



# Town of Simsbury

933 HOPMEADOW STREET

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SIMSBURY, CONNECTICUT 06070

Thomas F. Cooke – Director of Administrative Services

**Retirement Plan Sub-Committee**  
**Special Meeting**  
**Minutes**

Wednesday, February 22, 2017 at 7:30 A.M.  
Board of Education Conference Room  
Simsbury Town Hall – 933 Hopmeadow Street

**I. Call to Order**

The meeting was called to order at 7:30 by Administrative Chair Thomas Cooke. Sub-Committee members Rob Pomeroy, Kevin Prell, Cheryl Cook, Chris Kelly and Phil Schulz were present. Board of Finance member Derek Peterson was also present. Town and Board of Education staff members in attendance included Burke LaClair, Board of Education Business Manager, Sean Kimball, Director of Finance/Treasurer, and Eric Gomes, Employee Benefits & Human Resources Coordinator. Christopher Kachmar, Tyler Polk and Richard Carey were present for Fiduciary Investment Advisors, and Becky Sielman was present for Milliman.

**II. Review of Minutes**

**a) Special Meeting, December 21, 2016**

There were no changes to the minutes of the December 21, 2016 Special Meeting.

**III. Review of Governance Calendars and Fourth Quarter 2016 Performance – All Plans**

Mr. Kachmar reviewed the material contained in a document entitled “Town of Simsbury Retirement Plans Executive Summary – Fourth Quarter 2016.” After discussing the information in the Market Review, Mr. Kachmar turned to the Equity & Fixed Income Review noting the strength of U.S. equities in the fourth quarter. Mr. Kachmar pointed out that emerging markets have improved considerably in the first quarter of 2017. Fixed income returns for the fourth quarter were considerably down. FIA’s Market Viewpoints were consistent from the prior quarter with the exception of a stronger preference for short duration fixed income.

Moving to the Executive Summary section on the defined benefit plans, Mr. Kachmar noted that the 7% interest rate assumption in place for the plans was consistent with market trends. Both Mr. Kachmar and Ms. Sielman reaffirmed that the interest rate assumption was appropriate and that cost information would be provided in connection with a potential reduction of the assumption to 6.75%.

Mr. Kachmar reviewed the Asset Allocation information and a discussion ensued concerning the process for rebalancing. Ms. Cook asked if there were any concerns about using Wells Fargo as the custodian for the funds. Mr. Kachmar explained that recent disclosures about Wells Fargo's sales and marketing practices concerned parts of the business that are not related to the administrative/institutional side of its operations.

Mr. Kachmar continued with a review of plan performance, noting that while the last few years have been particularly challenging for active managers, FIA anticipates that it expects active managers to perform better against index funds on a going forward basis. He noted that even though active management has been challenging, the plan's approach did well to break even and that the investment strategy, including the use of BlackRock and Templeton in the fixed income sector, had worked well to deflect the negative impact of the interest rate increases. He noted that the entire manager line-up was on "maintain."

The Sub-Committee moved on to the Executive Summary review of the town's defined contribution plan. Mr. Polk discussed the increased use of target date funds in the industry and discussed the performance of T. Rowe Price in that context. Mr. Cooke noted that the Sub-Committee had switched to T. Rowe Price from BlackRock approximately two years ago and asked if FIA was satisfied that T. Rowe Price was still the best target fund option. Mr. Polk responded in the affirmative.

A discussion ensued concerning the defined contribution plans and Mr. Polk was asked to provide information on the RFP process for reviewing options for plan custodians. He agreed to provide the information at the next Sub-Committee meeting.

#### **IV. Discussion and Possible Action on Alternative Investments**

The Sub-Committee deferred discussion on alternative investment options.

#### **V. Discussion and Possible Action on Proposed Active Management of the OPEB Trust**

Mr. Kachmar provided a document entitled "Simsbury OPEB – Portfolio Discussion – January 2017." Noting that the OPEB Trust holds approximately \$13 million in assets and that the Sub-Committee had been discussing the viability of moving to a more "equity-centric" active management platform, Mr. Kachmar discussed the potential advantages to moving from a 55%/45% equity to fixed income mix to a 65%/35% equity to fixed income mix. He reviewed the potential risk and return information provided in the document, noting that there was no significant difference in risk and a potential improvement in returns of almost 40 basis points. Mr. Prell asked whether there was data to show that active management would out-perform indexed options, and Mr. Kachmar responded that, recognizing the markets have been particularly challenging for active managers in recent years, approximately 30% of active managers had out-performed indexed options. Further discussion ensued about FIA's testing of active management versus indexing, the additional costs of active management and the steps that would have to be taken to move to active management. It was the consensus of the Sub-Committee that while a change in the equity-to-income mix made sense as a first step, further information was needed before deciding to move to active management.

**Mr. Prell made a motion to adjust the OPEB Trust portfolio asset allocation from a 55% equity to 45% fixed income mix to a 65% equity to 35% fixed income mix. Mr. Kelly seconded the motion and it passed unanimously.**

VI. Adjourn

**Mr. Prell made a motion to adjourn the meeting. Mr. Schulz seconded the motion and it passed unanimously.** The meeting adjourned at 8:45 a.m.

Respectfully submitted,

Thomas F. Cooke  
Administrative Chair