

Retirement Plan Sub-Committee
Regular Meeting
Minutes

Wednesday, February 17, 2016 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. Board Members Rob Pomeroy, Kevin Prell, Phil Schulz, Chris Kelly and Cheryl Cook were present. Board of Education Business Manager Burke LaClair and FIA representatives Chris Kachmar and Tyler Polk were also present.

II. Review of Minutes

a) Regular Meeting, September 9, 2015

There were no changes to the Minutes of the September 9, 2015 Meeting.

III. Defined Benefit Plan Review and Possible Actions

a) Capital markets review

Mr. Kachmar, referring to a document entitled “Town of Simsbury Retirement Plans, Executive Summary – Fourth Quarter 2015,” provided a markets review noting the volatility of markets after the Fed’s interest rate increase of 25 basis points in December, 2015. He discussed China’s economic performance and the likelihood of a “soft landing” after China’s recent instability. Mr. Kachmar noted that gains in the 4th Quarter of 2015 have been offset by declines so far in the 1st Quarter of 2016 and stated that this would likely lead to a delay in further interest rate increases by the Fed. He reviewed price volatility in the commodities sector with oil prices swinging widely. He concluded that the 4th Quarter had been good for equity (both in the US and abroad) and proceeded to discuss the “market viewpoints” on page 10 of the document, noting that the position had moved from favoring emerging markets of internationally developed markets to a neutral position.

b) Pension plan performance updates through December, 2015

Mr. Kachmar reviewed the governance calendar and noted that FIA, as part of its contract with the Town of Simsbury, serves as a co-fiduciary. He went on to review the performance of managers and the managers’ fees (where were net 57 basis points). He noted that that market had been less favor for conservative, disciplined managers with lower risk profiles, that all of the managers are currently on “maintain” status, and upon questioning from the committee, that 57 basis points is competitive with peers.

c) OPEB trust performance update through December, 2015

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Mr. Kachmar moved on to a summary of the OPEB trust performance and provided a brief history of its creation, the original investment strategy (which is based on a 55% equity/45% fixed income allocation and does not rely on active management).

d) Additional discussion regarding investment structure of the OPEB Trust

Mr. Kachmar stated that in recent meetings the committee has discussed the potential of moving to active management in view of the current size of the OPEB trust (which now exceeds \$12 million). He also explained that a move to active management would require a change in custodian for the OPEB trust as Simsbury Bank is not in a position to offer the platform of investment options that FIA would recommend. He added that Wells Fargo, the current custodian for the Town's retirement plans, would likely be a cost-effective candidate. Mr. Cooke noted that the Town's accounts are with Simsbury Bank. The committee questioned why the OPEB trust would use a different strategy from the pension plans and Mr. Kachmar said he would discuss the matter with the Town's actuary. After further discussion, the committee agreed to take up the question of active management of the OPEB trust again at its next meeting.

Before moving to review of the Defined Contribution plans, Mr. Cooke asked Mr. Kachmar if there was anything on the governance calendar from the prior quarter that the committee needed to address. Mr. Kachmar said that nothing further was needed at this time.

Finally, Mr. Kachmar noted that \$400,000 had been moved into the OPEB trust and is currently sitting in short term liquidity Money Market Funds. He suggested that the funds be allocated in accordance with the existing OPEB trust guidelines.

Mr. Pomeroy made a motion that \$400,000 currently placed in the OPEB trust's short term liquidity Money Market Funds be reallocated within the trust according to its current guidelines. Mr. Kelly seconded the motion and it passed unanimously.

IV. Defined Compensation Plan Review and Possible Actions

a) Third Quarter Governance Calendar

i. Plan Design Trends

Mr. Polk reviewed the materials on pages 63 to 67 of the Executive Summary, noting among other things the increase in the percent of plans offering auto-enrollment and the increase in the percent of plans offering Roth deferrals. He further noted that a Roth deferral option has just been added to the Simsbury defined contribution plans.

ii. Communication and Education Update and Trends

Mr. Polk described the educational activities offered by the Town and Board of Education in the prior year and their use of resources from both MassMutual and FIA. Mr. Cooke added that the wellness program in place for both the Town and the Board of Education (which is known as "SELF") has been expanded to include financial wellness.

b) Fourth Quarter Governance Calendar

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i. Target Date Fund Analysis

Consistent with the governance calendar, Mr. Polk reviewed the strategy and performance of the T. Rowe Price retirement funds recently added to the portfolio, noting that the T. Rowe Price glide path for target date funds included higher percentages of equities based on the increase in participant longevity.

ii. Core Fund Menu Analysis

Mr. Polk reviewed the other fund options and discussed the advantages to the lower number of options currently offered in the plans. Conversation turned to the “General Account” guaranteed 4% investment option, its use by current participants and the attendant cost of the option to the entire plan. Mr. Polk stated that FIA was still pursuing the possibility of a “freeze” on the option for current participants with MassMutual. The committee discussed the pros and cons of the General Account option and the higher associated fees and asked Mr. Polk to provide the committee with additional information at its next meeting.

c) Fourth Quarter Performance Review of Investment Options

Mr. Polk reviewed the materials on manager performance set forth in the Executive Summary and noted that all managers were currently on maintain.

V. Adjourn

Mr. Schulz moved the adjournment of the meeting. Mr. Kelly seconded the motion and it passed unanimously.

The meeting adjourned at 9:00 a.m.

Respectfully submitted,

Thomas F. Cooke
Administrative Chair