



Doylestown Township

Pension Advisory Committee Meeting

~ Minutes ~

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215-348-9915

Monday, September 12, 2022

4:30 PM

Community Meeting Room

In Attendance: Ed Denton, Chairman; Sinclair Salisbury, Colleen Mullin, Bill Mokriski and Joe Delikat

Absent: Bob Salanik and Tom Burke

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

Liaison: Jen Herring, Supervisors

Old Business

Approval of prior meeting minutes August 8, 2022 - on motion of Mr. Salisbury seconded by Ms. Mullin the minutes were approved with Mr. Mokriski and Mr. Delikat abstaining.

Status of 2023 budget, MMO and MMO sensitivity analysis - Mr. Wallace indicated that the consultants are still working with the 1/1/21 ACT 205 information. The 2023 ACT 205 report will take into account from 2021 – 2022 returns.

Mr. Denton commented that the current market conditions will provide a refreshed look for the 1/1/23 information.

Mr. Wallace indicated that for 2023 Mr. Kennedy will have all the up-to-date information.

Mr. Denton inquired about the potential of reducing the rate further beyond what's planned and would like to review that at the next meeting.

Mr. Delikat commented that the MMO plan is a retrospective and PAC is trying to be prospective.

Mr. Denton believes that the MMO calculations are a bit flawed or understated because of good returns from 2021 and it is inappropriate to only pay the minimum of \$710,000.

Ms. Mullin indicated that she believes that the PAC and Township should stay with the higher number.

Mr. Wallace indicated that earned income tax is up, real estate taxes are stable.

Mr. Denton indicated that he, Mr. Burke and Mr. Salanik have been discussing accelerating the discount rate, which is anticipated in 2024 to go to 6.5. In attempting to get to 6% in 2026 versus the planed 2028.

Ms. Mullin commented agreed that continuing to get to 6% sooner may be beneficial.

Mr. Delikat commented that making a change is good.

Mr. Denton commented that it's the evolution that has been discussed with the Board and helps with deficit year after year.

Mr. Delikat indicated that perception is reality, and it may be difficult to even up with the big payment that will be needed.

Ms. Mullin recommended that the 50 bases point should be done if it can be done.

Mr. Wallace indicated that the Township has been following the PAC recommendations and its where the Supervisors want be. The goal now, according to Mr. Denton is to get to 6% in 2026.

Ms. Herring commented that she felt better about the market a few years ago but understands the importance of the MMO payment and continuing to make those extra payments but sometimes there needs to be a balance or realistic assumptions.

Mr. Denton commented that there is a lower discount rate where all the employees have to die at 64. Those are unrealistic assumptions. He also commented that many other municipalities are not taking this seriously.

Mr. Denton believes we should stick with the five-year number and the evolution of the discount rate and review it next year but working and striving to get to 6% by 2026.

Discuss 2023 Budget and 5-year Plan Draft Recommendations – Mr. Denton indicated that the goal over the next five years should be to target the reduction of the interest rate return to 6% and instead of achieving that in 2028 as proposed that the goal should be to get there by 2026. He indicated this could be accomplished by accelerating by ½%. In addition to making extra payments.

The 2021 returns basically smooths out the effect that we may see in 2024. At this time the 1/1/23 recommendation is at 6 3/4.

With the 5-year plan we will be ahead of the game. Look at the MMO next year and continue to lower the rate to 6%.

There was a discussion regarding the discount rate versus discretion and the high cost of debt and borrowing for the Township as part of budget, etc.

Mr. Denton indicated the borrowing for Capital Budgeting Items and using funds to lower the discount rate for the pension is the approach the Township should be taking.

Mr. Salisbury indicated that it is sometimes difficult for people to visualize the impact of the market conditions.

Mr. Delikat had a question on the \$10 million, knowing that there was a capacity for borrowing and the Township having to be bank qualified. Regarding Mr. Dentons assumption that if the Township borrowed at 4% on Capital Items it would be more beneficial, the Townships tax dollars could be utilized for the MMO's as they continue to increase.

Mr. Denton made a motion to recommend that the PAC recommend sticking with the number in five years and the short end to accelerate the discount rate to 6% by 2026 and that the Township should budget \$1,657,948 in 2023 for the MMO. Seconded by Ms. Mullin, Motion carried unanimously.

Follow-up discussion with Joe Wolfram from Vanguard about actuary reports. Mr. Denton & Mr. Wallace need to find a time to communicate with him on that topic.

Being no further business, the meeting adjourned at 5:24 on motion of Mr. Salisbury, seconded by Ms. Mullin.

Respectfully submitted,

Stephanie J Mason, Township Secretary

