



Town of Simsbury

933 HOPMEADOW STREET

P.O. BOX 495

SIMSBURY, CONNECTICUT 06070

Thomas F. Cooke - Director of Administrative Services

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

Wednesday, September 9, 2015 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. Sub-Committee members Peter Askham, Cheryl Cook, Tom Doran, Michael Goman, Chris Kelly, Nicholas Mason and Phil Schulz were present. Also present were Thomas Cooke (Director of Administrative Services and Administrative Chair), Joe Mancini (Director of Finance/Treasurer), Burke LaClair (Business Manager/Board of Education), and Fiduciary Investment Advisor (FIA) representatives Chris Kachmar, Tyler Polk and Kim Collins.

II. Review of Minutes

a. Regular Meeting, May 20, 2015

There were no changes to the May 20, 2015 minutes as drafted and filed.

III. Defined Benefit Plan Review and Possible Actions

a. Second Quarter Capital Markets Review

Mr. Kachmar, referring to a document titled “Town of Simsbury Retirement Plans, Second Quarter 2015,” spoke to the performance of capital markets in the second quarter of 2015. Mr. Kachmar characterized the global economy as reasonably positive noting that the IMF had reduced its growth projections from 3.5% to 3.3% and added that some recovery was expected in 2016. He spoke to the “headline challenges” of Greece for the European Union and China’s currency issues noting that the global equity market was strong in June and would remain positive. He stated that the Fed was likely to raise rates by .25 basis points in the Fourth Quarter and that this had been widely telegraphed.

b. Fiduciary Governance Review

Mr. Kachmar noted that Simsbury continues to follow best practices from a governance standpoint and that the Town's Investment Policy Statement for the defined benefit plans was up-to-date.

c. Pension Plans – Performance Review

Mr. Kachmar stated that the Town was on track with its allocations. Mr. Askham asked about the inflation protection investments and Mr. Kachmar stated that it was acceptable to be a bit below target projects (approximately 4% instead of 5%) and that while these investments were low-performing the performance was not material and the protection provided was useful.

Ms. Cook asked if the recent changes to the allocations in international equities and domestic equities remained the right course of action in view of recent market activity. Mr. Kachmar noted that international equities remain approximately 50% of the equity market, that international equities were doing better through June and were likely to resume positive performance over the longer term and that the pension plans had good managers in the international equities space. He added that emerging markets are far less fragile than in the past. He noted that the Town's investments were consistent with FIA's market viewpoints as set forth on p. 5 of the document under review.

Mr. Kachmar went on to review the performance of the Town's investments noting that they were performing as expected and that most managers have added value over time. He added that the entire lineup of managers was on "maintain."

d. OPEB Trust – Performance Review

Mr. Kachmar, referring to a document "Potential Portfolio Reallocation," stated that the OPEB trust was maintained at Simsbury Bank and that it was a fully indexed portfolio utilizing a 7.5% interest rate assumption and a 55%/45% allocation between equity and fixed income. He noted that the Sub-Committee, at its last meeting, had asked for a proposed allocation utilizing active managers. He stated that the platform at Simsbury Bank did not provide access to the managers FIA would recommend for the Trust and that a move to active management would require a move to a different financial institution and platform. Messrs. Mason, Askham and Goman recused themselves from any decision related to Simsbury Bank.

Discussion ensued concerning the possible fund custodians including Wells Fargo as a natural candidate. Mr. Kachmar noted that the proposed managers largely mirrored the managers chosen for the defined benefit plans. He noted that the cost of active management was approximately 45 basis points compared with 20 basis points for the indexing approach. He added that the change would have no impact on FIA's fees and would not impact FIA in any respect. Ms. Cook and Mr. Kelly asked Mr. Kachmar whether Simsbury Bank had proposed an active manager lineup and Mr. Kachmar responded that the Simsbury Bank platform does not have access to the managers FIA would recommend.

The Sub-Committee discussed delaying a decision on active management giving FIA more time to provide information on the potential cost differential and the Sub-Committee additional time to consider the proposal. On questioning from Mr. Kelly, Mr. Kachmar stated that the delay would not be material.

IV. Defined Compensation Plan Review and Possible Actions

a. Fiduciary Governance Review

i. Practice and Policy Review

Mr. Polk reviewed recent regulatory initiatives defining the scope of “fiduciary” responsibility under consideration by the Department of Labor. He also reviewed DOL guidance on the equitable allocation of fees amongst plan participants and the Supreme Court case of *Tibble v. Edison International* which found that the statute of limitations does not apply to fiduciaries.

Mr. Polk stated that the Town’s Investment Policy Statement for the defined contribution plans was consistent with best practices and that he would be submitting a redlined version with minor changes at the next Sub-Committee meeting.

b. Fund Performance Review

Mr. Polk then reviewed the performance of the defined contribution plan funds, noting that the T. Rowe Price funds were now in place, replacing the Black Rock funds, and that the T. Rowe Price funds were outperforming the predecessor funds. Discussion ensued concerning the access to fee information for employees on the website.

c. Defined Contribution Plan RFI

Referring to a document entitled “Retirement Plan Provider Analysis – September 2015,” Mr. Polk reviewed information received in response to a request for information from five retirement plan recordkeeping firms including a description of the company experience, services, investment capabilities and expenses. Discussion ensued concerning the impact of the 4% General Account on the current expenses of the defined contribution plans, participant utilization of the account and options for freezing the account and reducing expenses. Mr. Cooke said that he would review data concerning current participation in the General Account. Mr. Polk stated that he would contact MassMutual about the possibility of freezing the account and limiting it to current participants, and the potential impact of such a change on account expenses.

d. Roth Discussion

Mr. Polk presented a document entitled “Roth and Pre-Tax” and noted that Mr. Cooke had requested information about the possibility of adding a Roth option to the defined contribution plan. Discussion ensued concerning the technical requirements for a Roth, the pre-tax nature of a Town match, withdrawal penalties and contribution maximums.

Mr. Mason made a motion to add a Roth option to the Defined Contribution Plans. Mr. Askham seconded the motion and it passed unanimously.

Messrs. Polk and Cooke committed to working with MassMutual to introduce a Roth option and to provide appropriate educational information and opportunities to participants.

V. Adjourn

Mr. Schulz made a motion to adjourn the meeting. Ms. Cook seconded the motion and it passed unanimously. The meeting adjourned at 9:05 am.

Respectfully submitted,

Thomas F. Cooke
Administrative Chair