



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

Retirement Plan Sub-Committee **Regular Meeting Minutes - Approved**

Wednesday, February 6, 2019 at 7:30am
Main Meeting Room, Town Hall, 933 Hopmeadow Street

I. Call to Order

The meeting was called to order at 7:35 a.m. by Chairman Chris Kelly. Sub-Committee members Cheryl Cook, Phil Schulz, Kevin Prell, and Jennifer Batchelar were present. Town and Board of Education staff members in attendance included Burke LaClair, School Business Manager; Maria Capriola, Town Manager; Melissa Appleby, Deputy Town Manager; and Amy Meriwether, Finance Director. Chris Kachmar and Tyler Polk were present for Fiduciary Investment Advisors. Guests included Lisa Heavner, Board of Finance member.

II. Review of Minutes

a) Regular Meeting, November 14, 2018

The minutes of November 14, 2018 were approved as presented by consensus.

III. Pensions Plans & OPEB Trust Fourth Quarter 2018 Performance Reviews and Fiduciary Governance Update

a) Passive v. Active Management of Funds

Mr. Kachmar reviewed a handout entitled "Active vs. Passive," which provided an overview of the two investment management approaches. Active management comes with higher fees, as firms will attempt to deliver higher returns. Passive management, also known as indexing, comes with lower fees, and the intent is to match the returns generated by the relevant market. Mr. Kachmar noted that both approaches can be appropriate depending on the circumstances.

Mr. Kachmar also reviewed a document entitled "Town of Simsbury Retirement Plans – Executive Summary – Fourth Quarter 2018." He noted that the market experienced a downturn in the fourth quarter, leading to higher risk aversion and lower interest rates. He said that despite this performance, returns were better in January and worldwide growth is forecasted to be positive moving forward. Mr. Kachmar reviewed national benchmarking data regarding pension plan funded ratios and rates of return. He noted that while the median interest rate assumption statewide is still around 7%, the trend is moving toward interest rate assumptions lower than 7%.

b) Review and Discussion of Aberdeen Investment Fund

Mr. Kachmar provided a performance overview as detailed on pages 29-34 of the document entitled "Town of Simsbury Retirement Plans – Executive Summary – Fourth Quarter 2018." In particular, the group discussed the performance of Aberdeen Emerging Markets, which they have been

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monitoring due to underperformance. Mr. Kachmar reviewed an additional handout entitled “Investment Manager Review – Emerging Markets Equity,” which presents alternative investment strategy options. In particular, Schroders EM Equity and DFA Emerging Markets were considered.

Discussion ensued regarding the relative benefits of DFA, which manages based on quantitative models, as compared with an index fund such as Vanguard. Mr. Prell made a motion to advise FIA to move from Aberdeen to Vanguard effective as soon as practical. Ms. Cook seconded the motion. Mr. Kelly, Ms. Cook, Mr. Prell, and Ms. Batchelar were in favor, and Mr. Schulz was opposed. The motion passed.

IV. Defined Contribution Plans Fourth Quarter 2018 Performance Reviews and Fund Menu/Target Date Review

Mr. Polk reviewed the T. Rowe Price retirement funds, noting that the target date portfolios are appropriate as a default option. These portfolios are designed to adjust their allocation as the participant ages, such that risk decreases as the participant reaches retirement age. Mr. Polk reviewed the performance overview of the defined contribution and 457 plans as detailed on pages 76-78. Discussion ensued regarding the stable value fund, which guarantees a 4% rate of return. This guaranteed rate results in an increase in the administrative fee charged by the record keeper, MassMutual. The group decided to have FIA issue a request for information (RFI) for record keeping services as a first step in potentially evaluating alternative record keepers.

V. Adjourn

Ms. Cook made a motion to adjourn at 8:48 a.m. Ms. Batchelar seconded the motion. All were in favor and the motion passed.

Respectfully submitted,

Melissa A.J. Appleby
Deputy Town Manager