and the timing of it.

Mr. Wallace indicated that the discount rate recommendation for 1/31

Mr. Denton indicated he'd love to see the Township begin gradually lowering the discount rate over time beginning with a change from 8% to 7.75% effective for the January 2019 Pension Valuation. This action is one of the recommendations included in the Pension Sub-Committee's final report to the Board of Supervisors last fall.

Ms. Wasch indicated how do you justify the right rate? That is the question.

Ms. Wasch indicated that there could be target range for long term and discussed with the advisors.

Mr. Denton indicated that it is all about timing and the rate as well as market performance goes into the current Pension Fund balances.

Mr. Schuster suggested that having someone look at the plan before you even go out for an RFP may be a way to do that.

Mr. Salisbury suggested having a short term goal that we could report to the Board of Supervisors coming from the Committee for this fall.

Mr. Denton indicated how can we have an input in the 2019 budget if we haven't had to opportunity to evaluate everything.

Mr. Wallace indicated that the next opportunity to change the discount rate is 1/31/19. It impacts the MMOs for 2020. That is when you would pay in.

Ms. Wasch suggested doing a report and circulating to get input from the various members on the Committee and find a reasonable rate. She volunteered to speak with Jim Kennedy from Thomas Anderson's office as well as Ms. Brede from DK Brede Associates.

Mr. Schuster indicated that there would be recommendations to the Board of Supervisors for 2019 as well, but expressed having the consultants come out and speak in August and September would be best and not have them go to the Board of Supervisors.

Members of the Committee agreed.

The next meeting will be August 13, 2018. We'll look at the discount rates, the report, have Ms. Brede attend that meeting and perhaps look at doing an RFP in the future.

Also, Mr. Snyder suggested that Mr. Salisbury provide a short synopsis of what the Committee has been working on to the Board of Supervisors in August.

Mr. Snyder suggested digging into the reports and reassured the non-uniformed and uniformed employees on the Committee that the goal is to preserve the pension plans for the employees. Something may be sensitive but they need to be talked about. Everyone agreed.

Being no further business the meeting was adjourned at 6:13 PM.

Respectfully submitted by

Stephanie Mason  
Secretary