



# Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

## **Retirement Plan Sub-Committee** **Regular Meeting** **Minutes - APPROVED**

Wednesday, May 9, 2018 at 7:30am  
Board of Education Conference Room  
Simsbury Town Hall – 933 Hopmeadow Street

### **I. Call to Order**

The meeting was called to order at 7:35 a.m. by Sub-Committee members Chris Kelly, Cheryl Cook, and Phil Schulz were present. Town and Board of Education staff members in attendance included Burke LaClair, School Business Manager; Maria Capriola, Town Manager; and Melissa Appleby, Deputy Town Manager. Chris Kachmar and Tyler Polk were present for Fiduciary Investment Advisors, and Becky Sielman was present for Milliman.

### **II. Review of Minutes**

#### **a) Special Meeting, January 10, 2018**

This item was tabled.

### **III. Review of Actuarial Valuations for General Government, Police, and Board of Education Retirement Income Plans**

Ms. Sielman reviewed a document entitled “Town of Simsbury – 2017 Pension Valuations,” noting that the July 1, 2017 valuations impact the Town’s FY18-19 budget. In regards to plan assets, she indicated that FY16-17 was a strong year for market returns. She noted that the funded ratio is 76% for the Board of Education plan, 78% for General Government and 84% for the Police. She described the two major factors that drive the actuarial required contribution: market changes and the assumed rate of return. The plans are anticipated to be fully funded within twenty years.

Ms. Sielman spoke about the interest rate assumption for the plans, which is currently set at 7.00%. She said that using a 75-year time horizon, the expected rate of return for the plan is 6.59%. Therefore, her recommendation is to lower the interest rate assumption from 7.00% to 6.75% for the July 1, 2018 valuations. The group discussed the anticipated budget impact of such a change, and asked Ms. Sielman to present a couple of scenarios for how the actuarial required contribution would change with different interest rate assumptions. She will provide rough estimates based on the current census, with more precise data to be presented at the November 14 meeting.

#### **IV. Capital Markets Update**

Mr. Kachmar reviewed a document entitled “Town of Simsbury Retirement Plans – Executive Summary – First Quarter 2018” beginning with a market review. Mr. Kachmar noted that the calendar year, there have been modest returns despite a growing global economy. He said that returns have been dampened by tariff discussions and other major headlines.

#### **V. Pensions Plans & OPEB Trust First Quarter 2018 Performance Reviews and Fiduciary Governance Update (Administrative Fee Review)**

Mr. Kachmar noted that the weighted average investment management fee is 0.55%, and that this cost is borne by the plans. In addition, a custodial fee is paid to Wells Fargo and a consulting fee to FIA. Mr. Kachmar provided an overview of the asset allocation and manager performance, and indicated that there are no recommended changes at this time. Although Aberdeen is on “watch,” he expects this status to be removed in the near future.

Mr. Kachmar stated that the assets in the OPEB Trust, held at Simsbury Bank, are indexed and not actively managed. He said that although the fund is performing well, the discussion on whether to move to active management should be held in the near future. The group decided to wait until a permanent Finance Director is hired to take action on this matter.

Mr. Kachmar reviewed the letter sent by the State Treasurer in January, which indicated that we should review our banking relationship with Wells Fargo due to its Community Reinvestment Act rating of “Needs to Improve.” As noted in the letter, no bank with this rating may receive public deposits. Mr. Kachmar noted that the letter did not define “public deposits,” and that the legal opinion obtained from Robinson and Cole indicates that pension and OPEB funds are not considered public monies since they are held for the benefit of the retirees, not the municipality. Mr. Kachmar said FIA’s other municipal clients in Connecticut are not making a change based on this information, but that a few are issuing requests for proposals to see what alternatives may exist in the market.

#### **VI. Defined Contribution Plans First Quarter 2018 Performance Reviews and Fiduciary Governance Update (Administrative Fee Review)**

Mr. Polk provided the administrative fee review for the defined contribution plans. In particular he discussed the high cost of the General Account fund, which includes a guaranteed 4% return. He noted that this drives the plan fees up such that they are almost double that of the average plan cost. The group discussed the possibility of making changes to this fund, such as reducing the guaranteed rate to 2% or 2.5%, which is more in line with the market. Mr. Polk said that he can ask Mass Mutual for a comparison of fees based on various guaranteed return rates.

Ms. Capriola said that it would be helpful if Mass Mutual would offer one-on-one educational sessions, especially if we are going to make a change to the General Account fund.

#### **VII. Wells Fargo Outlook**

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

#### **VIII. Adjourn**

Mr. Kelly made a motion to adjourn the meeting and Ms. Cook seconded the motion. The motion passed unanimously and the meeting adjourned at 9:15 a.m.

Respectfully submitted,

Melissa Appleby  
Deputy Town Manager