



# Town of Simsbury

933 HOPMEADOW STREET

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SIMSBURY, CONNECTICUT 06070

Thomas F. Cooke - Director of Administrative Services

## Retirement Plan Sub-Committee Regular Meeting Minutes

Wednesday, May 18, 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 Director of Administrative Services and Administrative Chair Tom Cooke. Committee members Cheryl Cook, Kevin Prell, Paul McAlenney, Chris Kelly, Phil Schulz and Mike Goman were present. Messrs. Chris Kachmar, Tyler Polk and James O'Brien were present for Fiduciary Investment Advisors. Board of Education Business Manager Burke LaClair joined the meeting at 8:00 a.m.

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

#### **a) Regular Meeting, February 17, 2016**

There were no changes to the February 17, 2016 minutes as filed.

### **III. Defined Benefit Plan Review and Possible Actions**

#### **a) Capital markets review**

Prior to beginning his review of the document entitled "Town of Simsbury Retirement Plans Executive Summary – First Quarter 2016" (the "Executive Summary"), Mr. Kachmar stated that the first quarter of 2016 was very difficult for active managers and that index funds did better than most active managers. Equities, and in particular large cap equities, were down for the first half of the quarter. He noted that Simsbury's use of Vanguard helped performance, and stated that markets shifted in the second half of the quarter with a resulting recovery. Going forward, opportunities for active management should continue to improve.

Mr. Kachmar went over the Market Review section of the Executive Summary, as well as the Index Results, Equity & Fixed Income Review, Market Valuations and Market Viewpoints sections. He focused on the Fed's decision to pull away from four rate hikes and negative interest rates overseas. He also noted the stabilization of commodities (and oil in particular), discussed the superior performance of value equities and emerging markets, and noted the strength of long term fixed income.

Mr. Kachmar proceeded to discuss the fee review portion of the Executive Summary, noting that the town's pension plan fees (at 57 basis points) were favorable in comparison to the town's peers. Upon questioning from Mr. Prell, Messrs. Kachmar and Polk discussed the reasonableness standard for fees. There was also a discussion about FIA's fiduciary role and the absence of any conflicts of interest.

**b) Pension plan performance updates through March, 2016**

Mr. Kachmar reviewed the Asset Allocation summary in the Executive Summary and stated that the town's allocations were consistent with allocation targets. He proceeded to review the Total Plan Performance Summary noting that the plans were up 1% for the quarter, a bit behind the benchmark. He then moved to the Manager Performance Review and a detailed discussion of the performance of a number of the investments listed. Upon questioning from Ms. Cook, Mr. Kachmar noted that the 1 year numbers were the worst since the late 1980s and stated that cohorts were rising and falling together, thereby defeating any benefit to active management. He then described sectors that were expected to do better, including domestic and international small cap and fixed income.

Mr. Prell asked Mr. Kachmar about the volatility of the Van Eck Global Hard Assets investment in inflation protection. Mr. Kachmar explained that the fund focuses on national resource equities and had significant expertise in the area. He noted that while the fund might be more volatile than others, it did not represent a significant percent of the overall investments, and that it was paired with commodities and tips driven investments within the inflation protection category.

**c) OPEB trust performance update through March, 2016**

Mr. Cooke informed the Committee of the Board of Finance decision to lower the interest rate assumption for the OPEB Trust to 7% in connection with budgeting for FY2017. Mr. Kachmar and Mr. Cooke noted that while active management of the OPEB Trust funds has been on the agenda for the Committee, it makes sense to wait until a permanent Director of Finance/Treasurer is in place.

Mr. Kachmar noted that the OPEB Trust – which is made up of indexed funds – had a better absolute return for the 1<sup>st</sup> Quarter than the pension plans.

**IV. Defined Compensation Plan Review and Possible Actions**

- a) Fiduciary Governance Calendar: Fee Focus**
- b) Current Full Fee Disclosure and Negotiated Fee Disclosure**
- c) Fee Benchmarking**
- d) Trends in the marketplace**

Mr. Polk started with a discussion of recent legal developments on the distinction between education and investment advice, pointing to recent regulations that characterize recommendations to make withdrawals, take distributions or roll over funds are now characterized as “advice.” Upon questioning from Mr. Cooke, Mr. Polk stated that he believed MassMutual was up to date with its practices.

Mr. Polk went on to discuss the Annual Fee Disclosure Review in the Executive Summary and the Full Fee Disclosure Statements for the 457 Plans and the 401(a) Plans in addition to the other

materials in Tab I of the Executive Summary. Discussion ensued about the General Account option, its potential values and the attendant costs associated with retaining it.

Mr. Polk stated that he had asked MassMutual about the feasibility of freezing the General Account and limiting it to current participants, and that MassMutual had responded that it was administratively too difficult to track.

A discussion ensued about the process of issuing an RFP for the recordkeeping function. Mr. Polk stated that he would send Mr. Cooke a white paper on the process as well as some relevant articles. He will also provide Mr. Cooke with information about the process and the costs of doing an RFP.

Mr. Polk reviewed the Executive Summary materials on Plan Pricing Trends and concluded his presentation with a review of legal developments and the importance of the review process in which the Committee participates.

**e) Investment Performance Review**

Mr. Polk concluded his review with an overview of the performance of the available investments, noting that Mr. Kachmar's comments about overall market trends applied with equal force to the defined contribution plan options.

**V. Adjourn**

**Ms. Cook made a motion to adjourn the meeting. Mr. Goman seconded the motion and it passed unanimously.** The meeting adjourned at 8:45 a.m.