



# Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

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

Wednesday, January 10, 2018 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 a.m. by Administrative Chair Thomas Cooke. Sub-Committee members Kevin Prell, Cheryl Cook, Chris Kelly, Jennifer Batchelar, Mike Goman, Paul McAlenney and Phil Schulz were present. Town and Board of Education staff members in attendance included Burke LaClair, Board of Education Business Manager, Sean Kimball, Interim Town Manager and Eric Gomes, Human Resources. Chris Kachmar and Tyler Polk were present for Fiduciary Investment Advisors.

### **II. Proposed Schedule of Meetings for 2018**

Mr. Prell made a motion to set the following meeting dates for 2018. Mr. Schulz seconded the motion and it passed unanimously:

- **Wednesday, February 14, 2018 at 7:30 a.m. in the Board of Education Conference Room**
- **Wednesday, May 9, 2018 at 7:30 a.m. in the Board of Education Conference Room**
- **Wednesday, September 12, 2018 at 7:30 a.m. in the Board of Education Conference Room**
- **Wednesday, November 14, 2018 at 7:30 a.m. in the Board of Education Conference Room**

### **III. Review of Minutes**

#### **a) Regular Meeting, May 17, 2017**

There were no changes to the May 17, 2017 minutes as filed.

### **IV. Review of Third Quarter and Preview of Fourth Quarter Plan Performance**

Mr. Kachmar reviewed a document entitled “Town of Simsbury Retirement Plans – Executive Summary – Third Quarter 2017” beginning with a market review. Mr. Kachmar noted that for the quarter in question and beyond both equity and fixed income markets were strong across the board with global growth and strong corporate financial health. He noted that interest rates had been “well-behaved” and that with returns for equities were stronger overseas.

Referring to materials at Tab 2, Mr. Kachmar noted that the defined benefit plans saw growth of 11% YTD for the 3<sup>rd</sup> Quarter of 2017 and that they were likely to be up roughly 15% at the end of the 4<sup>th</sup> Quarter.

In connection with FIA's investment review, Mr. Kachmar noted that Aberdeen was on "watch" due to its merger with Standard Life which closed in August, 2017 but was likely to be taken off "watch" status shortly. He also noted that Barings Core Property Fund LP was on watch due to loss of a co-portfolio manager.

Mr. Kachmar then turned to the actuarial reviews in the Executive Summary, noting that all of the Town's defined benefit plans were solidly funded in the 70% to 80% range. A discussion concerning the actuarial return assumption ensued, and the Sub-Committee asked that Milliman, the Town's actuary, be invited to discuss the return assumption at its next meeting. Mr. Kachmar noted that the allocation analysis portfolio risk & return for the long term showed a 6.46 annualized return and pointed out that FIA was seeing a number of clients move to return assumptions below 7%. In response to a question from Mr. Schulz, Mr. Kachmar explained that the numbers used for the analysis included fees. In response to a question from Mr. Kelly, Mr. Kachmar noted that FIA was seeing clients tilt more towards international equities in their allocations.

Mr. Kachmar concluded his overview with a review of a document entitled "Capital Markets Flash Report" which showed that all three defined benefit plans were up for the 4<sup>th</sup> Quarter of 2017.

## **V. Defined Benefit Plan**

### **a) Possible removal of BlackRock and reallocation of investments**

Mr. Kachmar turned to a document entitled "Simsbury Pension & OPEB – Portfolio Discussion – January 2018," which included FIA's recommendation that the Town remove the BlackRock Global Allocation Fund from the benefit plan asset allocations and that the funds 10% position be reallocated among existing assets. The recommendation was based on a change in BlackRock's leadership, and specifically the departure of Dennis Stattman – the architect of the fund's strategy – from the company. Mr. Kachmar noted that the fund's performance had not changed measurably and that while the change was not urgent, it was recommended. Upon further questioning by the Committee, Mr. Kachmar explained that the primary concern with BlackRock was the absence of any track record for the remaining management team. Mr. Prell asked whether FIA had considered using more indexes as part of the reallocation and a discussion about the pros and cons of active versus passive management. Mr. Kachmar noted that recent history showed success for indexing, added that indexing would and should remain a part of the allocation mix, and stated that given the cyclicity of the markets FIA believes that the markets are presenting opportunities for active management. A discussion ensued concerning active and passive management, with Mr. Kachmar noting that the "active/passive considerations" material found on page 5 of the materials showed long-term opportunities for active management in all areas with the exception of large cap investments.

**Mr. Kelly made a motion to approve implement the re-allocation proposed by FIA which removes Black Rock Global Allocation Fund K and reallocates the funds as follows:**

- **Increase target to international equity by 5%**
  - **Add 2.5% to Hartford International Opportunities Fund;**
  - **Add 0.5% to Templeton International Foreign Smaller Companies Fund;**
  - **Add 2% to Aberdeen Emerging Markets**

- **Increase target to domestic equity by 0.5%**
  - **Add 0.5% to Vanguard Institutional Index Fund**
- **Increase target to fixed income by 4.5%**
  - **Add 1.25% each to Metropolitan West Total Return Fund and Western Asset Core Plus Bond fund**
  - **Add 2.5% to BlackRock Strategic Income Opportunities Fund**
  - **Decrease 0.5% to Templeton Global Bond Fund**

**Mr. Goman seconded the motion and it passed unanimously.**

Committee members requested that other recommendations for passive managers be considered by FIA on a going forward basis.

#### **VI. OPEB Trust**

- a) **Possible action on proposed active management of OPEB Trust and corresponding adjustments to OPEB Investment Policy Statement**

Mr. Kachmar stated that the OPEB Trust, at close to \$15 million, had reached a size where it was reasonable to consider active management of the assets. He also noted that the Fund was performing well and that there was no urgency to making a change to active management. Mr. Cooke and Mr. Kimball requested that action on the agenda item be tabled pending completion of the transition to Town Manager given current staffing levels and the technical challenges associated with making a switch at this time.

**Mr. Prell made a motion that the agenda item be tabled pending completion of the transition to the Town Manager form of government. Ms. Cook seconded the motion and it passed unanimously.**

#### **VII. Discussion re: interest rate assumptions for Defined Benefit plans and OPEB Trust**

The discussion was conducted during an earlier portion of the meeting.

#### **VIII. Defined Contribution Plan**

- a) **Review of possible alternatives to Defined Contribution Plan investment options and possible action**
- b) **Review of recordkeeping services**
- c) **Review of plan demographics**

Mr. Polk reviewed the Fiduciary Governance Calendar found on p. 60 of the Executive Summary. He focused on cyber security steps taken by recordkeepers to protect plans from fraud and distributed a MassMutual document entitled “Protecting Digital Assets Summary.” He added that FIA is preparing a RFI seeking information from recordkeepers about security measures utilized to protect their customers. In addition, he is asking MassMutual to be prepared to discuss their approach to cyber security at the next Sub-Committee meeting.

Mr. Polk continued with a review of demographic information, noting that the Town’s large account saw \$650,000 in new contributions and \$200,000 in roll-overs into the account, with more money going in than coming out, which is a positive trend. He also noted that of the 138 current participants, 75 are 50 years old or older.

Mr. Polk noted that loan use, at 7 loans, was appropriate for the number of participants, and that the plan’s limitation to one active loan at a time was a proper practice.

He also pointed out that 24% of the assets were in the 4% guaranteed account.

The Committee discussed the advisability and feasibility of adding an opt-out feature which would place new employees in the 457 plan unless they chose to opt out. Discussion ensued concerning whether or not this would be considered a subject for collective bargaining.

Mr. Polk continued with a review of the balances in each account and a review of the managers, all of who were on “maintain” status.

## **IX. Adjourn**

**Mr. Prell made a motion to adjourn the meeting and Ms. Cook seconded the motion. The motion passed unanimously and the meeting adjourned at 8:55 a.m.**

Respectfully submitted

Thomas F. Cooke  
Interim Director of Finance