



Doylestown Township

Pension Advisory Committee Meeting

~ Minutes ~

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Monday, August 8, 2022

4:30 PM

Community Meeting Room

Downtown Township Pension Advisory Committee Minutes Monday August 8, 2022

In Attendance: Ed, Denton, Chairman; Sinclair Salisbury, Colleen Mullin, and Tom Burke

Absent: Bob Salanik, Bill Mokriski and Joe Delikat

Township Staff: Ken Wallace, Finance Director; Stephanie J. Mason, Township Manager; Michael Plawecki, intern

Liaison: Jen Herring, Supervisors

Guest: Joe Wolfram from Vanguard

Old Business

Approval of prior meeting minutes June 13th 2022 - on motion of miss Mullin seconded by Mr. Burke the minutes were unanimously approved.

Status of 2023 budget, MMO and MMO sensitivity analysis - Mr. Wallace indicated that the 2023 budget was following the recommendations from the PAC and that the actuary had the MMO's for the non-uniform plan at \$208,000, the uniform plan at \$510,000 and the defined contribution plan at \$60,000. A wage analysis was done along with forecasting. The goal reducing the interest rate of return to 6% is set to go to 6 3/4%. Mr. Denton suggested consideration be given to go to 6 1/2%. Ms. Mullin indicated that the PAC should stay on the path that has been laid out. Mr. Burke indicated that consideration should be given in further reduction in 2023 to go to 6 1/2%. It was discussed that no decision needs to be made at this time and further consideration should be given in September. Mr. Wolfram suggested the closer the rate of return can be reduced to 6% the better.

New business

Mid-year review with Vanguard. Mr. Wolfram shared the attached document, which is a year-to-date performance of the pension plans. He pointed out that the numbers are terrible and not unexpected due to the current market conditions, however there are some positive aspects. Mr. Wolfram reviewed the portfolio for the performance ending June 30th. The police pension plan and the non-uniform plan mirror each other. Page five of the document shows the allocation. He indicated that on pages six and seven the performance summary (gross of advisory fees) ending June 30th are identified. He also indicated on page 8 the total performance of the portfolio is identified and as time goes on that information will expand. He discussed cash flow and how it gets rebalanced and a full rebalance occurs quarterly. He discussed the distribution to retirees on a monthly basis and how those assets flow.

As of June 30th, the police pension plan had \$13,944,029. Mr. Wolfram Indicated that overall, the plan was down 17% year to date. Mr. Burke questioned the benchmarking. Mr. Wolfram indicated that it typically comes out around the 10th of the month. He indicated pages six and seven were ideal to review that information. Page 41 in the document shows the managers target. Mr. Denton indicated that he believes Vanguard is doing a good job relative to the benchmark. Mr. Wolfram also discussed the domestic and international market and how the timing on the international market and when it closes can impact the index. He also explained the market value benchmark to peer groups for the plan.

Mr. Wolfram then reviewed the non-uniform returns starting on page 13 and the performance ending June 30th. The plan has \$9,821,064 in it. Pages 14 and 15 show the performance summary gross of advisory fees ending June 30th for the non-uniform plans. Page 17 also shows a loss in assets of 17% year to date. Mr. Wolfram indicated he believed Vanguard has a steady strategy for the plan going forward. He also reviewed the global market returns on page 23, which are not pretty. Page 24 shows the global equity market returns and on page 25 the US equity sector returns. On page 26 the global fixed income market return.

Mr. Wolfram indicated that the Country is in a recession since we have had two quarters of a decreasing GDP. With high inflation. On page 28 Mr. Wolfram reviewed Vanguard's July- August 2022 market and economic outlook.

Mr. Burke comment about the weighted expected returns relative to a 65/35 split. Mr. Wolfram indicated that those can be seen on pages 29, 30, and 31. Mr. Wolfram also indicated that the Fed is expected to increase interest rates again. He also indicated that there's no soft landing at the moment on length or severity of a recession. With unemployment still being low at 3 & 1/2% The economy is still being impacted by the great resignation and people not returning to work. There are a number of low paying jobs still not being filled. There is pressure among higher paid employees as well to do more. He further indicated that volatility is always hard to predict in the short term.

Mr. Denton commented about not hitting a positive 6% return and as time moves forward, we need to stay targeted on reducing the interest rate of return to our 6% target.

Mr. Salisbury had question regarding page 39 and the factor on replacement ratios which Mr. Wolfram explained.

Ms. Mullin asked about participants in the plan and the mechanics of it and there had been any issues regarding retirees. Mr. Wolfram indicated that there is a hotline to answer questions for retirees and things seem to be going well. He indicated there were a few missed situations with the DROP, but the dates have changed, and all is being worked out with the help of Mr. Wallace.

Mr. Denton indicated the next step would be for an end review in February and a presentation before the Board of Supervisors providing an executive summary at that time. Being no further business, the meeting adjourned at 5:47 p.m. on motion of Mr. Burke seconded by Ms. Mullin and carrying unanimously.

Respectfully submitted,

Stephanie J Mason, Township Secretary