



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

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

Tuesday, September 6, 2022 at 8:00 a.m.
Via Zoom video conference

I. Call to Order

The meeting was called to order at 8:01 a.m. by Derek Peterson. Sub-Committee members Brian Watson, Amber Abbuhl, Tom Potter, and Bert Helfand were present. Amy Meriwether, Finance Director, Maria Capriola, Town Manager, and Melissa Appleby, Deputy Town Manager, were present from Town staff. Chris Kachmar and Tyler Polk were present for Fiduciant Advisors. Others in attendance included Board of Finance members Lisa Heavner and Arthur House.

II. Review of Minutes

a) May 2, 2022

Mr. Helfand made a motion to adopt the minutes of May 2, 2022 as presented. Ms. Abbuhl seconded the motion, and it passed unanimously.

III. Pensions Plans & OPEB Trust Second Quarter 2022 Performance Reviews and Fiduciary Governance Update

Mr. Kachmar reviewed the DB & OPEB July Portfolio Updates section. He stated it has been difficult in the capital markets calendar year to date due to high inflation. It has been a pretty challenging environment for the seven months ending in July but the peaks and valleys seen in the July numbers indicated that the fed was starting to get their arms around the inflation data, and the strong month of July gave some comfort to investors. August has been unfortunately more of the same in terms of the downdraft and they're down a bit in capital markets anywhere between 2-4%. All three of the pension plans, Town, Board of Education and Police were up just a little bit shy of 5% in July about in line with the broad markets. From an allocation perspective, using the Town plan as the proxy, the allocations are essentially in line with target weightings.

Mr. Peterson asked what the consensus was by the fed of where they are targeting rates. Mr. Kachmar stated last he saw it was maybe a 3.75 as a potential rate for when the fed may stop.

Leading economic indicators have fallen from peak levels but remain in positive territory supporting a positive outlook for economic growth in the near-term. There have been two consecutive quarters of negative GDP growth. The U.S. Treasury Yields Curve was discussed with the front end of the curve softening into the 10 year.

The Defined Benefit Pension Plans Investment Policy Statement was reviewed, Mr. Kachmar recommended minor updates to the asset allocation table of the IPS.

In Section 4, Real Asset Consideration, Mr. Kachmar shared that the thought would be in the three pension plans to take out those small positions and Vanguard tips and Credit Suisse and just swap them for the DWS strategy and use that as the real asset expression going forward.

Ms. Heavner asked if there was a more recent OPEB investment policy statement as the one online is from 2007. Mr. Kachmar stated they have an updated one that they will share.

The REEF Real Assets Fund was discussed. The Sector Allocations show 38% infrastructure, 24% Real Estate, 15% Commodity Futures, 12% Natural Resource Equity and 10% TIPS. The top equity holdings were discussed with Ms. Abbuhl commenting that a question for the committee would be whether they would want to consider what types of energy this is investing in. Mr. Potter commented that maximizing the returns is the most important.

Mr. Peterson asked the Committee if the committee would like to act on the recommendation to update the Investment Policy Statement or if more time is needed to read into the fund documents regarding the Top Equity Holdings and the companies. Mr. Potter stated he was inclined to act on the recommendation as presented. Mr. Potter made the motion to recommend to the Board of Finance to accept the changes to amend Exhibit A to the Investment Policy Statement and that the additional analysis be done prior to sending it to the Board of Finance. Mr. Peterson seconded the motion. Mr. Kachmar clarified that his team runs through the investment manager roster that is in place today and they've developed a grid with a series of criteria that relate to good citizenship and they will score based on Environment, Social and Corporate Governance (ESG) and Diversity, Equity and Inclusion (DEI) considerations. They will deliver in summary a grid that shows to what extent these different managers are running their strategies with a sensitivity these considerations. The motion passed with all in favor.

Ms. Heavner stated that the Board of Finance may need a legal opinion as to what the Retirement Plan Sub-Committee and Board of Finance fiduciary duties are in regards to the management of assets, and whether factors related to ESG and DEI can be considered when making investment decisions.

Ms. Abbuhl made a motion affirming the 2017 OPEB Trust Investment Policy Statement, and to update the dates and send onto the Board of Finance for their consideration. Mr. Helfand seconded the motion. The motion passed with all in favor.

IV. Defined Contribution Plans Second Quarter 2022 Performance Reviews and Fiduciary Governance Update

Mr. Polk reviewed the defined contribution governance calendar. Quarter Two is when they take a deeper dive into the types of investment options. In regards to the defined contribution space, there has been a lot of talk about Secure Act 2.0. He stated what he has been hearing is the potential for increasing catchup contributions across retirement plans. The bigger impact they are hearing is that they would be forcing all catchup contributions to the Roth

or after tax contribution. The other impact is a potential to delay the minimum required distribution, which would potentially be bumped up to 75. Congress is also looking to allow for employer contributions to actually be a Roth contribution as well.

Mr. Polk reviewed the Investment Menu Design and discussed what types of investment options they are using within the retirement plan. He discussed the investment menu benchmarking comparing what the Town's plans look like compared to all the other plans in the industry.

Mr. Polk stated that the DOL provides guidance around how you evaluate and monitor Target Date Fund Investment options. On page 69, the Target Date Landscape was discussed. Over the last ten years they are seeing new money going into defined contribution plans to Target Date funds were about 35% of all new money now it's closer to 85 percent which makes monitoring and evaluation these types of investment options that much more important.

On page 73, T. Rowe Price Retirement Funds and Glide Path Comparisons were discussed. Mr. Polk stated that all target date funds have what's called a Glide Path which is that the decrease in risk or equities across the age of a participant.

Mr. Polk shared on the Five Year Risk Returns stating that despite taking on a little bit more risk than the cross section (which is the average), they are getting the added return above and beyond peers over the last of the five years or so.

On page 79, Capital Preservation- Impacts During Rising Rate Environment, Mr. Polk stated that the two options offered within a defined contribution landscape for capital preservation are stable value and money market, however, they typically like the stable as they shelter participants from the impacts of rising interest rates.

On Asset Allocations (457 plan), with the market downturn they saw a decrease in the overall assets, however, there are no major concerns at this time. In the Board of Ed plan there's a significant pool of the assets in the plus fund so it stayed fairly static there. On page 84, it shows some challenged market conditions for active management not only within fixed income but in US Equity some of the funds on the near term struggled a little bit, however longer term still performing fairly well with no significant concerns. All of those funds are on maintain and no changes are recommended.

V. Adjourn

Ms. Abbuhl made a motion to adjourn the meeting at 9:01 a.m. Mr. Helfand seconded the motion, and it passed unanimously.

Respectfully submitted,
Heather Taylor
Commission Clerk