

**Doylestown Township Pension Advisory Committee**  
**Minutes for June 8, 2020**

In attendance: Ed Denton, Chairman; Sinclair Salisbury, Vice Chairman; Members: Robert Salanik, Joe Delikat, Colleen Mullin, Tom Burke and Detective Bill Mokriski.

Board of Supervisors Liaison – Jen Herring

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

Guest: Ed Ebenbach, Budget Analyst

Mr. Denton welcomed everyone to the meeting.

**Minutes Approval May 11, 2020:**

On motion of Mr. Salanik, seconded by Mr. Delikat the minutes of the May 11, 2020 PAC were unanimously approved.

**Debrief of May 19, 2020 Budget Work Session:**

Mr. Denton asked the Committee members to take a moment and share their opinions on what they thought of the meeting. Mr. Burke indicated that he thought Mr. Denton covered as much information in the time allotted. That his points were clear and concise. Ms. Mullin agreed that Mr. Denton did a good job in presenting the information and that he focused on the issues. She said the PAC should request more time in the future. Mr. Delikat indicated that he was not at the meeting but reviewed the video and believes that Mr. Denton was right on with recommendations. Detective Mokriski indicated that he had not attended the meeting and was unable to view the video. Ms. Herring commented that more time was needed but the presentation was detailed and the presentation with recommendations was clear.

Mr. Salanik commented that there were new members of both the Board and Ways and Means and recommendation that the discount rate go to 6% in the next ten years was clear.

Mr. Denton agreed with the time limit but he thought it was great for Ways and Means and the Board to hear.

**Investment Policy Statement:**

Mr. Denton indicated that Ms. Mullin and Mr. Burke were working on this topic so he asked Mr. Burke for an update. Mr. Burke addressed the PAC by indicating that an established Benchmark is necessary for the Plans. At the current 65/35 we can depend upon the Barclay Aggregate. He also indicated that the US indexes are up US Markets led more than the Europe or emerging markets. He indicated that there is a lot of contingency and expectation of complacency in the market. There's a temporal recovery which can be seen in both plans. Need to finalize reference benchmark from a reference on how we should be performing. There are concerns for equity and fixed income. Fixed Income a plain proxy through the portfolio on how we did is possible. On the equity side, we have 12 investments all ETF's the benchmark is the S & P however there's no composite. All of the equity side is passive. The Fixed Income side has 11 investments and has 8 benchmarks. Mr. Burke questioned if it adds value to the plans.

Bottom line for reference policy benchmarks it's up to the advisors discretion. There's no composite on the Fixed Income side there's no breakout or attribution. What are the top three investments that help or hurt the plan? We don't know. He suggested that going forward we need to ask a series of questions and not be held hostage to the advisor and mediocre performance every year. He indicated that he and Colleen are working on incorporating these aspects into the IPS. The goal is make sure the advisor brings value to the plan. So that the PAC can assess the viability.

Ms. Mullin commented that it's a philosophical question and one that places us at a cross roads. We need to make a choice in drafting the IPS and what we recommend to the Board. Do we want Index only funds or an advisor? Ms. Mullin indicated that the current advisor does provide benchmarking information by performance class. She agrees that we do need a blended benchmark. She again questioned if we only wan ETF's we should know this before we go out to the market for a new advisor.

Mr. Denton commented that everyone wants benchmarks but would like to keep it simple.

Ms. Mullin said she'd have to caution against the Barclay's Ag. We may underperform but it's not a true benchmark.

Mr. Denton questioned if DK Brede does the proper calculations on the 8 weighted benchmarks.

Ms. Mullin pointed out that in the DK Brede report from 12/31/19 on pages 22 and 23 references are made to the benchmarks. Perhaps we need to be clearer on what we want and how to accommodate it.

Mr. Salanik said he'd like to keep it simple and will follow Mr. Burke and Ms. Mullin's suggestions. Mr. Denton agreed. He would like to see a change in fees and an RFP in 2021 is needed. He commented that he spoke with colleagues at Merk and they've put it all in Vanguard. However, he said he believes the Township should have an advisor.

Mr. Burke said that the advisor's role is important.

Mr. Delikat commented on the Bonds and the 11 different funds and 8 benchmarks with nominal returns and fees for the advisor and investor. He believes we need to keep it simple and go to an Index. We need to shop the advisory service as we've had the same provider for a long time.

Ms. Herring commented that shopping professional services from time to time is a good thing.

There was a discussion as to when DK Brede would have the second quarter report. The next PAC meeting is July 13<sup>th</sup>. It is believed it may be received after the date of the next meeting. Mr. Denton suggested that the staff reach out and obtain a date. Then have the report delivered well in advance of the next meeting and alert DK Brede that the PAC will discuss the report at the August meeting.

Regarding the IPS Mr. Denton suggested writing questions out and eventually taking it to the Board.

#### **New Business:**

#### **Review Draft Pension Funding Options:**

Mr. Wallace indicated that he anticipates the PAC will recommend a discount rate that can be plugged into the Budget calculations. The PAC members indicated that they believe they expressed that at the May 19<sup>th</sup> meeting to work toward 6% over the next ten years.

Mr. Denton commented that the PAC recognizes that this can't be accomplished without the Township making specific financial decisions like tax increases.

Mr. Ebenbach, Budget Analyst for the Township suggested that looking at the needs versus the wants is important here. He indicated that the Township has two separate pension plans. One is closed the other is open. Perhaps developing a path to get the inactive/closed plan to 6% faster than the active/open plan may be prudent. Mr. Salanik wanted to know what the cost will be to the Township. He agreed that the needs of the two plans are different but they're both 80% funded. His concern are for the unfunded future liabilities. He believes its one problem not two.

Mr. Denton shared a slide he prepared (see attached). He indicated that whatever the Township has to do to meet its obligation to the Pension Plans (take on debt, raise taxes or reduce capital expenses) needs to be done. The important issue is to get the discount rate from 7.75% to 6% within the next 10 years. The Township needs to be aggressive with it.

Ms. Mullin commented that perhaps Mr. Ebenbach has a suggestion worth considering. The plans are separate. The Police Plan can't easily be changed because of contract negotiations. The non-uniform plan is closed. The Township is going to need to be realistic with its financial picture.

Mr. Delikat said that the Township needs both plans at 6% in ten years. If the Township doesn't commit to it now it'll kick the can down the road and never do it. If only the MMO is paid then never going have an impact.

Ms. Mullin suggested that looking at decoupling the plans should be discussed with Mr. Kennedy.

Mr. Ebenbach suggested that one plan could be more aggressive at ½% reductions and the other could be ¼% reductions with a parallel investment strategy.

Mr. Denton suggested that Mr. Wallace arrange a call with Mr. Kennedy, himself, Mr. Ebenbach and Ms. Mullin.

**Next Steps:**

1. Work offline with Mr. Wallace, Mr. Ebenbach and Mr. Kennedy
2. Contact DK Brede request timeframe on receiving Second Quarter Report
3. Ms. Mullin and Mr. Burke work through the IPS information for next meeting

**Adjournment:**

Being no further business the meeting adjourned at 6:00 p.m. on motion of Mr. Delikat and seconded by Mr. Denton.

Respectfully submitted,

Stephanie J. Mason