



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

Retirement Plan Sub-Committee
Wednesday, September 12, 2018 at 7:30 A.M.
Board of Education Conference Room
Simsbury Town Hall – 933 Hopmeadow Street

REGULAR MEETING AGENDA



- I. Call to Order
- II. Review of Minutes
 - a) January 10, 2018
 - b) May 9, 2018
- III. Review of OPEB Valuation
- IV. Pensions Plans & OPEB Trust Second Quarter 2018 Performance Reviews and Fiduciary Governance Update, Third Quarter Summary Data
- V. Defined Contribution Plans Second Quarter 2018 Performance Reviews and Fiduciary Governance Update, Third Quarter Summary Data
- VI. Communication – Interest Rate Assumption Scenarios
- VII. Adjourn



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

Retirement Plan Sub-Committee Special Meeting Minutes

Wednesday, January 10, 2018 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. Sub-Committee members Kevin Prell, Cheryl Cook, Chris Kelly, Jennifer Batchelar, Mike Goman, Paul McAlenney and Phil Schulz were present. Town and Board of Education staff members in attendance included Burke LaClair, Board of Education Business Manager, Sean Kimball, Interim Town Manager and Eric Gomes, Human Resources. Chris Kachmar and Tyler Polk were present for Fiduciary Investment Advisors.

II. Proposed Schedule of Meetings for 2018

Mr. Prell made a motion to set the following meeting dates for 2018. Mr. Schulz seconded the motion and it passed unanimously:

- Wednesday, February 14, 2018 at 7:30 a.m. in the Board of Education Conference Room
- Wednesday, May 9, 2018 at 7:30 a.m. in the Board of Education Conference Room
- Wednesday, September 12, 2018 at 7:30 a.m. in the Board of Education Conference Room
- Wednesday, November 14, 2018 at 7:30 a.m. in the Board of Education Conference Room

III. Review of Minutes

a) Regular Meeting, May 17, 2017

There were no changes to the May 17, 2017 minutes as filed.

IV. Review of Third Quarter and Preview of Fourth Quarter Plan Performance

Mr. Kachmar reviewed a document entitled “Town of Simsbury Retirement Plans – Executive Summary – Third Quarter 2017” beginning with a market review. Mr. Kachmar noted that for the quarter in question and beyond both equity and fixed income markets were strong across the board with global growth and strong corporate financial health. He noted that interest rates had been “well-behaved” and that with returns for equities were stronger overseas.

Referring to materials at Tab 2, Mr. Kachmar noted that the defined benefit plans saw growth of 11% YTD for the 3rd Quarter of 2017 and that they were likely to be up roughly 15% at the end of the 4th Quarter.

In connection with FIA's investment review, Mr. Kachmar noted that Aberdeen was on "watch" due to its merger with Standard Life which closed in August, 2017 but was likely to be taken off "watch" status shortly. He also noted that Barings Core Property Fund LP was on watch due to loss of a co-portfolio manager.

Mr. Kachmar then turned to the actuarial reviews in the Executive Summary, noting that all of the Town's defined benefit plans were solidly funded in the 70% to 80% range. A discussion concerning the actuarial return assumption ensued, and the Sub-Committee asked that Milliman, the Town's actuary, be invited to discuss the return assumption at its next meeting. Mr. Kachmar noted that the allocation analysis portfolio risk & return for the long term showed a 6.46 annualized return and pointed out that FIA was seeing a number of clients move to return assumptions below 7%. In response to a question from Mr. Schulz, Mr. Kachmar explained that the numbers used for the analysis included fees. In response to a question from Mr. Kelly, Mr. Kachmar noted that FIA was seeing clients tilt more towards international equities in their allocations.

Mr. Kachmar concluded his overview with a review of a document entitled "Capital Markets Flash Report which showed that all three defined benefit plans were up for the 4th Quarter of 2017.

V. Defined Benefit Plan

a) Possible removal of BlackRock and reallocation of investments

Mr. Kachmar turned to a document entitled "Simsbury Pension & OPEB – Portfolio Discussion – January 2018," which included FIA's recommendation that the Town remove the BlackRock Global Allocation Fund from the benefit plan asset allocations and that the funds 10% position be reallocated among existing assets. The recommendation was based on a change in BlackRock's leadership, and specifically the departure of Dennis Stattman – the architect of the fund's strategy – from the company. Mr. Kachmar noted that the fund's performance had not changed measurably and that while the change was not urgent, it was recommended. Upon further questioning by the Committee, Mr. Kachmar explained that the primary concern with BlackRock was the absence of any track record for the remaining management team. Mr. Prell asked whether FIA had considered using more indexes as part of the reallocation and a discussion about the pros and cons of active versus passive management. Mr. Kachmar noted that recent history showed success for indexing, added that indexing would and should remain a part of the allocation mix, and stated that given the cyclicity of the markets FIA believes that the markets are presenting opportunities for active management. A discussion ensued concerning active and passive management, with Mr. Kachmar noting that the "active/passive considerations" material found on page 5 of the materials showed long-term opportunities for active management in all areas with the exception of large cap investments.

Mr. Kelly made a motion to approve implement the re-allocation proposed by FIA which removes Black Rock Global Allocation Fund K and reallocates the funds as follows:

- **Increase target to international equity by 5%**
 - **Add 2.5% to Hartford International Opportunities Fund;**
 - **Add 0.5% to Templeton International Foreign Smaller Companies Fund;**
 - **Add 2% to Aberdeen Emerging Markets**

- **Increase target to domestic equity by 0.5%**
 - **Add 0.5% to Vanguard Institutional Index Fund**
- **Increase target to fixed income by 4.5%**
 - **Add 1.25% each to Metropolitan West Total Return Fund and Western Asset Core Plus Bond fund**
 - **Add 2.5% to BlackRock Strategic Income Opportunities Fund**
 - **Decrease 0.5% to Templeton Global Bond Fund**

Mr. Goman seconded the motion and it passed unanimously.

Committee members requested that other recommendations for passive managers be considered by FIA on a going forward basis.

VI. OPEB Trust

- a) **Possible action on proposed active management of OPEB Trust and corresponding adjustments to OPEB Investment Policy Statement**

Mr. Kachmar stated that the OPEB Trust, at close to \$15 million, had reached a size where it was reasonable to consider active management of the assets. He also noted that the Fund was performing well and that there was no urgency to making a change to active management. Mr. Cooke and Mr. Kimball requested that action on the agenda item be tabled pending completion of the transition to Town Manager given current staffing levels and the technical challenges associated with making a switch at this time.

Mr. Prell made a motion that the agenda item be tabled pending completion of the transition to the Town Manager form of government. Ms. Cook seconded the motion and it passed unanimously.

VII. Discussion re: interest rate assumptions for Defined Benefit plans and OPEB Trust

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

VIII. Defined Contribution Plan

- a) **Review of possible alternatives to Defined Contribution Plan investment options and possible action**
- b) **Review of recordkeeping services**
- c) **Review of plan demographics**

Mr. Polk reviewed the Fiduciary Governance Calendar found on p. 60 of the Executive Summary. He focused on cyber security steps taken by recordkeepers to protect plans from fraud and distributed a MassMutual document entitled “Protecting Digital Assets Summary.” He added that FIA is preparing a RFI seeking information from recordkeepers about security measures utilized to protect their customers. In addition, he is asking MassMutual to be prepared to discuss their approach to cyber security at the next Sub-Committee meeting.

Mr. Polk continued with a review of demographic information, noting that the Town’s large account saw \$650,000 in new contributions and \$200,000 in roll-overs into the account, with more money going in than coming out, which is a positive trend. He also noted that of the 138 current participants, 75 are 50 years old or older.

Mr. Polk noted that loan use, at 7 loans, was appropriate for the number of participants, and that the plan’s limitation to one active loan at a time was a proper practice.

He also pointed out that 24% of the assets were in the 4% guaranteed account.

The Committee discussed the advisability and feasibility of adding an opt-out feature which would place new employees in the 457 plan unless they chose to opt out. Discussion ensued concerning whether or not this would be considered a subject for collective bargaining.

Mr. Polk continued with a review of the balances in each account and a review of the managers, all of who were on “maintain” status.

IX. Adjourn

Mr. Prell made a motion to adjourn the meeting and Ms. Cook seconded the motion. The motion passed unanimously and the meeting adjourned at 8:55 a.m.

Respectfully submitted

Thomas F. Cooke
Interim Director of Finance



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

Retirement Plan Sub-Committee
Regular Meeting
Minutes

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

Town of Simsbury Other Post-Employment Benefits Program
July 1, 2017 Valuation Summary of Results

09/05/2018

	2015 Results For Comparison	Baseline with No Changes	Updated Teachers Assumptions	Change Cost Method	Implement 5-Year Asset Smoothing	Lower Discount Rate #1	Lower Discount Rate #2
Teachers Assumptions	Same as 2015	Same as 2015	Updated	Updated	Updated	Updated	Updated
Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	5 Year Smoothed	5 Year Smoothed	5 Year Smoothed
Discount Rate	7.00%	7.00%	7.00%	7.00%	7.00%	6.75%	6.50%
Accrued Liability	\$18,371,550	\$19,537,024	\$19,407,220	\$20,201,828	\$20,201,828	\$20,776,647	\$21,376,185
Actuarial Value of Assets	12,285,779	\$14,049,864	\$14,049,864	\$14,049,864	\$13,795,779	\$13,795,779	\$13,795,779
Funded Ratio	66.9%	71.9%	72.4%	69.6%	68.3%	66.4%	64.5%
Unfunded Accrued Liability	6,085,771	5,487,160	5,357,356	6,151,964	6,406,049	6,980,868	7,580,406
Amortization Period	20	18	18	18	18	18	18
Amortization Growth Rate	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Past Service Cost	409,772	398,473	389,047	446,750	465,202	497,964	531,052
Total Normal Cost	723,057	820,212	801,924	800,609	800,609	843,040	888,222
Employee Contributions	129,739	169,195	169,195	169,195	169,195	169,195	169,195
Net Normal Cost	593,318	651,017	632,729	631,414	631,414	673,845	719,027
Interest	70,217	73,464	71,524	75,471	76,763	79,097	81,255
Actuarially Determined Contribution	1,073,307	1,122,954	1,093,300	1,153,635	1,173,379	1,250,906	1,331,334
Town	389,198	370,649	370,649	370,726	381,916	422,619	464,693
BOE	684,109	752,305	722,651	782,909	791,463	828,287	866,641
Expected Benefit Payouts	1,026,815	962,453	969,404	969,404	969,404	969,404	969,404
Town	425,057	434,568	434,568	434,568	434,568	434,568	434,568
BOE	601,758	527,885	534,836	534,836	534,836	534,836	534,836
Net Town Contribution to Trust	46,492	160,501	123,896	184,231	203,975	281,502	361,930
Town	(35,859)	(63,919)	(63,919)	(63,842)	(52,652)	(11,949)	30,125
BOE	82,351	224,420	187,815	248,073	256,627	293,451	331,805

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Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per Milliman's investment consulting practice as of June 30, 2016.

Asset Class	Index	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income	Barclays Aggregate	22.50%	2.66%	2.52%
US Inflation-Indexed Bonds	Barclays US TIPs	22.50%	1.95%	1.81%
US Large Caps	S&P 500	22.50%	4.86%	3.61%
US Small Caps	Russell 2000	2.50%	6.11%	4.10%
US Mid Caps	Russell MidCap	5.00%	5.41%	3.76%
Foreign Developed Equity	MSCI EAFE NR	15.00%	5.88%	4.20%
Emerging Markets Equity	MSCI EM NR	5.00%	8.14%	4.79%
US REITs	FTSE NAREIT Equity REIT	2.50%	5.17%	3.28%
Non-US REITs	FTSE EPRA/NAREIT Developed	2.50%	6.55%	4.00%
Assumed Inflation - Mean			2.75%	2.75%
Assumed Inflation - Standard Deviation			1.89%	1.89%
Portfolio Real Mean Return			4.13%	3.65%
Portfolio Nominal Mean Return			6.90%	6.48%
Portfolio Standard Deviation				9.54%
Long-Term Expected Rate of Return				7.00%

* As outlined in the Plan's investment policy dated September 2007



FIDUCIARY
INVESTMENT ADVISORS

Strategic thinking. Customized solutions.

Town of Simsbury Retirement Plans

Executive Summary ~~AS~~ Second ~~U~~ æ ~~AG~~ F8

Save the Date - FIA 2018 Annual Conference

September 20 - 21, 2018, Hartford, CT

Keynote Speaker:

Liz Ann Sonders

Senior VP & Chief Investment Strategist

Charles Schwab

Conference Reception 9/20/18 at
The Mark Twain House & Museum

Cocktails, food stations, tours &
entertainment!

Shuttle buses will be provided from
the Hartford Marriott Downtown

Space is limited.

Overnight accommodations:

Hartford Marriott Downtown (860) 249-8000

Mention the FIA Annual Conference for a discounted rate of \$259 until 8/29/18

Formal invitation to follow



Important Disclosure Information h

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Section 1

Capital Markets Overview

Section 2

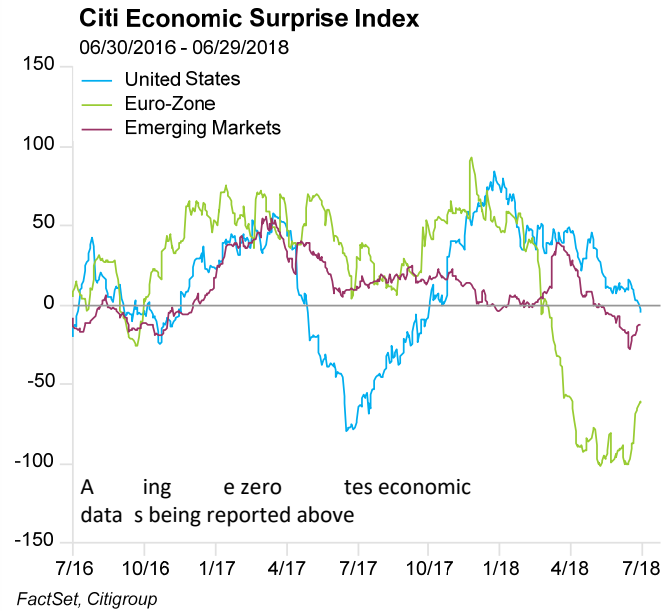
Pension Plans Review

Section 3

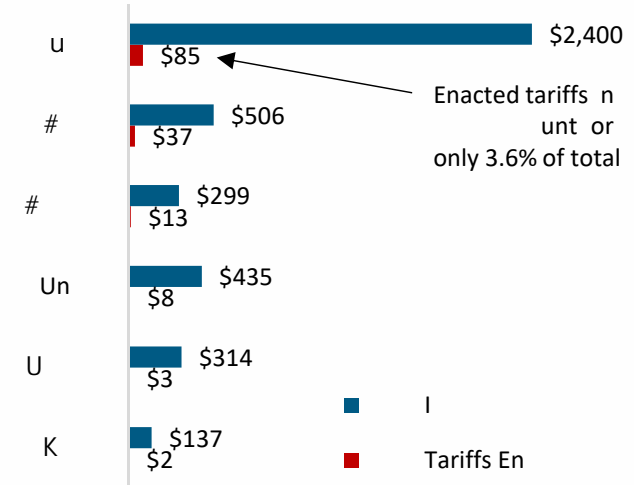
OPEB Review

Section 4

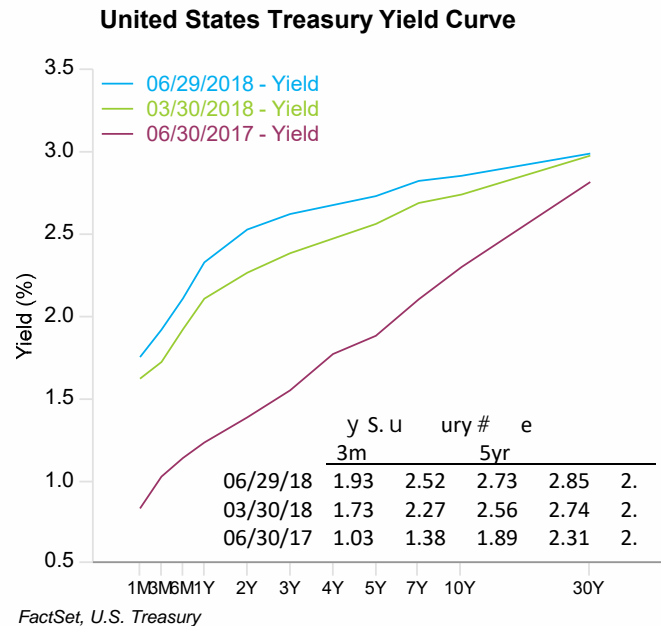
DC Plan Review



U.S. Imports and Tariffs by Country



The Washington Post, U.S. Census Bureau, Peterson Institute for International Economics, FactSet, Heather Long and Christopher Ingraham, "The Trump Tariff Tracker: How severe is the pain," The Washington Post, July 6, 2018.



Yield Curve Inversion and Market

Inversion Date	Next 12M return S&P	Next 12M return Barclays Agg	Recession	Months Inversion to
			Feb-80	
		-3	Aug-80	
			Aug-90	
			Mar-08	
Average	15.30	5.44	-	22

FactSet, Federal Reserve, BEA, Morningstar. Inversion based on the spread between the 10-Year Treasury yield and 2-Year Treasury yield.

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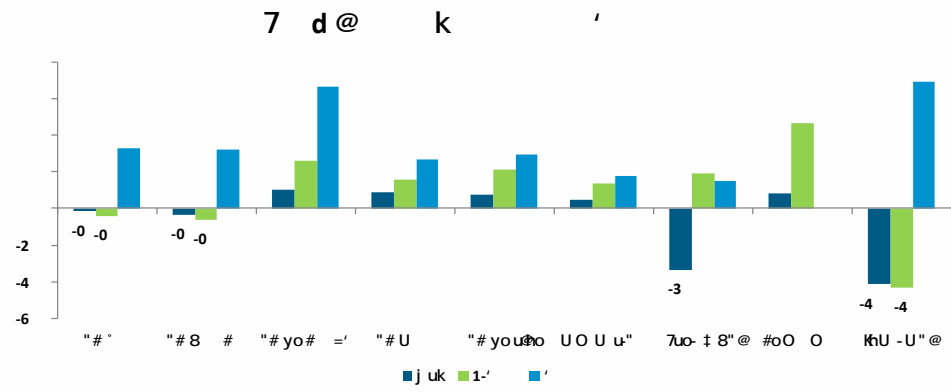
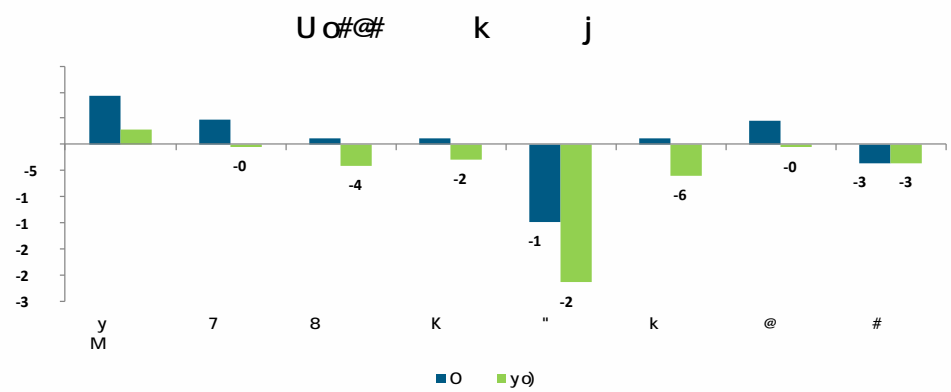
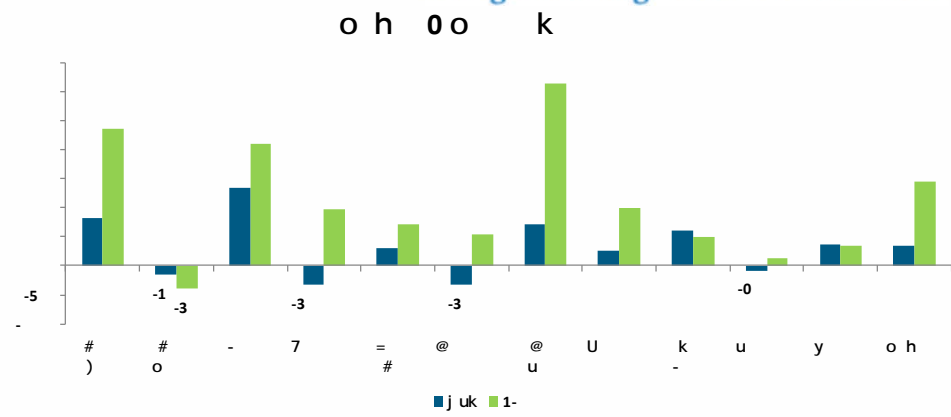
A favorable economic backdrop led domestic equities to reverse course during the second quarter and brought returns for the year into positive territory. Tensions around trade tariffs helped push small-cap stocks ahead of their large-cap counterparts, as these companies are generally less dependent on trade overseas. The disparity between growth stocks and value stocks largely continued during the quarter as growth, for the most part, outpaced value.

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Both international developed and emerging market equities produced negative results in the quarter, with developed markets faring better than emerging. The bulk of the negative returns on the developed side came from a rising U.S. dollar, as results denominated in local currencies were modestly positive in many countries. The stronger dollar, coupled with geopolitical tensions and talks of trade wars, also put negative pressure on many emerging regions, including Brazil, Russia, and China.

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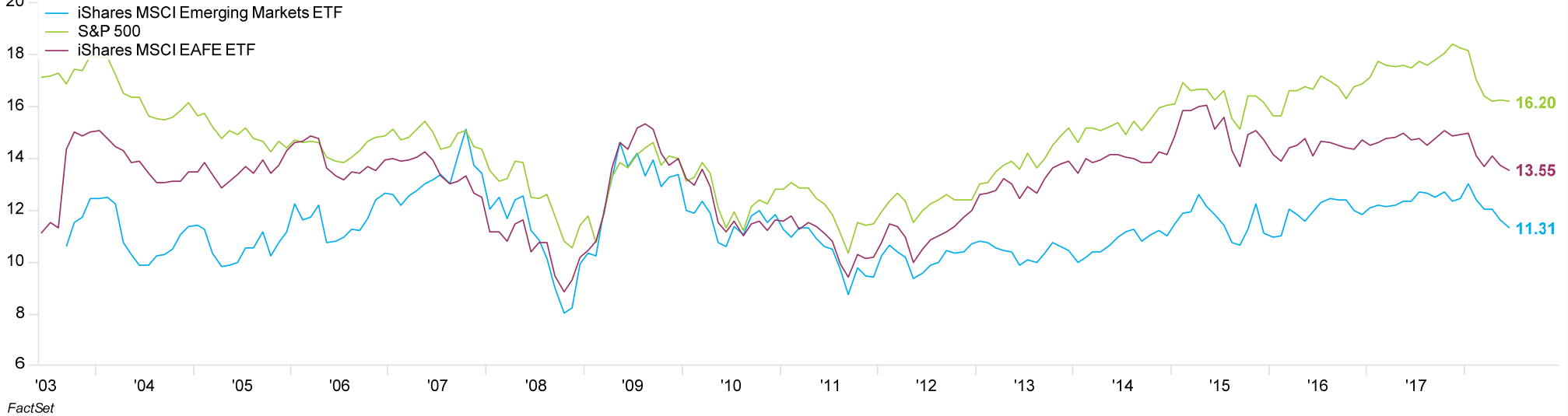
Strong economic conditions, firming inflation, and the Federal Reserve's decision to raise their policy rate pushed interest rates higher during the quarter, and the yield curve flattened. Despite a flattening yield curve, shorter dated bonds were able to produce positive returns as higher yields are providing a cushion to negative price movements. Investment grade corporate bonds saw negative results as credit spreads widened on the back of increased issuance and reduced foreign demand.



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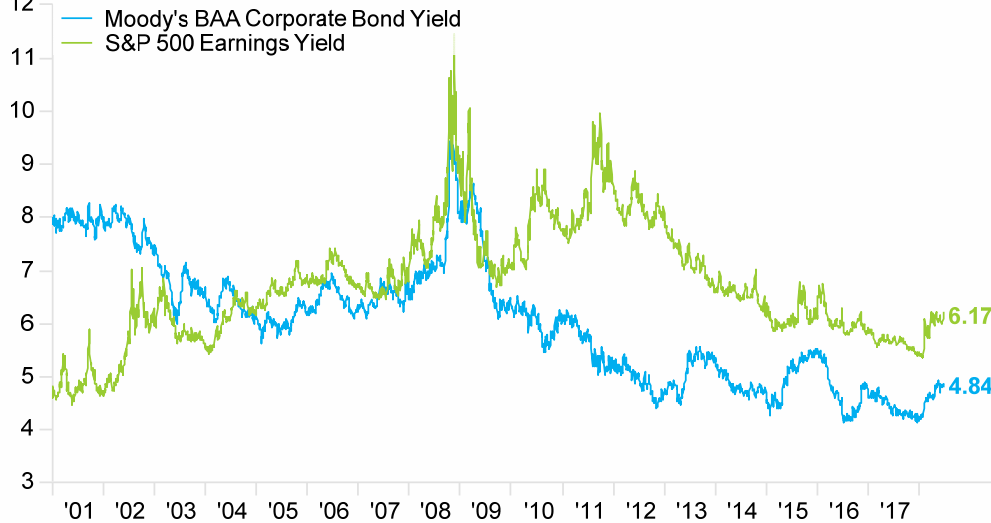
Equity Forward P/E Ratios - Last 15 Years

06/30/2003 - 06/29/2018



Equity Earnings Yield vs. Corporate Bond Yield

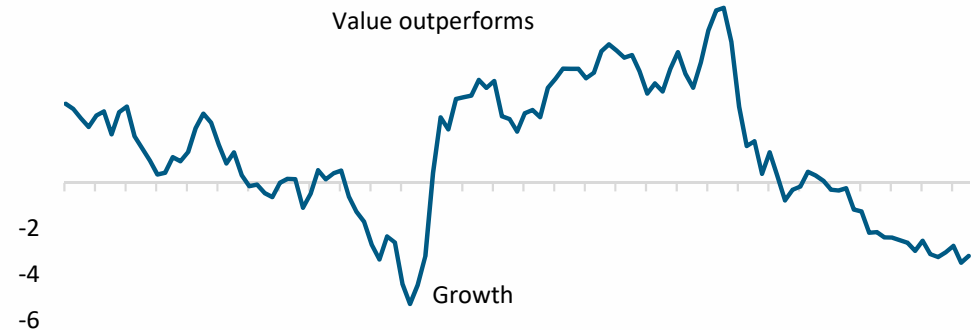
12/29/2000 - 06/29/2018



FactSet, Moody's, S&P

Russell 3000 Value - Russell 3000 Growth 10-Year Rolling Relative Performance

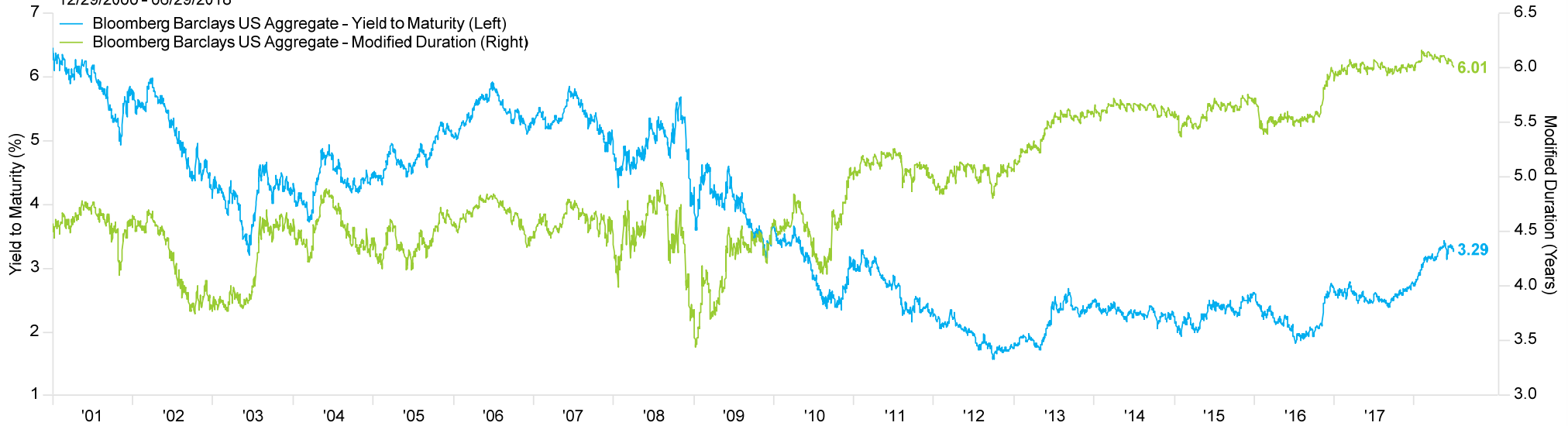
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MPI Stylus. Data from 12/31/1988 - 6/30/2018. Data is 10-year rolling annualized performance with a quarterly step.

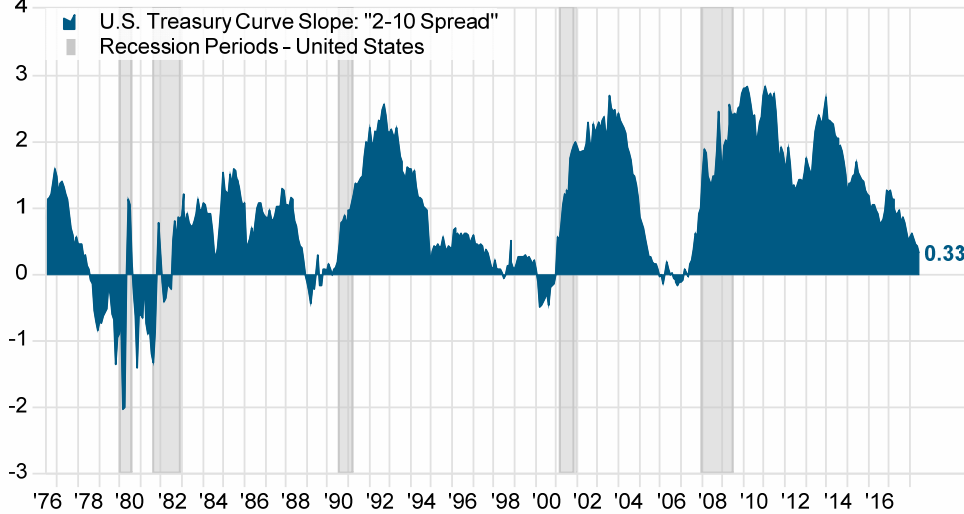
Bloomberg Barclays Yield and Duration

12/29/2000 - 06/29/2018



Historical Yield Curve Slope

06/01/1976 - 06/29/2018

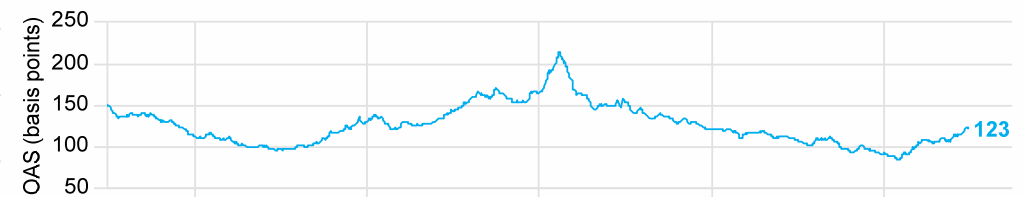


FactSet, Federal Reserve. The "2-10 Spread" is the yield of the 10-Year U.S. Treasury less the yield of the 2-Year U.S. Treasury.

Bloomberg Barclays Option Adjusted Spreads

06/28/2013 - 06/29/2018

U.S. Corporate Investment Grade

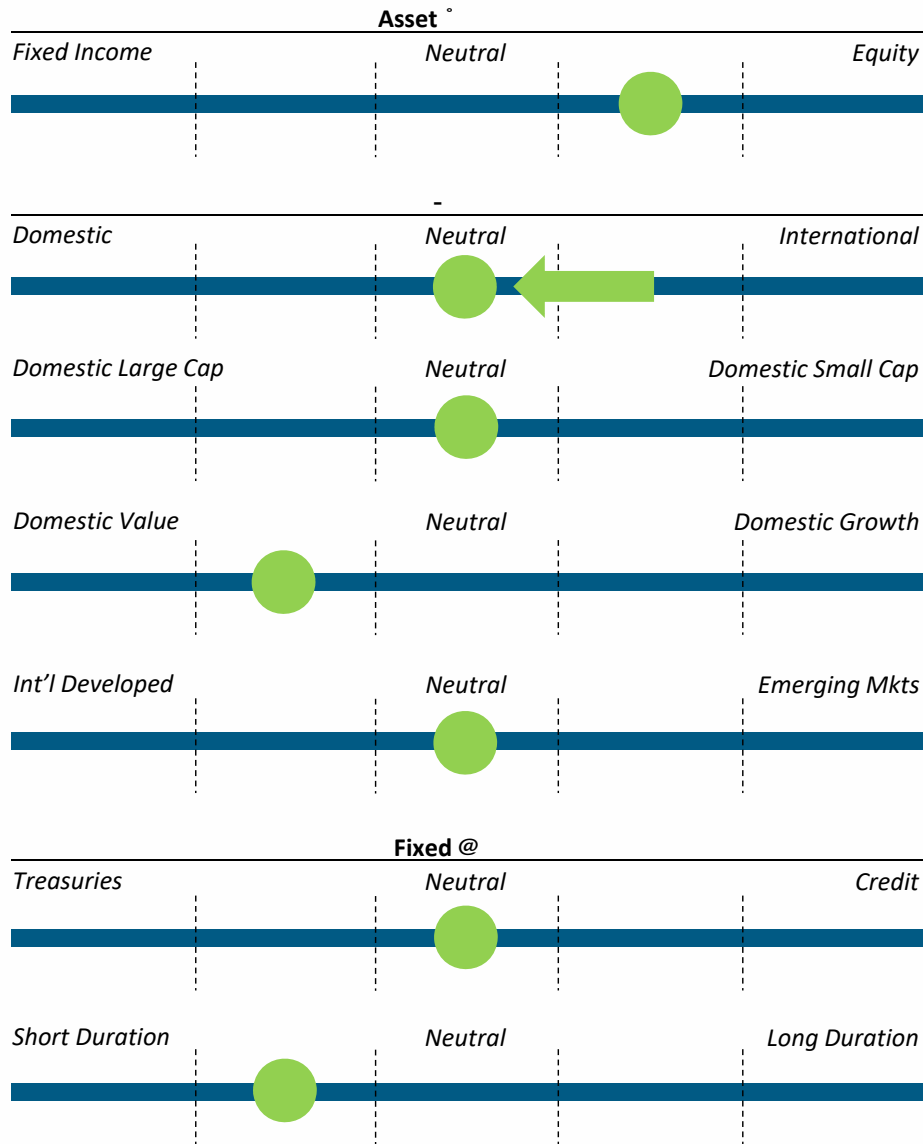


U.S. Corporate High Yield



FactSet, Bloomberg Barclays

Market Viewpoint



Valuations still inform our reference for equities relative to fixed income. Corporate earnings continue to show signs of strength, and the economic backdrop, especially in the U.S., is marginally supportive of risk assets over the near term. Despite higher yields, interest rates remain low on historic basis. Given the current rate environment alongside increasing inflation, we remain reticent to increase our outlook for fixed income returns.

The synchronized global growth story that was playing out early in the year has started to decouple somewhat, and the U.S. is showing signs of more stable growth compared to areas overseas. While valuations continue to be more attractive overseas relative to the U.S., we have moved to a neutral stance as stagnating economic fundamentals overseas somewhat temper the attractive valuations.

Small-cap stocks have begun to close the performance gap relative to large-cap stocks and valuations, on a relative basis, do not particularly favor one segment over the other. As such, we remain neutral in our domestic market capitalization.

Growth stocks generally continued to outperform value stocks during the quarter. We adhere to the premise that there is potential for mean reversion and for value stocks to meaningfully recover relative to their growth counterparts. Select valuation measures further support the slight preference for value.

Valuations in emerging markets remain attractive on a relative basis, but growing geopolitical tensions, uncertainty around trade policy, and a rising U.S. dollar give us immediate pause. As a result, we remain neutral in our developed versus emerging markets positioning.

Credit spreads widened further in the quarter but still remain near post-crisis lows, offering less attractive compensation above Treasuries. Stronger U.S. growth and corporate fundamentals may stabilize spreads at these levels. However, we acknowledge we are in the late innings of the cycle, and financial conditions are tightening. These factors are the sources for our

Interest rates continued to push higher during the quarter. Despite higher rates, levels still remain low relative to history. High inflation, strong growth in the U.S., and a Federal Reserve that is indicating tighter policy could serve to stoke higher rates.

These viewpoints represent FIA's general assessment of the highlighted capital markets comparisons over the next 18 months. These opinions are subject to modification as conditions in the markets or forecasting periods change. Clients should utilize these rankings in conjunction with other considerations that may be relevant to their particular circumstances.



Defined Benefit Plans Executive Summary

Table of Contents

Section 1

Fiduciary Governance Calendar

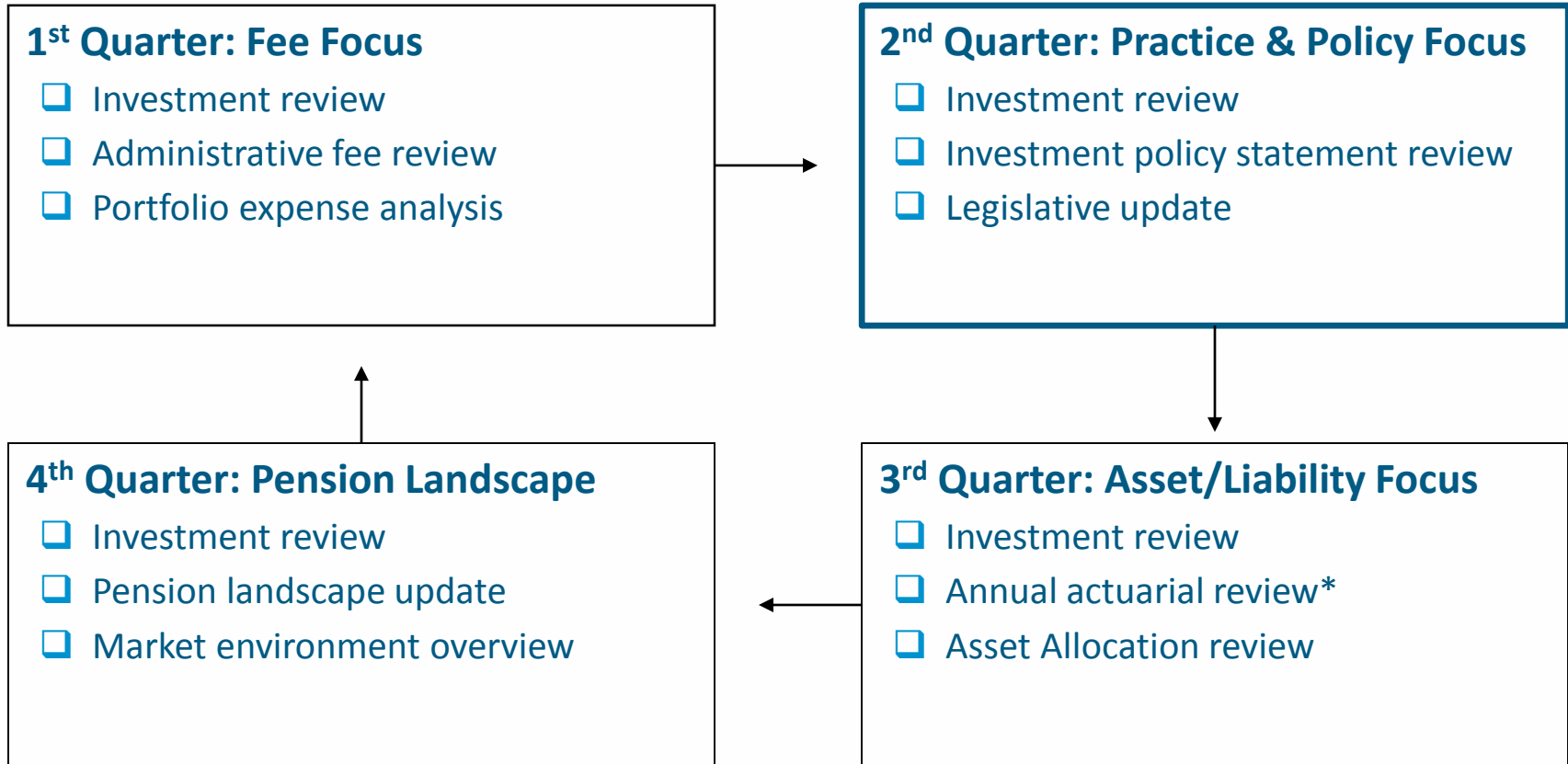
Section 2

Pension Portfolio Updates

Section 3

2Q Portfolio and Manager Review

Defined Benefit Fiduciary Governance Calendar



* Timing of actuarial and liability review dependent on client's individual plan and /or fiscal year and actuarial input.

Investment Policy Statement Considerations

An Investment Policy Statement provides the first step in establishing the FIDUCIARY TRAIL™.

- A well-written IPS is broad enough to allow flexibility, but detailed enough to provide appropriate oversight.
- The essential components of an effective IPS are outlined below:

Component	Included in Town of Simsbury Investment Policy Statement?
Contains the detail to define, implement and manage a specific investment strategy.	Yes
Defines the duties and responsibilities of <u>all</u> parties involved.	Yes
Defines diversification and rebalancing guidelines consistent with the client's risk profile and time horizon.	Yes
Defines due diligence criteria for selecting investment options.	Yes
Defines monitoring criteria for investment options.	Yes

The most recent IPS on file for the Town of Simsbury Pension Fund. The body and the Appendix A of the IPS are as of May 2015. In January 2018, the BlackRock Global Allocation Fund was terminated from the portfolio as recommended by FIA. Therefore, FIA recommends updating the Asset Allocation Table in Appendix A to reflect this portfolio change and a draft for approval and signature can be found in the following pages.

TOWN OF SIMSBURY

DEFINED BENEFIT PENSION PLANS

INVESTMENT POLICY STATEMENT

November 2012
As Amended - May 20, 2015

Introduction & Purpose

The TOWN OF SIMSBURY DEFINED BENEFIT PENSION PLANS (the “Plans”) have been established to provide retirement benefits to those individuals eligible to receive them. This policy statement outlines the goals and investment objectives for the Plans. This document is intended to provide guidelines for managing the Plans, and to outline specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Plans;
- Defines the responsibilities of the Pension Committee (“Committee”) and other parties responsible for the management of the Plans;
- Establishes investment guidelines regarding the selection of investment managers and diversification of assets;
- Specifies the criteria for evaluating the performance of the investment managers and of the Plans as a whole.

Investment Objective

The Plans’ assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plans, the Committee has taken into account the financial needs and circumstances of the Town of Simsbury, the time horizon available for investment, the nature of the Plans’ cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Committee has determined that the investment of these assets shall be guided by the following underlying goals:

- To achieve the stated actuarial target of the Plans;
- To maintain sufficient liquidity to meet the obligations of the Plans;
- To diversify the assets of the Plans in order to reduce risk;
- To achieve investment results over the long-term that compare favorably with those of other pension plans, professionally managed portfolios and of appropriate market indexes.

Assignment of Responsibilities

Pension Committee - The Pension Committee is charged with the responsibility of overseeing the assets of the Plans. To that end, the Committee’s responsibilities include: establishing and maintaining the Plans’ investment policy, objectives and portfolio guidelines with respect to asset allocation, risk parameters, and return evaluation and for specific interpretation of said investment policy, as well as selecting the investment vehicles, and periodically monitoring the performance of investments. The Committee, however, may establish rules or other resolutions governing its investment policy and may delegate the authority to act on its behalf to certain members or agents (such as the First Selectman, the Director of Finance, or designated Sub-Committees). The Committee will meet periodically. The Committee shall

discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing. The Committee recognizes that some risk must be assumed to achieve the Plans' long-term investment objectives.

The Committee and/or its designees are directed to:

1. Oversee compliance by the investment manager(s) with the investment policy;
2. Evaluate the performance of the investment manager(s) against specific investment objectives;
3. Approve fee schedules of the investment manager(s) based on contractual agreements;
4. Select the investment custodian(s); and,
5. Approve the continuation of business relationships with investment manager(s), custodian(s), and other vendors, if any.

Investment Consultant - The Committee will engage the services of an Investment Consultant. The Investment Consultant's role is that of a non-discretionary advisor to the Committee. The Investment Consultant will assist in the development and periodic review of an Investment Policy Statement and the Plans' asset allocation, conduct manager searches when necessary, monitor the performance of the managers/funds, and communicate on other matters of relevance to the oversight of the Plans.

Custodian - The Custodian is responsible for the safekeeping and custody of assets. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Plans, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Plans accounts (for example, to accommodate distribution needs).

Asset Allocation

The asset allocation target ranges set forth in Appendix A represent a long-term view. Short-term market volatility may cause the asset mix to fall outside the targeted range.

Rebalancing

The Committee, at its discretion, may or may not institute rebalancing as necessary. Such adjustments should be executed with consideration to turnover, transaction costs, and realized losses over the long term. The necessity to rebalance will be reviewed periodically.

Selection Criteria for Investment Managers

Investment managers/funds retained by the Plans shall be chosen using various criteria, including but not limited to the following:

- Past results, considered relative to appropriate indexes and other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results;
- The investment style and discipline of the investment manager;
- How well the manager's investment style or approach complements other assets in the Plans;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund.

The Plans will utilize a multi-manager structure of complementary investment styles and asset classes to invest the Plans' assets.

The Investment Consultant is additionally tasked with regular oversight of the roster of investment managers deployed on the Plans' behalf. The motivation for this effort is to ensure that the managers continue to administer their portfolios in a manner consistent with the overall approaches and qualifications that appealed to the Committee initially and that anomalies and deviations from these approaches and qualifications are identified and addressed. When deemed necessary, the Investment Consultant will provide other manager candidates for the Committee's consideration.

Should additional contributions and/or market value growth permit, the Committee may retain additional investment managers to invest the assets of the Plans. Additional managers would be expected to diversify the Plans by investment style, asset class, and management structure and thereby enhance the probability of the Plans achieving its long-term investment objectives.

Securities Guidelines

The Plans' investments may include separately managed accounts and/or mutual funds/co-mingled funds, including marketable and non-marketable alternatives and exchange traded funds. The Committee understands that managers have full responsibility for security selection, diversification, turnover and allocation of holdings among selected securities and industry groups, as particularly detailed in the Investment Policy Statement of each of the Plans' separately managed accounts or in the prospectus/offering memorandum for each mutual fund/co-mingled fund/exchange traded fund in the portfolio. No securities will be purchased, or carried, on margin.

With respect to mutual/co-mingled funds, the Committee will consider the following to insure proper diversification and function for each of the funds:

1. The mutual fund/co-mingled pool organizations selected should demonstrate: (a) a clearly defined investment philosophy; (b) a consistent investment process; (c) an experienced and stable organization; and (d) cost-effectiveness.
2. The mutual fund/co-mingled pool used will generally have at least a full three-year track record, or its equivalent, and the individual fund/pool must have at least \$25 million under management (or, as an organization, \$100 million in the same strategy) at the time of selection.
3. Each mutual fund/co-mingled pool will be regularly evaluated for proper diversity and each will provide material information on a timely basis.
4. With respect to hedge fund-of-funds, in addition to meeting each of the three above-specified criteria, each fund-of-funds will include an appropriate number of hedge fund managers to be considered well diversified. Investment strategies in hedge fund-of-funds may generally include: long/short U.S. equity, global equity, derivatives, distressed debt and other fixed income strategies, currency exposure, arbitrage and event driven strategies, and additional strategies with low correlation to traditional asset classes.

Proxy Voting

Each investment manager is responsible for and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies in the best interest of the Town of Simsbury. A copy of each firm's guidelines, and/or summary of proxy votes shall be provided to the Committee upon request.

Investment Monitoring and Reporting

The Committee will periodically review performance of the investments in the Plans. Performance monitoring is the mechanism for revisiting the investment selection process and confirming that the criteria originally satisfied remain intact and that an investment continues to be appropriate for the Plans. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process.

Monitoring should occur on a periodic basis. The monitoring process will utilize the same criteria that formed the basis of the investment selection decision. In addition, a set of "watch list criteria" may be employed to track important quantitative and qualitative elements, assist in the evaluation process, and focus the Committee on potential areas of concern.

Watch list criteria may include the following:

- Performance relative to benchmark performance over various time frames;
- Deterioration of risk-adjusted performance;
- Notable style drift / change in investment objective;
- High manager fees relative to peers;
- Significant organizational or manager change.

Termination of an Investment Manager or Fund

A manager/fund may be terminated when the Committee has lost confidence in the manager's ability to:

- Achieve performance and risk objectives;
- Comply with investment guidelines;
- Comply with reporting requirements;
- Maintain a stable organization and retain key investment professionals.

There are no hard and fast rules for manager termination. However, if the investment manager has consistently failed to adhere to one or more of the above conditions, termination may be considered. Failure to remedy the circumstances of unsatisfactory performance by the manager/fund, within a reasonable time, may be grounds for termination.

Any recommendation to terminate a manager/fund will be treated on an individual basis and will not be made solely based on quantitative data. In addition to those above, other factors may include, but shall not be limited to, professional or Town of Simsbury turnover, or material change to investment processes.

The process for selecting a replacement for a terminated manager would follow the criteria outlined in the section of this Investment Policy Statement titled Selection Criteria for Investment Managers.

Approval

It is understood that this investment policy is to be reviewed periodically by the Committee to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers.

The Town of Simsbury:

By: _____

Signature: _____

Date: _____

Title: _____

Appendix A
Updated January 2018

Target Asset Allocation Table

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Domestic Equities	20.0%	30.0%	40.0%	Russell 3000 Index
International Equities	17.5%	27.5%	37.5%	MSCI ACWI ex-U.S. Index; MSCI EAFE Small Cap Index; MSCI Emerging Markets Index.
Fixed Income	22.5%	32.5%	42.5%	Barclays Capital Aggregate Index; Citigroup World Government Bond Index
Real Estate	0.0%	5.0%	7.5%	NCREIF Index
Inflation Protection	0.0%	5.0%	7.5%	Bloomberg Commodity Index Total Return, S&P No. American Natural Resources Sector Index, Bloomberg Barclays US TIPS 0-5 Yr Index

Asset Allocation - Town of Simsbury

As of August 31, 2018

	Town Pension Plan		BOE Plan		Police Plan		Target (%)
	Market Value (\$)	Allocation (%)	Market Value (\$)	Allocation (%)	Market Value (\$)	Allocation (%)	
<u>Short Term Liquidity</u>							
Wells Fargo Gov't Money Market	248,278	1.0%	344,936	1.4%	191,015	1.1%	0.0%
<u>Fixed Income</u>							
Metropolitan West Total Return Fund PI	2,497,551	9.8%	2,361,399	9.9%	1,723,006	9.6%	10.0%
Western Asset Core Plus Bond IS	2,477,730	9.7%	2,340,941	9.8%	1,712,083	9.5%	10.0%
BlackRock Strategic Income Opps K	1,864,666	7.3%	1,762,862	7.4%	1,289,258	7.2%	7.5%
Templeton Global Bond R6	<u>1,206,385</u>	<u>4.7%</u>	<u>1,141,939</u>	<u>4.8%</u>	<u>864,658</u>	<u>4.8%</u>	<u>5.0%</u>
Total Fixed Income	8,046,332	31.5%	7,607,140	31.9%	5,589,006	31.2%	32.5%
<u>Domestic Equity</u>							
Vanguard Instl Index Fund I	5,442,664	21.3%	5,077,670	21.3%	3,797,420	21.2%	20.5%
Neuberger Berman Genesis Fund R6	<u>2,563,876</u>	<u>10.0%</u>	<u>2,491,153</u>	<u>10.4%</u>	<u>1,798,237</u>	<u>10.0%</u>	<u>9.5%</u>
Total Domestic Equity	8,006,541	31.4%	7,568,823	31.7%	5,595,656	31.2%	30.0%
<u>International Equity</u>							
Hartford International Opportunities R6	4,064,546	15.9%	3,826,327	16.0%	2,827,642	15.8%	16.5%
Templeton Instl Foreign Small Comp A	1,509,708	5.9%	1,417,635	5.9%	1,064,717	5.9%	6.0%
Aberdeen Emerging Markets I	<u>1,093,228</u>	<u>4.3%</u>	<u>1,001,977</u>	<u>4.2%</u>	<u>766,362</u>	<u>4.3%</u>	<u>5.0%</u>
Total International Equity	6,667,482	26.1%	6,245,938	26.2%	4,658,722	26.0%	27.5%
<u>Real Estate</u>							
Barings Core Property Fund*	<u>1,348,607</u>	<u>5.3%</u>	<u>1,123,839</u>	<u>4.7%</u>	<u>1,048,916</u>	<u>5.8%</u>	<u>5.0%</u>
Total Real Estate	1,348,607	5.3%	1,123,839	4.7%	1,048,916	5.8%	5.0%
<u>Inflation Protection</u>							
Vanguard Short-Term Infl Protection Adm	413,456	1.6%	335,445	1.4%	289,885	1.6%	1.7%
Credit Suisse Commodity Return I	406,865	1.6%	330,506	1.4%	283,999	1.6%	1.7%
Van Eck Global Hard Assets I	<u>395,246</u>	<u>1.5%</u>	<u>300,581</u>	<u>1.3%</u>	<u>278,873</u>	<u>1.6%</u>	<u>1.7%</u>
Total Inflation Protection	1,215,568	4.8%	966,533	4.1%	852,757	4.8%	5.0%
	25,532,807	100.0%	23,857,209	100.0%	17,936,072	100.0%	100.0%
*Barings Core Property Fund value as of 6/30/2018							
<i>Source: Wells Fargo, Barings</i>							
<i>The Balance information has been compiled solely by Fiduciary Investment Advisors, LLC, and has not been independently verified. In preparing this report, Fiduciary Investment Advisors, LLC has relied upon information provided by investment managers and the custodian.</i>							

Simsbury Pension - Total Plan

Performance Update As Of July 31, 2018

Plan Performance

	Value	Performance(%)									
		1 Month	QTD	Jan-2018 To Jul-2018	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Plan	65,938,506	1.8	1.8	1.3	1.3	6.5	6.7	6.6	6.5	8.0	08/01/1994
<i>Town Hybrid</i>		<i>1.5</i>	<i>1.5</i>	<i>1.4</i>	<i>1.4</i>	<i>7.2</i>	<i>7.0</i>	<i>7.0</i>	<i>6.4</i>	<i>8.5</i>	<i>01/01/1988</i>

Calendar Year Performance

	2017	2016	2015	2014	2013	2012	2011
Total Plan	14.8	7.5	-0.1	3.2	14.4	12.8	0.4
<i>Town Hybrid</i>	<i>15.8</i>	<i>7.5</i>	<i>-0.8</i>	<i>4.9</i>	<i>14.3</i>	<i>11.6</i>	<i>1.0</i>

Allocation Mandate

Feb-2018

	Weight (%)
Blmbg. Barc. U.S. Aggregate Index	27.5
FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0
MSCI AC World ex USA (Net)	16.5
MSCI EAFE Small Cap (net) Index	6.0
MSCI Emerging Markets (Net) Index	5.0
NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0

The allocation mandate represents the current benchmark composition for the portfolio. Please keep in mind that the investment objective may have changed over time.

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Total Plan Performance Summary - Total Plan

As of June 30, 2018

Account Reconciliation

	QTR	YTD	Since Inception	Inception Date
Total Plan				08/01/1994
Beginning Market Value	65,022,076	65,789,162	12,042,857	
Net Contributions	-731,252	-1,504,512	-8,971,446	
Total Gain/Loss	-275,067	-268,893	60,944,347	
Ending Market Value	64,015,758	64,015,758	64,015,758	

Town Hybrid Composition

Allocation Mandate	Weight (%)
Blmbg. Barc. U.S. Aggregate Index	27.5
FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0
MSCI AC World ex USA (Net)	16.5
MSCI EAFE Small Cap (net) Index	6.0
MSCI Emerging Markets (Net) Index	5.0
NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0

Trailing Performance Summary

	QTR	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Total Plan	-0.4	-0.4	6.4	6.1	6.9	6.4	5.8	7.4	08/01/1994
Town Hybrid	0.3	-0.1	7.6	6.5	7.4	6.8	6.2	7.7	
Difference	-0.7	-0.3	-1.2	-0.4	-0.5	-0.4	-0.4	-0.3	

Calendar Year Performance Summary

	2017	2016	2015	2014	2013	2012	2011	2010
Total Plan	14.7	7.4	-0.1	3.1	14.4	12.6	-0.2	14.5
Town Hybrid	15.8	7.5	-0.8	4.9	14.3	11.6	1.0	13.6
Difference	-1.1	-0.1	0.7	-1.8	0.1	1.0	-1.2	0.9

Investment performance history data prior to 7/1/2011 was sourced from prior consultant.

Total Plan Performance Summary - Town Plan

As of June 30, 2018

Account Reconciliation

	QTR	YTD	Since Inception	Inception Date
Town Plan				08/01/1994
Beginning Market Value	24,798,453	25,121,822	4,896,705	
Net Contributions	-344,168	-670,408	-4,102,756	
Total Gain/Loss	-107,802	-104,931	23,552,535	
Ending Market Value	24,346,484	24,346,484	24,346,484	

Town Hybrid Composition

Allocation Mandate	Weight (%)
Blmbg. Barc. U.S. Aggregate Index	27.5
FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0
MSCI AC World ex USA (Net)	16.5
MSCI EAFE Small Cap (net) Index	6.0
MSCI Emerging Markets (Net) Index	5.0
NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0

Trailing Performance Summary

	QTR	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Town Plan	-0.4	-0.4	6.3	6.1	6.9	6.5	5.8	7.4	08/01/1994
Town Hybrid	0.3	-0.1	7.6	6.5	7.4	6.8	6.2	7.7	
Difference	-0.7	-0.3	-1.3	-0.4	-0.5	-0.3	-0.4	-0.3	

Calendar Year Performance Summary

	2017	2016	2015	2014	2013	2012	2011	2010
Town Plan	14.7	7.4	-0.2	3.2	14.5	12.6	0.0	14.5
Town Hybrid	15.8	7.5	-0.8	4.9	14.3	11.6	1.0	13.6
Difference	-1.1	-0.1	0.6	-1.7	0.2	1.0	-1.0	0.9

Investment performance history data prior to 7/1/2011 was sourced from prior consultant.

Total Plan Performance Summary - BOE Plan

As of June 30, 2018

Account Reconciliation

	QTR	YTD	Since Inception	Inception Date
Board of Education				08/01/1994
Beginning Market Value	22,801,813	23,051,114	3,743,350	
Net Contributions	-193,309	-443,040	-157,641	
Total Gain/Loss	-96,845	-96,415	18,925,950	
Ending Market Value	22,511,659	22,511,659	22,511,659	

Town Hybrid Composition

Allocation Mandate	Weight (%)
Blmbg. Barc. U.S. Aggregate Index	27.5
FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0
MSCI AC World ex USA (Net)	16.5
MSCI EAFE Small Cap (net) Index	6.0
MSCI Emerging Markets (Net) Index	5.0
NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0

Trailing Performance Summary

	QTR	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Board of Education	-0.4	-0.4	6.4	6.2	6.9	6.4	5.8	7.4	08/01/1994
Town Hybrid	0.3	-0.1	7.6	6.5	7.4	6.8	6.2	7.7	
Difference	-0.7	-0.3	-1.2	-0.3	-0.5	-0.4	-0.4	-0.3	

Calendar Year Performance Summary

	2017	2016	2015	2014	2013	2012	2011	2010
Board of Education	14.8	7.4	0.0	3.0	14.4	12.6	-0.7	14.5
Town Hybrid	15.8	7.5	-0.8	4.9	14.3	11.6	1.0	13.6
Difference	-1.0	-0.1	0.8	-1.9	0.1	1.0	-1.7	0.9

Investment performance history data prior to 7/1/2011 was sourced from prior consultant.

Total Plan Performance Summary - Police Plan

As of June 30, 2018

Account Reconciliation

	QTR	YTD	Since Inception	Inception Date
Police Plan				08/01/1994
Beginning Market Value	17,421,810	17,616,226	3,402,802	
Net Contributions	-193,775	-391,063	-4,711,049	
Total Gain/Loss	-70,419	-67,547	18,465,863	
Ending Market Value	17,157,616	17,157,616	17,157,616	

Town Hybrid Composition

Allocation Mandate	Weight (%)
Blmbg. Barc. U.S. Aggregate Index	27.5
FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0
MSCI AC World ex USA (Net)	16.5
MSCI EAFE Small Cap (net) Index	6.0
MSCI Emerging Markets (Net) Index	5.0
NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0

Trailing Performance Summary

	QTR	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
Police Plan	-0.4	-0.4	6.4	6.1	6.9	6.5	5.8	7.5	08/01/1994
Town Hybrid	0.3	-0.1	7.6	6.5	7.4	6.8	6.2	7.7	
Difference	-0.7	-0.3	-1.2	-0.4	-0.5	-0.3	-0.4	-0.2	

Calendar Year Performance Summary

	2017	2016	2015	2014	2013	2012	2011	2010
Police Plan	14.7	7.4	-0.1	3.2	14.3	12.5	-0.2	14.6
Town Hybrid	15.8	7.5	-0.8	4.9	14.3	11.6	1.0	13.6
Difference	-1.1	-0.1	0.7	-1.7	0.0	0.9	-1.2	1.0

Investment performance history data prior to 7/1/2011 was sourced from prior consultant.

Benchmark Composition

Town Hybrid

As of June 30, 2018

Allocation Mandate	Weight (%)	Allocation Mandate	Weight (%)
Feb-2018		Oct-2013	
Blmbg. Barc. U.S. Aggregate Index	27.5	Blmbg. Barc. U.S. Aggregate Index	22.5
FTSE World Government Bond Index	5.0	FTSE World Government Bond Index	5.0
Russell 3000 Index	30.0	Russell 3000 Index	34.0
MSCI AC World ex USA (Net)	16.5	MSCI AC World ex USA (Net)	13.0
MSCI EAFE Small Cap (net) Index	6.0	MSCI EAFE Small Cap (net) Index	5.0
MSCI Emerging Markets (Net) Index	5.0	MSCI Emerging Markets (Net) Index	3.0
NCREIF Fund Index - ODCE (net)	5.0	NCREIF Fund Index - ODCE (net)	2.5
Short Term Inflation Protection Index	5.0	Inflation Protection Index	5.0
		Blackrock Hybrid Benchmark	10.0
Jun-2015		May-2013	
Blmbg. Barc. U.S. Aggregate Index	22.5	Blmbg. Barc. U.S. Aggregate Index	22.5
FTSE World Government Bond Index	5.5	FTSE World Government Bond Index	5.0
Russell 3000 Index	29.5	Russell 3000 Index	34.0
MSCI AC World ex USA (Net)	14.0	MSCI AC World ex USA (Net)	13.0
MSCI EAFE Small Cap (net) Index	5.5	MSCI EAFE Small Cap (net) Index	5.0
MSCI Emerging Markets (Net) Index	3.0	MSCI Emerging Markets (Net) Index	3.0
NCREIF Fund Index - ODCE (net)	5.0	MSCI U.S. REIT Index	2.5
Short Term Inflation Protection Index	5.0	Inflation Protection Index	5.0
Blackrock Hybrid Benchmark	10.0	Blackrock Hybrid Benchmark	10.0
Feb-2014		Nov-2012	
Blmbg. Barc. U.S. Aggregate Index	22.5	Blmbg. Barc. U.S. Aggregate Index	22.5
FTSE World Government Bond Index	5.0	FTSE World Government Bond Index	5.5
Russell 3000 Index	34.0	Russell 3000 Index	32.0
MSCI AC World ex USA (Net)	13.0	MSCI AC World ex USA (Net)	12.5
MSCI EAFE Small Cap (net) Index	5.0	MSCI EAFE Small Cap (net) Index	5.0
MSCI Emerging Markets (Net) Index	3.0	MSCI Emerging Markets (Net) Index	2.5
NCREIF Fund Index - ODCE (net)	2.5	NCREIF Fund Index - ODCE (net)	5.0
Short Term Inflation Protection Index	5.0	Inflation Protection Index	5.0
Blackrock Hybrid Benchmark	10.0	Blackrock Hybrid Benchmark	10.0

Benchmark Composition

Town Hybrid

As of June 30, 2018

Allocation Mandate	Weight (%)	Allocation Mandate	Weight (%)
Jun-2007		Jan-2005	
Blmbg. Barc. U.S. Aggregate Index	25.0	Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0	ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	30.0	Russell 1000 Index	37.0
Russell 2500 Index	15.0	Russell 2500 Index	13.0
MSCI EAFE (Net) Index	10.0	MSCI EAFE (Net) Index	10.0
MSCI Emerging Markets Index	5.0	NCREIF Fund Index - ODCE (net)	5.0
NCREIF Fund Index - ODCE (net)	5.0		
Jan-2006		Dec-2004	
Blmbg. Barc. U.S. Aggregate Index	25.0	Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0	ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	35.0	Russell 1000 Index	38.0
Russell 2500 Index	15.0	Russell 2500 Index	12.0
MSCI EAFE (Net) Index	10.0	MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (net)	5.0	NCREIF Fund Index - ODCE (net)	5.0
Mar-2005		Nov-2004	
Blmbg. Barc. U.S. Aggregate Index	25.0	Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0	ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	35.0	Russell 1000 Index	39.0
Russell 2500 Index	15.0	Russell 2500 Index	11.0
MSCI EAFE (Net) Index	10.0	MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (net)	5.0	NCREIF Fund Index - ODCE (net)	5.0
Feb-2005		Dec-2002	
Blmbg. Barc. U.S. Aggregate Index	25.0	Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0	ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	36.0	Russell 1000 Index	40.0
Russell 2500 Index	14.0	Russell 2500 Index	10.0
MSCI EAFE (Net) Index	10.0	MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (net)	5.0	NCREIF Fund Index - ODCE (net)	5.0

Benchmark Composition

Town Hybrid

As of June 30, 2018

Allocation Mandate	Weight (%)
Jun-1998	
Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	40.0
Russell 2500 Index	10.0
MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (gross)	5.0
Jul-1996	
Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	40.0
Russell 2500 Index	10.0
MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (gross)	5.0
Jan-1988	
Blmbg. Barc. U.S. Aggregate Index	25.0
ICE BofAML 1-3 Year Treasury	10.0
Russell 1000 Index	40.0
Russell 2500 Index	10.0
MSCI EAFE (Net) Index	10.0
NCREIF Fund Index - ODCE (gross)	5.0

Manager Performance Overview

Simsbury Pension

As of June 30, 2018

	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Since FIA's Inception Dec-2012 To Jun-2018	Inception Date
Total Plan	-0.4	-0.4	6.4	6.1	6.9	5.8	7.4	7.1	08/01/1994
<i>Town Hybrid</i>	0.3	-0.1	7.6	6.5	7.4	6.2	7.7	7.5	
Wells Fargo Government Money Market Fund I	0.4	0.7	1.2	0.5	0.3	N/A	0.3	0.3	11/01/2012
<i>90 Day U.S. Treasury Bill</i>	0.5	0.8	1.4	0.6	0.4	N/A	0.4	0.4	
Fixed Income	-1.0	-1.4	-0.1	2.3	2.7	N/A	3.0	2.2	07/01/2011
<i>Fixed Income Composite Benchmark</i>	-0.7	-1.4	0.2	2.0	2.1	N/A	2.2	1.2	
Metropolitan West Total Return Fund PL	0.0 (15)	-1.3 (20)	-0.2 (42)	1.6 (70)	2.5 (50)	N/A	2.1 (43)	2.1 (43)	12/01/2012
<i>Blmbg. Barc. U.S. Aggregate Index</i>	-0.2	-1.6	-0.4	1.7	2.3	N/A	1.6	1.6	
IM U.S. Broad Market Core+ Fixed Income (MF) Median	-0.4	-1.8	-0.4	2.0	2.5	4.5	1.9	1.9	
Western Asset Core Plus Bond IS	-1.5 (95)	-2.5 (86)	-0.4 (51)	3.3 (5)	N/A	N/A	3.0 (4)	N/A	11/01/2014
<i>Blmbg. Barc. U.S. Aggregate Index</i>	-0.2	-1.6	-0.4	1.7	N/A	N/A	1.6	N/A	
IM U.S. Broad Market Core+ Fixed Income (MF) Median	-0.4	-1.8	-0.4	2.0	2.5	4.5	1.8	1.9	
BlackRock Strategic Income Opportunities K	-0.8 (68)	-0.4 (57)	2.0 (35)	2.3 (57)	N/A	N/A	2.1 (40)	N/A	07/01/2014
<i>Libor (3 month)</i>	0.6	0.9	1.5	1.0	N/A	N/A	0.8	N/A	
<i>Blmbg. Barc. U.S. Aggregate Index</i>	-0.2	-1.6	-0.4	1.7	N/A	N/A	1.8	N/A	
IM Alternative Credit Focus (MF) Median	-0.2	-0.3	1.1	2.6	2.2	3.9	1.7	1.9	
Templeton Global Bond R6	-2.5 (53)	-1.2 (37)	-1.7 (98)	1.4 (86)	2.0 (40)	N/A	1.8 (25)	1.8 (25)	12/01/2012
<i>FTSE World Government Bond Index</i>	-3.4	-0.9	1.9	2.8	1.1	N/A	-0.2	-0.2	
IM Global Fixed Income (MF) Median	-2.2	-1.5	0.4	2.3	1.8	3.1	0.9	0.9	
Domestic Equity	3.6	3.3	14.6	11.7	13.0	N/A	12.3	14.3	07/01/2011
<i>Russell 3000 Index</i>	3.9	3.2	14.8	11.6	13.3	N/A	13.0	14.7	
Vanguard Institutional Index I	3.4 (26)	2.6 (28)	14.3 (32)	11.9 (13)	13.4 (14)	N/A	14.7 (14)	14.7 (14)	12/01/2012
<i>S&P 500 Index</i>	3.4	2.6	14.4	11.9	13.4	N/A	14.8	14.8	
IM U.S. Large Cap Core Equity (MF) Median	2.8	1.7	13.0	10.2	12.1	9.0	13.5	13.5	

Returns for periods less than one year are not annualized.

^More information on custom indexes, which may be used in this report, can be found on the Custom Index Description page in the back of your report.

Manager Performance Overview

Simsbury Pension

As of June 30, 2018

	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Since FIA's Inception Dec-2012 To Jun-2018	Inception Date
Neuberger Berman Genesis R6	3.9 (96)	4.6 (74)	15.1 (52)	11.2 (48)	11.8 (51)	N/A	13.1 (71)	13.1 (71)	12/01/2012
<i>Russell 2000 Index</i>	7.8	7.7	17.6	11.0	12.5	N/A	14.8	14.8	
IM U.S. Small Cap Core Equity (MF) Median	7.9	6.2	15.2	11.0	12.1	10.7	14.4	14.4	
International Equity	-4.9	-4.6	4.7	5.3	5.9	N/A	3.8	6.0	07/01/2011
<i>International Equity Composite Benchmark</i>	-3.6	-4.2	8.0	6.2	7.0	N/A	4.5	7.0	
Hartford International Opportunities R6	-3.5 (82)	-3.4 (51)	5.3 (49)	5.1 (5)	N/A	N/A	5.3 (3)	N/A	10/01/2014
<i>MSCI AC World ex USA (Net)</i>	-2.6	-3.8	7.3	5.1	N/A	N/A	4.0	N/A	
IM International Large Cap Core Equity (MF) Median	-2.0	-3.4	5.2	3.6	5.4	2.4	3.6	5.8	
Templeton Instl Foreign Small Comp A	-3.5 (80)	-2.0 (24)	9.4 (35)	7.1 (57)	8.1 (54)	N/A	9.0 (49)	9.0 (49)	12/01/2012
<i>MSCI AC World ex USA Small Cap (Net)</i>	-2.6	-2.9	10.6	7.9	9.0	N/A	9.1	9.1	
IM International SMID Cap Core Equity (MF) Median	-2.9	-2.8	8.3	7.8	8.5	5.4	8.8	8.8	
Aberdeen Emerging Markets Instl	-11.1 (88)	-11.0 (94)	-2.6 (95)	3.4 (73)	2.1 (83)	N/A	1.2 (85)	1.2 (85)	12/01/2012
<i>MSCI Emerging Markets (Net) Index</i>	-8.0	-6.7	8.2	5.6	5.0	N/A	3.5	3.5	
IM Emerging Markets Equity (MF) Median	-9.1	-7.3	6.8	5.1	4.6	1.9	3.4	3.4	
Real Estate	1.9	3.5	7.3	8.6	7.8	N/A	6.1	5.2	07/01/2011
<i>NCREIF Fund Index - ODCE (net)</i>	1.8	3.8	7.5	8.4	10.0	N/A	10.4	10.5	
Barings Core Property Fund LP*	1.9	3.5	7.3	8.6	N/A	N/A	8.9	N/A	10/01/2013
<i>NCREIF Fund Index - ODCE (net)</i>	1.8	3.8	7.5	8.4	N/A	N/A	9.8	N/A	

Returns for periods less than one year are not annualized.

*More information on custom indexes, which may be used in this report, can be found on the Custom Index Description page in the back of your report.

Manager Performance Overview

Simsbury Pension

As of June 30, 2018

	QTD	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Since FIA's Inception Dec-2012 To Jun-2018	Inception Date
Inflation Protection	1.8	-0.2	7.9	-0.6	-1.7	N/A	-3.2	-3.3	11/01/2012
<i>Short Term Inflation Protection Index</i>	4.2	2.2	9.6	0.3	-1.0	N/A	-1.7	-1.7	
Vanguard Short-Term Inflation Protection Adm	0.5 (64)	0.7 (15)	1.3 (66)	1.1 (75)	N/A	N/A	0.5 (76)	N/A	03/01/2014
<i>Bloomberg Barclays US TIPS 0-5 Year Index</i>	0.5	0.7	1.4	1.1	N/A	N/A	0.6	N/A	
IM U.S. TIPS (MF) Median	0.6	-0.1	1.6	1.5	1.0	2.4	0.9	-0.3	
Credit Suisse Commodity Return I	0.2 (58)	-0.4 (67)	6.6 (81)	-4.4 (67)	N/A	N/A	-8.7 (58)	N/A	03/01/2014
<i>Bloomberg Commodity Index Total Return</i>	0.4	0.0	7.3	-4.5	N/A	N/A	-8.9	N/A	
IM Commodities General (MF) Median	0.4	0.1	9.0	-3.4	-6.0	-9.2	-8.2	-7.6	
Van Eck Global Hard Assets I	4.8 (65)	-0.9 (59)	17.0 (50)	-1.5 (78)	-2.3 (72)	N/A	-2.5 (77)	-2.5 (77)	12/01/2012
<i>S&P North American Natural Res Sector Index (TR)</i>	12.1	5.3	19.8	3.3	1.7	N/A	2.1	2.1	
IM Global Natural Resources (MF) Median	5.9	1.2	16.9	1.5	0.1	-5.0	0.4	0.4	

The inception date expressed on the Manager Performance Overview page(s) represents the first day of the first full month following the purchase of the investment. Performance figures shown at the fund level begin on this inception date. Your performance may differ slightly if the fund was purchased during the previous month. Actual performance is captured at the total plan level.

Investment returns are derived from custodian valuations and may deviate slightly from fund level returns displayed in other pages in your report which can result in minor differences in universe rankings. Mutual fund performance may differ from the current share class's historical performance due to share class exchanges.

*Barings Core Property is valued as of 6/30/2018.

Returns for periods less than one year are not annualized.

^More information on custom indexes, which may be used in this report, can be found on the Custom Index Description page in the back of your report.

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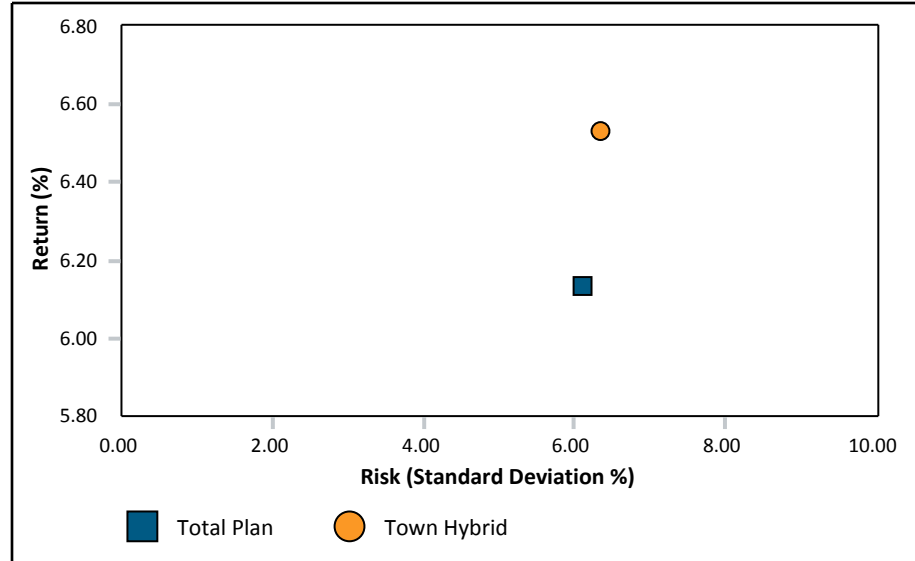
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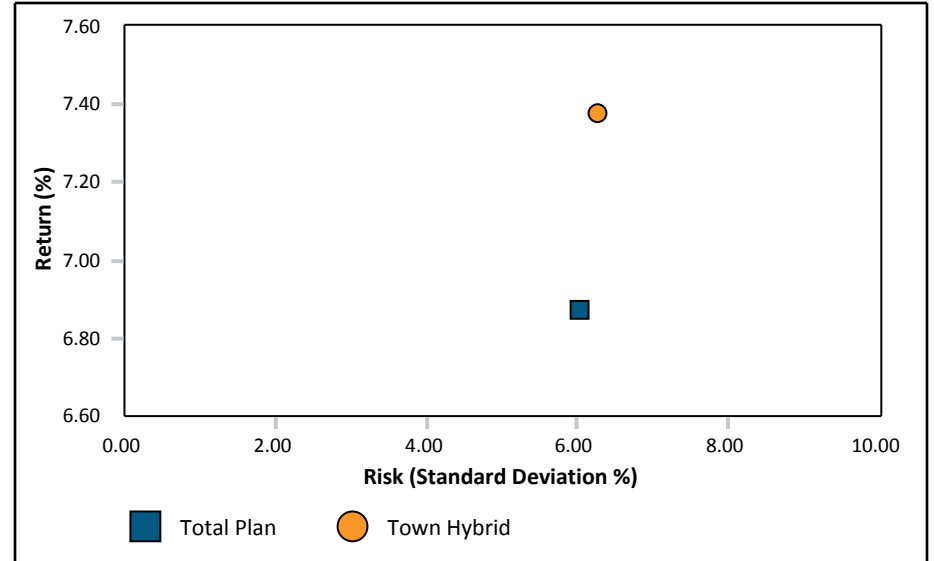
Risk vs Return

As of June 30, 2018

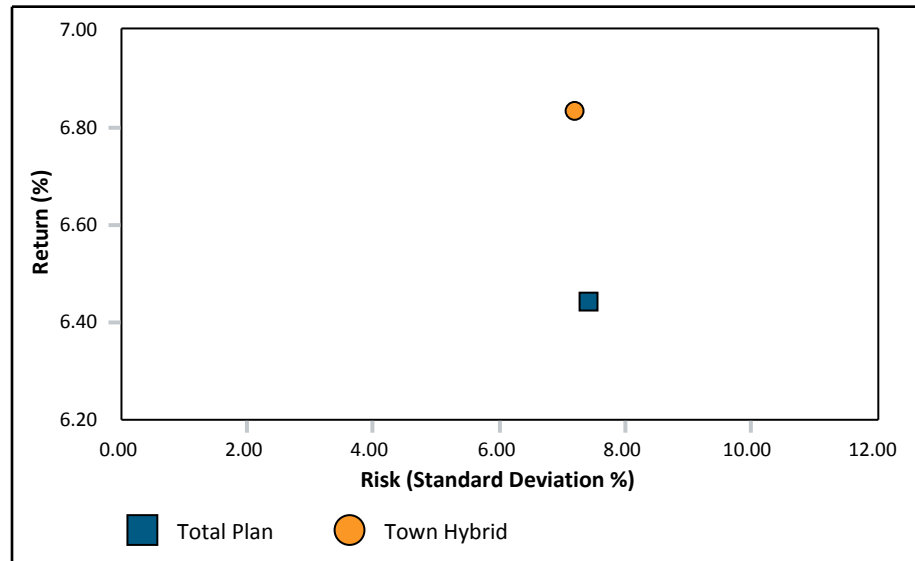
3 Year Risk and Return



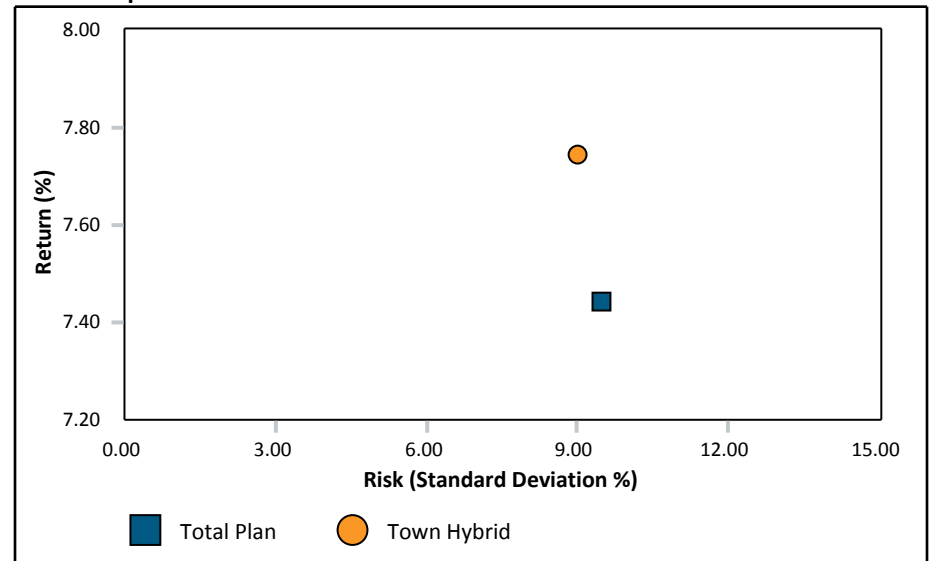
5 Year Risk and Return



7 Year Risk and Return



Since Inception Risk and Return



MPT Statistical Data

As of June 30, 2018

3 Year Historical MPT Statistics

	Return	Standard Deviation	Downside Risk	Sharpe Ratio	Information Ratio	Tracking Error	R-Squared	Beta	Alpha
Total Plan	6.13	6.13	3.66	0.90	-0.36	1.10	0.97	0.95	-0.05
Town Hybrid	6.53	6.37	3.70	0.93	N/A	0.00	1.00	1.00	0.00
90 Day U.S. Treasury Bill	0.64	0.17	0.02	N/A	-0.93	6.35	0.01	0.00	0.63

5 Year Historical MPT Statistics

	Return	Standard Deviation	Downside Risk	Sharpe Ratio	Information Ratio	Tracking Error	R-Squared	Beta	Alpha
Total Plan	6.87	6.04	3.39	1.07	-0.43	1.12	0.97	0.95	-0.11
Town Hybrid	7.37	6.27	3.42	1.11	N/A	0.00	1.00	1.00	0.00
90 Day U.S. Treasury Bill	0.40	0.16	0.01	N/A	-1.11	6.27	0.00	0.00	0.39

7 Year Historical MPT Statistics

	Return	Standard Deviation	Downside Risk	Sharpe Ratio	Information Ratio	Tracking Error	R-Squared	Beta	Alpha
Total Plan	6.44	7.43	4.58	0.84	-0.31	1.16	0.98	1.02	-0.48
Town Hybrid	6.83	7.21	4.25	0.91	N/A	0.00	1.00	1.00	0.00
90 Day U.S. Treasury Bill	0.30	0.14	0.01	N/A	-0.91	7.21	0.00	0.00	0.30

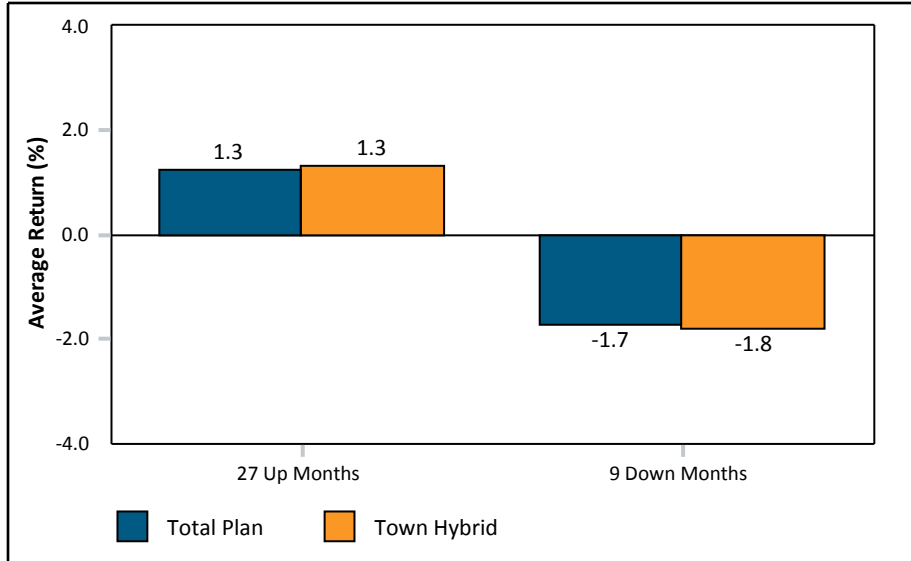
Since Inception Historical MPT Statistics

	Return	Standard Deviation	Downside Risk	Sharpe Ratio	Information Ratio	Tracking Error	R-Squared	Beta	Alpha	Inception Date
Total Plan	7.44	9.51	6.32	0.54	-0.18	1.32	0.98	1.05	-0.59	08/01/1994
Town Hybrid	7.74	9.02	5.89	0.60	N/A	0.00	1.00	1.00	0.00	08/01/1994
90 Day U.S. Treasury Bill	2.49	0.66	0.01	N/A	-0.60	9.03	0.00	0.00	2.48	08/01/1994

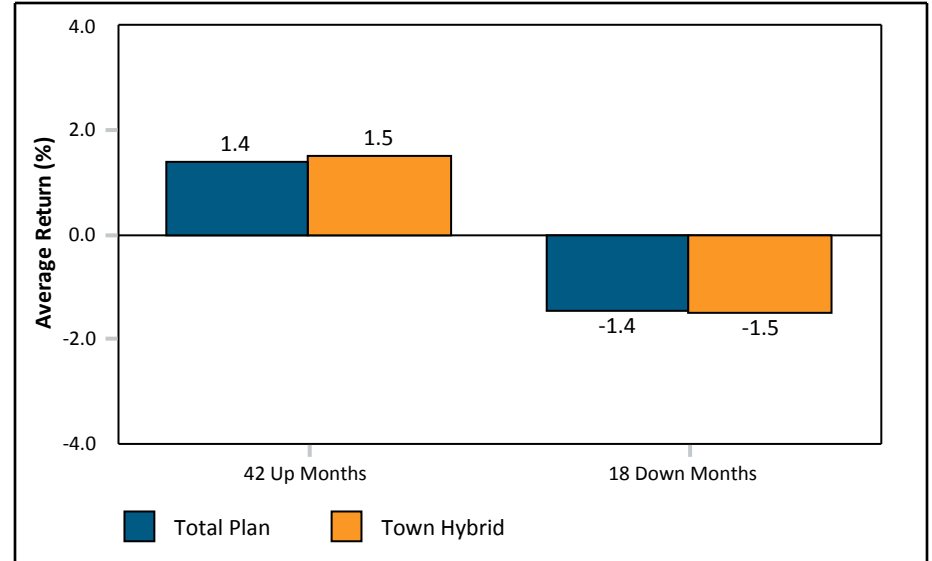
Market Capture Report

As of June 30, 2018

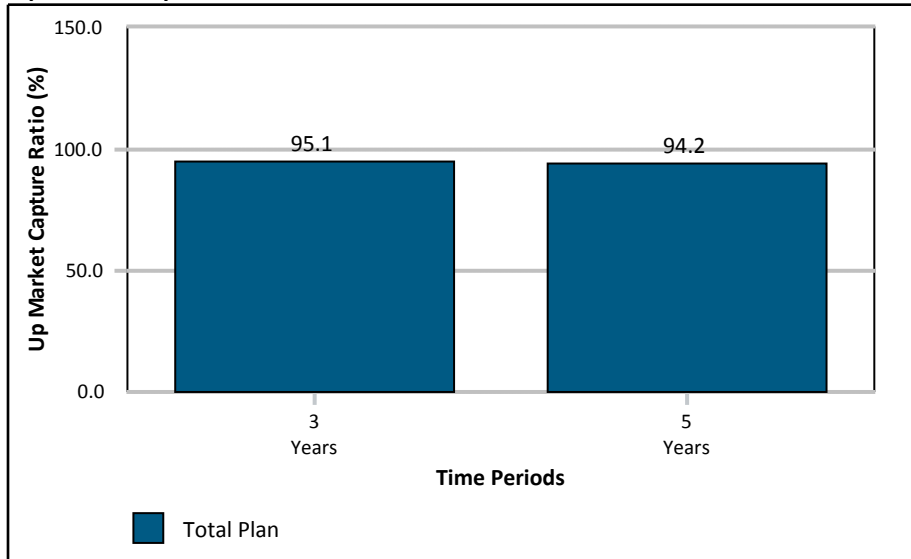
Up/Down Markets - 3 Years



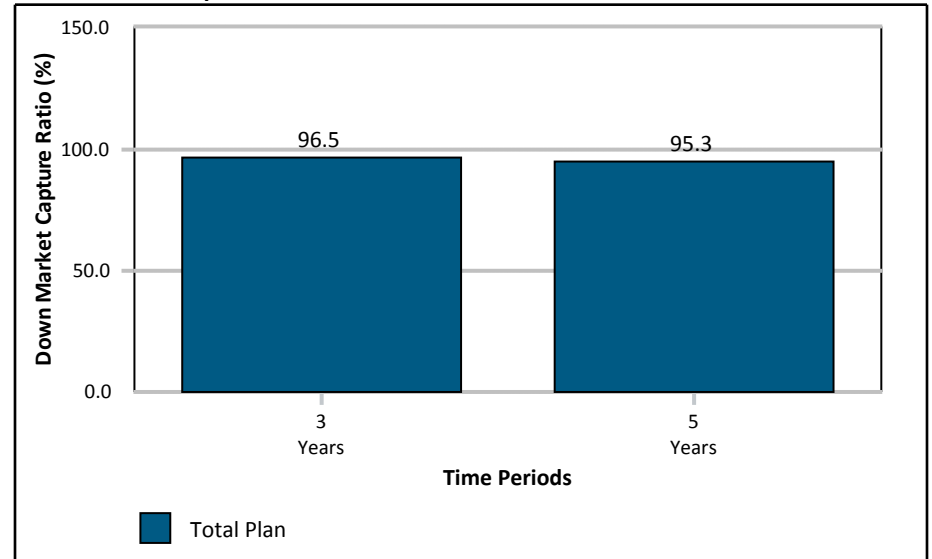
Up/Down Markets - 5 Years



Up Market Capture Ratio



Down Market Capture Ratio



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* Does not include Cash Value

DISCLOSURE: The figures on this page have been obtained from sources we deem to be reliable. FIA has not independently verified this information.

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Section 1

OPEB Portfolio Update

Section 2

2Q Portfolio and Manager Review

TOWN OF SIMSBURY OPEB TRUST

Updated Balances

FUND	Unreconciled Balances as of 9/4/2018	Current Allocation	Target
U.S. Gov't MMF	\$459,127	2.9%	
<i>FIXED INCOME</i>			
iShares Barclays TIPS Bond	\$2,484,999	15.8%	17.50%
iShares Core Total U.S. Bond Market	\$2,452,638	15.6%	17.50%
Total Fixed Income	\$4,937,637	31.5%	35.00%
<i>DOMESTIC EQUITY</i>			
iShares S&P 500 Index	\$4,354,726	27.7%	26.00%
iShares Russell Midcap Index	\$993,999	6.3%	6.00%
iShares Russell 2000 Index	\$522,607	3.3%	3.00%
Total Domestic Equity	\$5,871,332	37.4%	35.00%
<i>INTERNATIONAL EQUITY</i>			
iShares MSCI EAFE Index	\$2,814,356	17.9%	19.00%
iShares MSCI Emerging Markets Index	\$891,047	5.7%	6.00%
Total International Equity	\$3,705,402	23.6%	25.00%
<i>REAL ESTATE</i>			
iShares Cohen & Steers Realty Majors Index	\$366,104	2.3%	2.50%
iShares S&P Developed ex-US Property Index	\$357,782	2.3%	2.50%
Total Real Estate	\$723,885	4.6%	5.00%
	\$15,697,383	100.0%	100.0%

Source: Simsbury Bank

The balance information has been compiled solely by Fiduciary Investment Advisors, LLC, and has not been independently verified. In preparing this report, Fiduciary Investment Advisors, LLC has relied upon information provided by the investment managers and by the custodian.

Simsbury OPEB

Performance Update As Of July 31, 2018

Plan Performance

	Value	Performance(%)									
		1 Month	QTD	Jan-2018 To Jul-2018	YTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Simsbury OPEB Total Plan	15,657,903	2.1	2.1	1.6	1.6	7.1	6.4	6.5	6.3	5.6	06/01/2008
<i>Blended Benchmark</i>		<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>1.7</i>	<i>7.4</i>	<i>6.5</i>	<i>6.6</i>	<i>6.3</i>	<i>5.6</i>	<i>06/01/2008</i>

Calendar Year Performance

	2017	2016	2015	2014	2013	2012	2011
Simsbury OPEB Total Plan	14.9	6.5	-0.7	5.6	9.8	12.0	2.5
<i>Blended Benchmark</i>	<i>15.0</i>	<i>6.6</i>	<i>-0.7</i>	<i>6.0</i>	<i>9.9</i>	<i>12.4</i>	<i>2.2</i>

Allocation Mandate

Weight (%)

Apr-2017

Blmbg. Barc. U.S. Aggregate Index	17.5
Bloomberg Barclays U.S. TIPS Index	17.5
S&P 500 Index	26.0
Russell Midcap Index	6.0
Russell 2000 Index	3.0
MSCI EAFE (Net) Index	19.0
MSCI Emerging Markets (Net) Index	6.0
Cohen Steers Realty Majors Index	2.5
FTSE EPRA/NAREIT Developed ex U.S. Index	2.5

The allocation mandate represents the current benchmark composition for the portfolio. Please keep in mind that the investment objective may have changed over time.

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Benchmark Composition

Blended Benchmark

As of June 30, 2018

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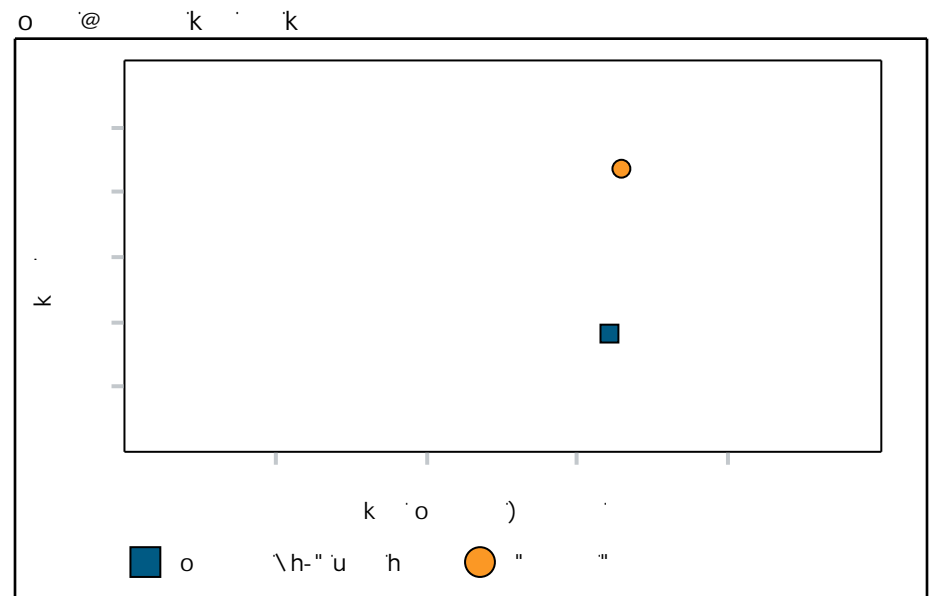
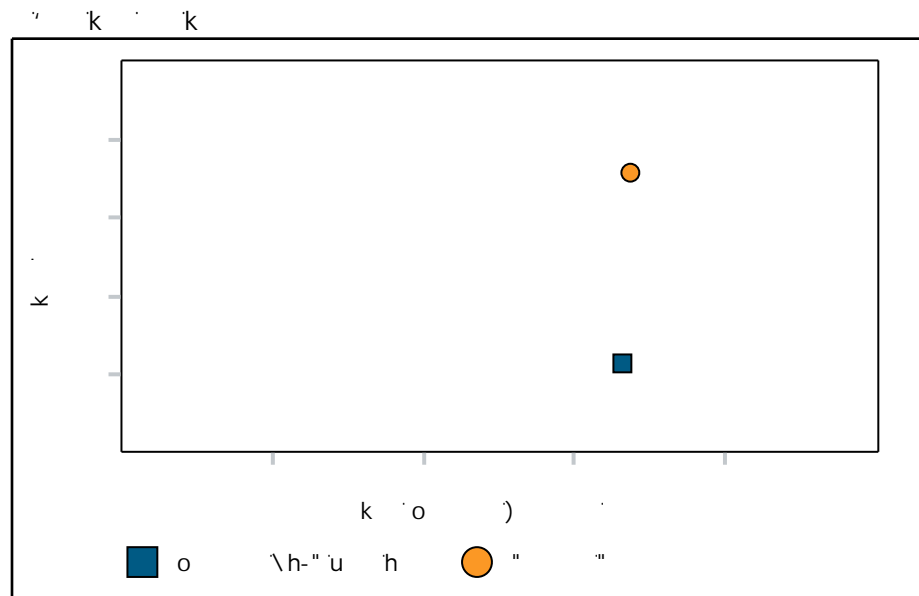
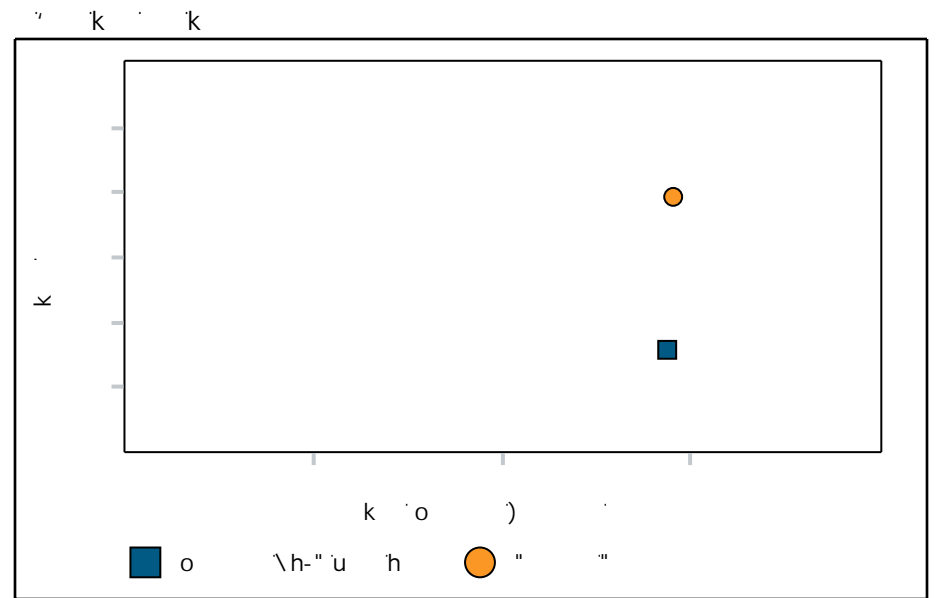
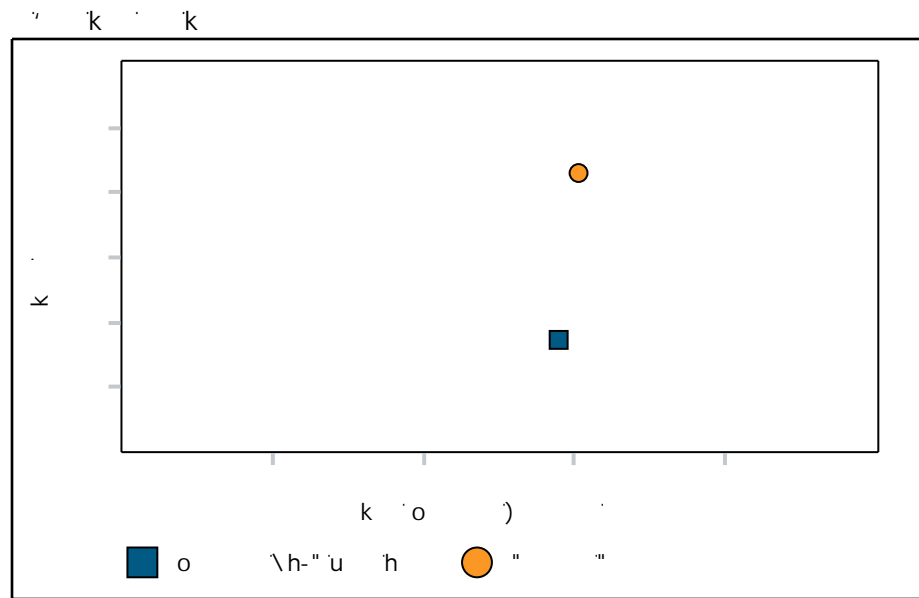
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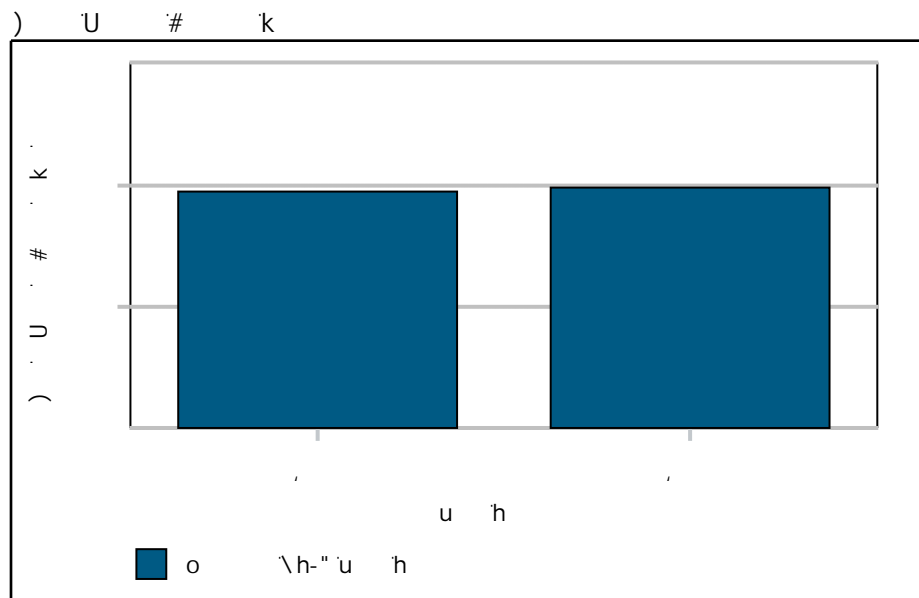
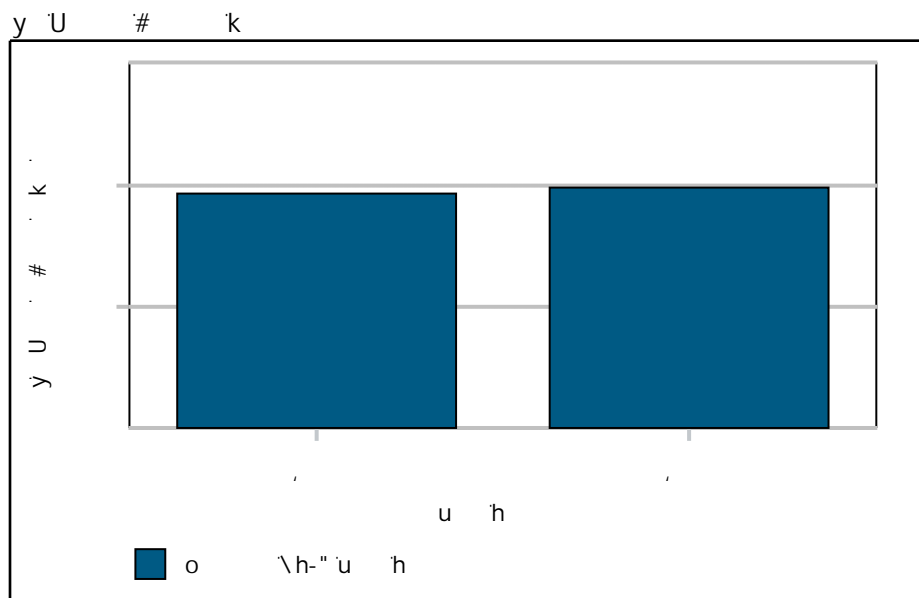
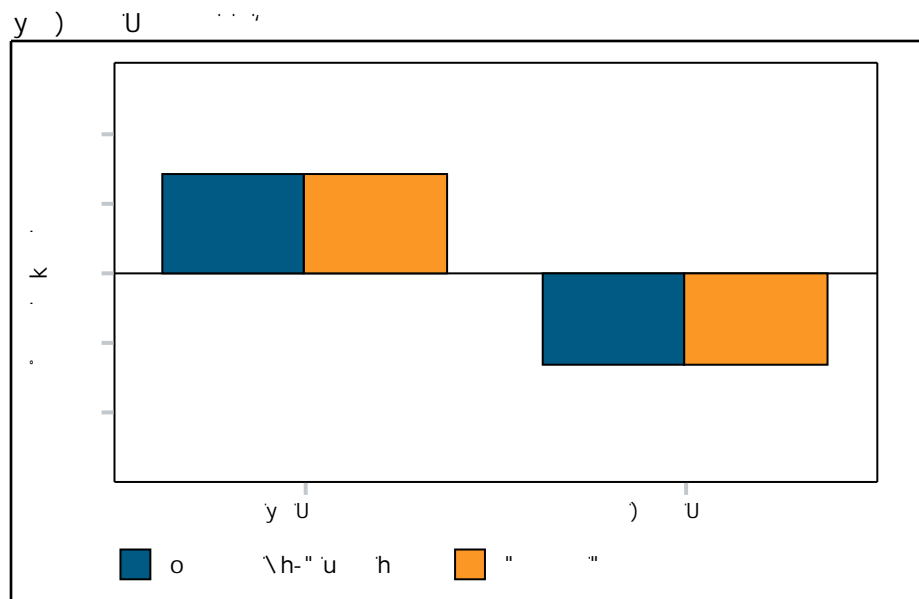
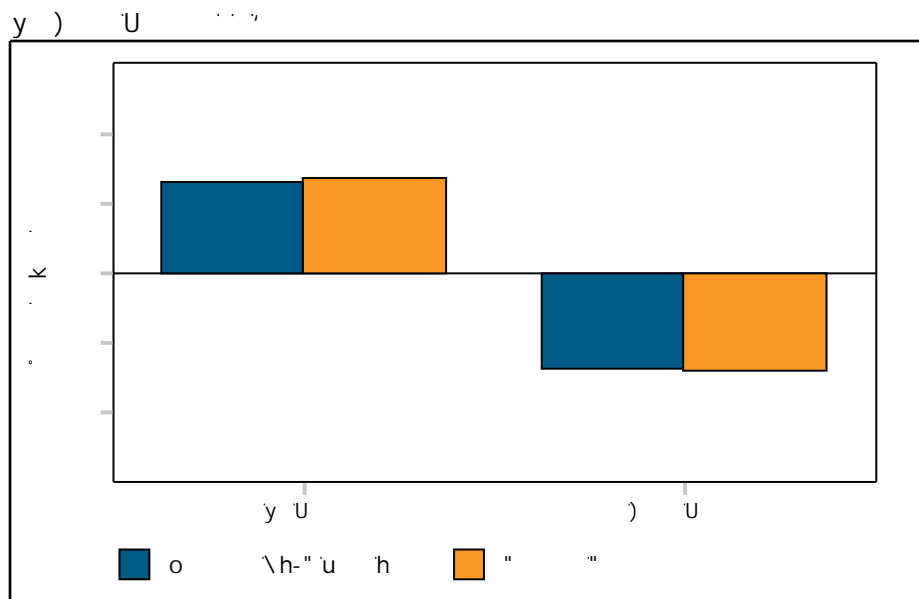
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DISCLOSURE: The figures on this page have been obtained from sources we deem to be reliable. FIA has not independently verified this information.

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Executive Summary

Executive Summary

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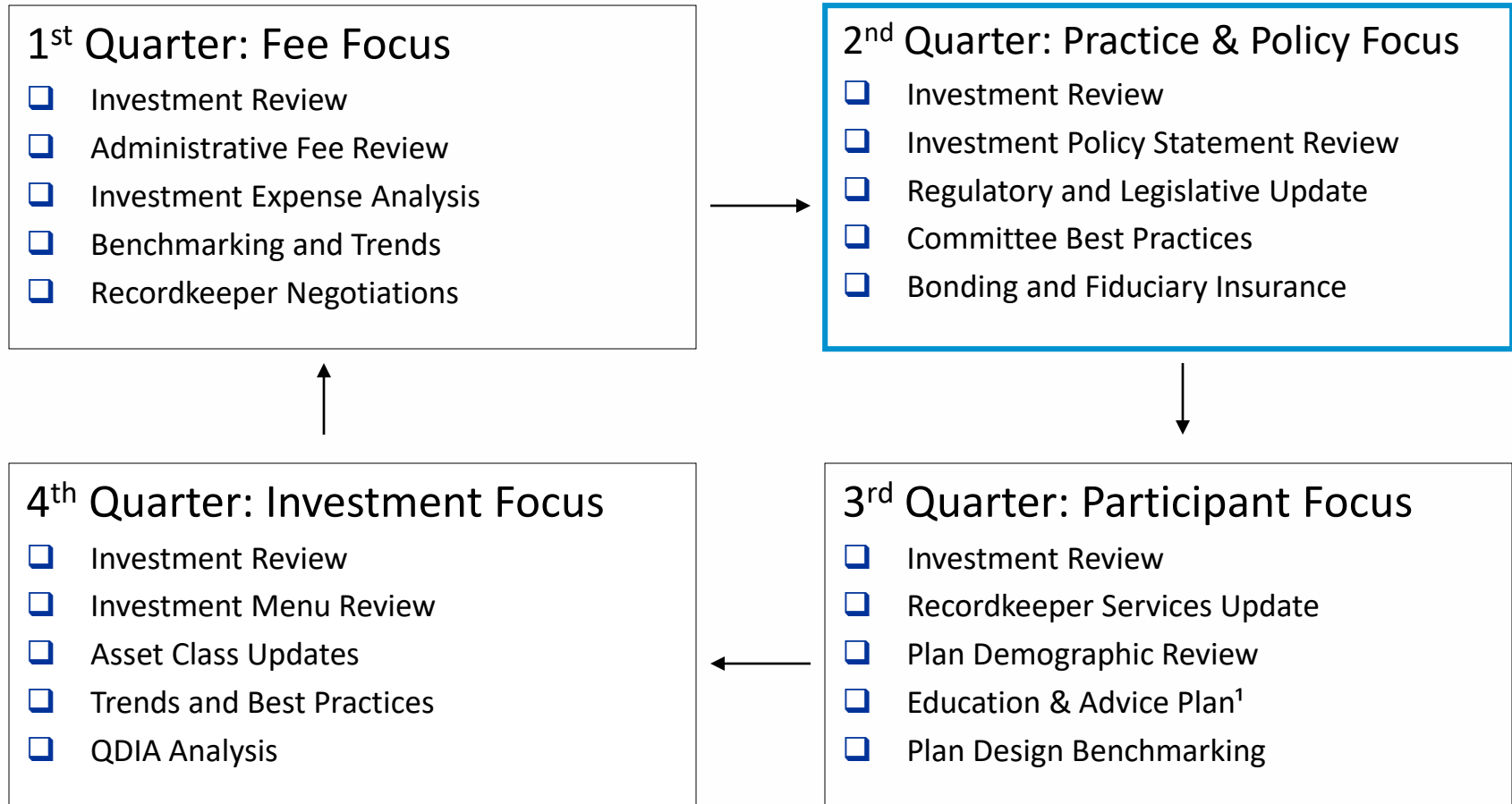


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Fiduciary Governance Calendar



¹ Where applicable, FIA is recommending that plan fiduciaries prudently select *and* monitor participant advice providers.

Regulatory and Legislative Update

DOL Fiduciary Rule

On March 15, 2018, the U.S. Court of Appeals for the 5th Circuit **voted to vacate** the DOL’s **Fiduciary Rule** *in toto*, including the expanded definition of “investment advice fiduciary” and the associated exemptions. As the DOL failed to petition for a rehearing or appeal the decision to the Supreme Court, the Court issued its mandate officially vacating the rule June 21st.



As of now, most recordkeeper service models look to remain the same as prior to vacating the rule, with some exceptions.

SEC Regulation Best Interest

On April 18, 2018, the SEC published proposals to institute a new ‘**Regulation Best Interest**’ standard of care for broker-dealers, requiring them to not put their financial interest ahead of the interest of a retail customer. In addition, the proposal attempts to **clarify fiduciary duty and advisers’ legal obligations**. Comments on the rule are due by August 7th.



Although the impact of the SEC’s Regulation on in-plan advice remains uncertain, fiduciaries still have an obligation to prudently select and monitor advice providers.

Additional Regulatory Updates



01

Optional Hardship Withdrawal Changes (effective 1/1/2019)

- Removal of 6 month suspension of contributions post withdrawal
- Removal of requirement to exhaust available loans prior to withdrawal
- Allow additional contribution sources and earnings for distribution purposes
- All new provisions are optional. Plan documents must be amended to allow for these changes.

02

Loan Default Provisions

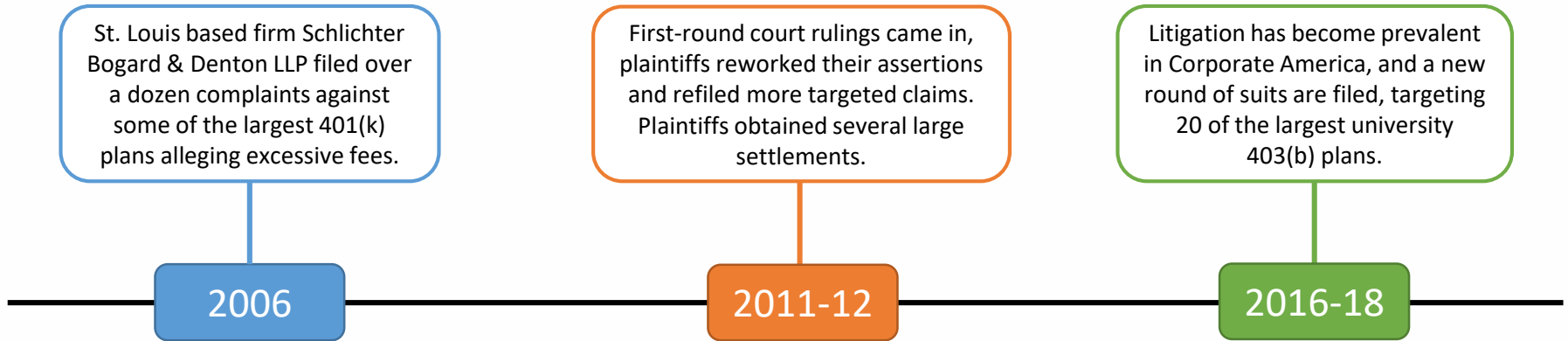
- Previously, participants who defaulted on their loans had 60 days to conduct an indirect rollover of that loan amount to avoid taxes and possible penalties.
- Effective 1/1/2018, participants have until they file their taxes for the year in which they default to complete an indirect rollover.

03

Clarification on FAB 2018-01

- ESG Investing: ERISA fiduciaries may not sacrifice investment returns or assume greater investment risks as a means of promoting collateral social policy goals.

Update on Recent Lawsuits



What are plaintiffs targeting?

- Multiple recordkeepers
- Unreasonably high investment expenses
- Large number of investment options
- Use of revenue sharing
- Fiduciaries failing to solicit competitive bids for recordkeeping
- Investments with poor historical performance

How can fiduciaries reduce risk?

- Ensure proper delegations of authority are followed
- Periodically evaluate service providers through benchmarking/RFPs/RFIs
- Monitor fees and service provider performance

403(b) Lawsuit Update¹

- ❖ Three suits have been dismissed in full – expected appeals forthcoming
- ❖ One has entered into a settlement for \$6.5m, with no admission of wrongdoing
- ❖ Nine cases have received partial dismissals, 3 more are pending dismissal decisions
- ❖ More recent suits are still waiting responsive pleadings

¹ Source: TIAA, as of June 14, 2018

Committee Governance and Best Practices

Committee Best Practices Review¹

Act prudently and always in the best interests of participants.

Governance Related

- Periodically review all governance documents, including Investment Policy Statement, plan documents/amendments, and summary plan description.
- Schedule periodic meetings and establish a quorum.
- Consider periodic updates to committee or governing body.
- Review required plan bonding annually and consider other non-required coverages that may help protect plan fiduciaries (e.g. Fiduciary Liability Insurance).
- Avoid prohibited transactions and conflicts of interest.

Participant Related

- Periodically evaluate participant communications and education services.
- Discuss automatic or other plan design features that may benefit participant retirement readiness.
- Consider periodic communications to participants concerning the process related to restricted/closed funds.²
- Periodically ensure that all eligible employees have the opportunity to elect deferrals, and deferrals are limited to 402(g) limits and deposited in a timely manner.

Plan Related

- Periodically review and document all plan related fees to ensure reasonableness.
- Periodically evaluate Plan Recordkeeper(s).
- Periodically ensure you are operating according to all plan documents.
- Ensure that all required plan related disclosures are sent to participants.
- Review the plan's protocol on proxy voting.
- Periodically ensure all service provider cybersecurity protocols are up to current best practices.

¹ Not intended as legal or compliance advice and may not be all inclusive. Plan fiduciaries should always consult with qualified ERISA counsel on legal and compliance matters.

² Not applicable to all plans

The background of the slide is a light blue, semi-transparent image of a desk setup. It includes a black pen with a silver tip, a white calculator, and a spiral-bound notebook. The notebook page shows a line graph with several data points. The overall aesthetic is clean and professional.

Second Quarter 2018 Executive Summary

Historical Balances by Investment

Simsbury 457

As of June 30, 2018

	Jun-2018		Mar-2018		Dec-2017		Sep-2017	
	(\$)	%	(\$)	%	(\$)	%	(\$)	%
General Account	2,580,428	23.4	2,569,454	23.8	2,464,127	22.6	2,463,341	23.7
Stable Value/ Money Market Funds	2,580,428	23.4	2,569,454	23.8	2,464,127	22.6	2,463,341	23.7
Dreyfus Bond Market Index Inv	96,369	0.9	95,695	0.9	111,560	1.0	110,024	1.1
Western Asset Core Plus Bond FI	233,398	2.1	234,957	2.2	258,196	2.4	224,263	2.2
Templeton Global Bond A	22,413	0.2	24,262	0.2	20,274	0.2	19,867	0.2
Fixed Income Funds	352,181	3.2	354,915	3.3	390,030	3.6	354,154	3.4
MFS Value Fund R3	689,555	6.2	690,167	6.4	736,398	6.8	696,244	6.7
Dreyfus S&P 500 Index	3,026,412	27.4	2,948,597	27.4	3,028,504	27.8	2,825,313	27.2
T. Rowe Price Growth Stock R	1,926,959	17.4	1,838,389	17.1	1,800,130	16.5	1,741,136	16.8
AllianceBern Discovery Value A	322,746	2.9	306,667	2.8	316,519	2.9	296,065	2.9
Dreyfus MidCap Index	77,462	0.7	72,432	0.7	114,565	1.1	104,655	1.0
Eaton Vance Atlanta Capital SMID-Cap A	491,258	4.4	470,408	4.4	484,221	4.4	423,777	4.1
Dreyfus Small Cap Stock Index	138,585	1.3	109,964	1.0	149,752	1.4	139,058	1.3
Domestic Equity Funds	6,672,978	60.4	6,436,623	59.7	6,630,091	60.8	6,226,249	60.0
Hartford International Opportunities R4	263,209	2.4	271,387	2.5	268,011	2.5	280,867	2.7
International Funds	263,209	2.4	271,387	2.5	268,011	2.5	280,867	2.7
T. Rowe Price Retirement Balanced R	0.00	0.0	0.00	0.0	23,609	0.2	22,629	0.2
T. Rowe Price Retirement 2010 R	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0
T. Rowe Price Retirement 2020 R	74,144	0.7	73,301	0.7	72,889	0.7	0.00	0.0
T. Rowe Price Retirement 2030 R	696,965	6.3	695,560	6.5	705,928	6.5	708,387	6.8
T. Rowe Price Retirement 2040 R	97,193	0.9	81,980	0.8	74,983	0.7	67,668	0.7
T. Rowe Price Retirement 2050 R	309,948	2.8	290,574	2.7	278,427	2.6	258,157	2.5
Target Date Funds	1,178,251	10.7	1,141,415	10.6	1,155,835	10.6	1,056,842	10.2
Simsbury 457	11,047,046	100.0	10,773,794	100.0	10,908,095	100.0	10,381,452	100.0

Source: MassMutual

Balances by Investment

Simsbury 401(a) Defined Contribution Plan

As of June 30, 2018



Investment	Assets	Allocation
General Account	\$43,888	30.1%
Western Asset Core Plus Bond FI	\$0	0.0%
Templeton Global Bond	\$3,650	2.5%
Dreyfus S&P 500 Index	\$6,225	4.3%
T. Rowe Price Growth Stock	\$0	0.0%
AllianceBern Discovery Value	\$400	0.3%
Dreyfus MidCap Index	\$1,566	1.1%
Dreyfus Small Cap Stock Index	\$1,485	1.0%
Hartford Intl Opportunities	\$3,498	2.4%
T. Rowe Price Retirement 2020 R	\$2,225	1.5%
T. Rowe Price Retirement 2030 R	\$4,429	3.0%
T. Rowe Price Retirement 2040 R	\$10,653	7.3%
T. Rowe Price Retirement 2050 R	\$67,851	46.5%
<i>Simsbury 401(a) Plan</i>	<i>\$145,869</i>	<i>100.0%</i>

Balances by Investment

Simsbury BOE Defined Contribution Plan

As of June 30, 2018






Investment	Assets	Allocation
General Account	\$199,789	54.4%
Dreyfus Bond Market Index Inv	\$2,612	0.7%
Western Asset Core Plus Bond FI	\$304	0.1%
Templeton Global Bond	\$5,693	1.6%
MFS Value Fund R3	\$13,993	3.8%
Dreyfus S&P 500 Index	\$39,908	10.9%
T. Rowe Price Growth Stock	\$15,174	4.1%
AllianceBern Discovery Value A	\$6,925	1.9%
Dreyfus MidCap Index	\$16,110	4.4%
Eaton Vance Atlanta Capital SMID-Cap A	\$10,146	2.8%
Dreyfus Small Cap Stock Index	\$8,885	2.4%
Hartford Intl Opportunities	\$7,689	2.1%
T. Rowe Price Retirement Balanced R	\$481	0.1%
T. Rowe Price Retirement 2020 R	\$2,006	0.5%
T. Rowe Price Retirement 2030 R	\$11,619	3.2%
T. Rowe Price Retirement 2040 R	\$19,764	5.4%
T. Rowe Price Retirement 2050 R	\$5,912	1.6%
<i>Simsbury BOE Plan</i>	<i>\$367,007</i>	<i>100.0%</i>

Performance Overview By Investment

As of June 30, 2018

Total Annualized Return (%)

	QTR	1 Year	3 Years	5 Years	10 Years	Expense Ratio (%)	Manager Status
General Account							MAINTAIN
<i>FTSE 3 Month T-Bill</i>	0.4	1.3	0.6	0.4	-	-	
Dreyfus Bond Market Index Inv	-0.3	-0.8	1.2	1.8	3.2	0.40	MAINTAIN
<i>Blmbg. Barc. U.S. Aggregate Index</i>	-0.2	-0.4	1.7	2.3	3.7	-	
IM U.S. Broad Market Core+ Fixed Income (MF) Rank	39	70	85	86	96	0.81	
Western Asset Core Plus Bond FI	-1.6	-0.8	2.9	3.4	5.8	0.83	MAINTAIN
<i>Blmbg. Barc. U.S. Aggregate Index</i>	-0.2	-0.4	1.7	2.3	3.7	-	
IM U.S. Broad Market Core Fixed Income (MF) Rank	100	66	2	1	1	0.71	
Templeton Global Bond A	-2.6	-2.1	1.0	1.6	5.4	0.96	MAINTAIN
<i>FTSE World Government Bond Index</i>	-3.4	1.9	2.8	1.1	2.1	-	
IM Global Fixed Income (MF) Rank	53	99	94	55	6	0.97	
MFS Value Fund R3	-0.7	3.8	8.1	10.4	8.4	0.84	MAINTAIN
<i>Russell 1000 Value Index</i>	1.2	6.8	8.3	10.3	8.5	-	
IM U.S. Large Cap Value Equity (MF) Rank	97	95	51	36	39	0.98	
Dreyfus S&P 500 Index	3.3	13.8	11.4	12.9	9.7	0.50	MAINTAIN
<i>S&P 500 Index</i>	3.4	14.4	11.9	13.4	10.2	-	
IM U.S. Large Cap Core Equity (MF) Rank	31	39	24	28	30	0.93	
T. Rowe Price Growth Stock R	5.9	22.9	15.5	17.6	12.2	1.17	MAINTAIN
<i>Russell 1000 Growth Index</i>	5.8	22.5	15.0	16.4	11.8	-	
IM U.S. Large Cap Growth Equity (MF) Rank	47	44	14	12	16	1.05	

1-50 Percentile = 
 51-75 Percentile = 
 76-100 Percentile = 

Explanation of Category rankings: Percentile rankings are on a scale of 1 to 100, with a rank of 1 (1st percentile) being the best and 100 (100th percentile) being the worst. Rankings relate to net of fee returns for each fund in its respective Lipper peer group. Due to statistical requirements, investment versus peer group rankings will not populate if peer groups contain less than 10 members. Returns for periods less than one year are not annualized.

Source: Lipper Analytical Services or investment manager for non-mutual fund holdings.

^More information on custom indexes, which may be used in this report, can be found on the Custom Index Description page in the back of your report.

Performance Overview By Investment

As of June 30, 2018

Total Annualized Return (%)

	QTR	1 Year	3 Years	5 Years	10 Years	Expense Ratio (%)	Manager Status
AllianceBern Discovery Value A	5.1	14.0	9.9	11.4	10.7	1.13	MAINTAIN
<i>Russell 2500 Value Index</i>	5.8	11.5	9.8	10.8	10.1	-	
IM U.S. SMID Cap Value Equity (MF) Rank	63	14	25	19	22	1.21	
Dreyfus MidCap Index	4.2	12.9	10.4	12.2	10.3	0.50	MAINTAIN
<i>S&P MidCap 400 Index</i>	4.3	13.5	10.9	12.7	10.8	-	
IM U.S. Mid Cap Core Equity (MF) Rank	15	22	13	14	17	1.15	
Eaton Vance Atlanta Capital SMID-Cap A	3.6	18.0	13.2	14.3	13.9	1.19	MAINTAIN
<i>Russell 2500 Growth Index</i>	5.5	21.5	10.9	13.9	11.4	-	
IM U.S. SMID Cap Growth Equity (MF) Rank	99	83	20	25	4	1.23	
Dreyfus Small Cap Stock Index	8.7	19.9	13.2	14.1	11.9	0.50	MAINTAIN
<i>S&P SmallCap 600 Index</i>	8.8	20.5	13.8	14.6	12.2	-	
IM U.S. Small Cap Core Equity (MF) Rank	29	21	19	14	15	1.12	
Hartford International Opportunities R4	-3.7	4.9	4.7	6.5	3.6	1.13	MAINTAIN
<i>MSCI AC World ex USA (Net)</i>	-2.6	7.3	5.1	6.0	2.5	-	
IM International Large Cap Core Equity (MF) Rank	85	58	13	16	30	1.00	

*Historical performance of current share class may differ slightly due to share class exchanges and/or blended performance.

Explanation of Category rankings: Percentile rankings are on a scale of 1 to 100, with a rank of 1 (1st percentile) being the best and 100 (100th percentile) being the worst. Rankings relate to net of fee returns for each fund in its respective Lipper peer group. Due to statistical requirements, investment versus peer group rankings will not populate if peer groups contain less than 10 members. Returns for periods less than one year are not annualized.




Source: Lipper Analytical Services or investment manager for non-mutual fund holdings.

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Performance Overview By Investment

As of June 30, 2018

Total Annualized Return (%)

	QTR	1 Year	3 Years	5 Years	10 Years	Expense Ratio (%)	Manager Status
							1-50 Percentile = 
							51-75 Percentile = 
							76-100 Percentile = 
T. Rowe Price Retirement Balanced R	0.3	4.3	4.3	4.8	4.9	1.06	MAINTAIN
<i>T. Rowe Price Retirement Balanced Index</i>	0.9	5.2	4.8	5.4	4.9	-	
IM Retirement Income (MF) Rank	54	42	53	78	76	0.85	
T. Rowe Price Retirement 2010 R	0.1	4.4	4.7	5.7	5.4	1.07	MAINTAIN
<i>T. Rowe Price Retirement 2010 Index</i>	0.8	5.4	5.2	6.2	5.5	-	
IM Mixed-Asset Target 2010 (MF) Rank	72	40	27	23	17	0.71	
T. Rowe Price Retirement 2020 R	0.4	6.5	6.1	7.5	6.5	1.13	MAINTAIN
<i>T. Rowe Price Retirement 2020 Index</i>	1.2	7.6	6.7	7.9	6.6	-	
IM Mixed-Asset Target 2020 (MF) Rank	71	15	5	5	4	0.80	
T. Rowe Price Retirement 2030 R	0.6	8.4	7.3	9.1	7.2	1.19	MAINTAIN
<i>T. Rowe Price Retirement 2030 Index</i>	1.5	9.6	8.0	9.4	7.4	-	
IM Mixed-Asset Target 2030 (MF) Rank	72	31	16	7	8	0.83	
T. Rowe Price Retirement 2040 R	0.8	9.8	8.1	10.0	7.7	1.24	MAINTAIN
<i>T. Rowe Price Retirement 2040 Index</i>	1.7	11.0	8.8	10.3	7.9	-	
IM Mixed-Asset Target 2040 (MF) Rank	71	42	29	8	10	0.85	
T. Rowe Price Retirement 2050 R	0.8	10.1	8.3	10.1	7.8	1.24	MAINTAIN
<i>T. Rowe Price Retirement 2050 Index</i>	1.8	11.3	9.0	10.4	7.9	-	
IM Mixed-Asset Target 2050 (MF) Rank	72	53	32	10	15	0.85	

*Historical performance of current share class may differ slightly due to share class exchanges and/or blended performance.

Explanation of Category rankings: Percentile rankings are on a scale of 1 to 100, with a rank of 1 (1st percentile) being the best and 100 (100th percentile) being the worst. Rankings relate to net of fee returns for each fund in its respective Lipper peer group. Due to statistical requirements, investment versus peer group rankings will not populate if peer groups contain less than 10 members. Returns for periods less than one year are not annualized.

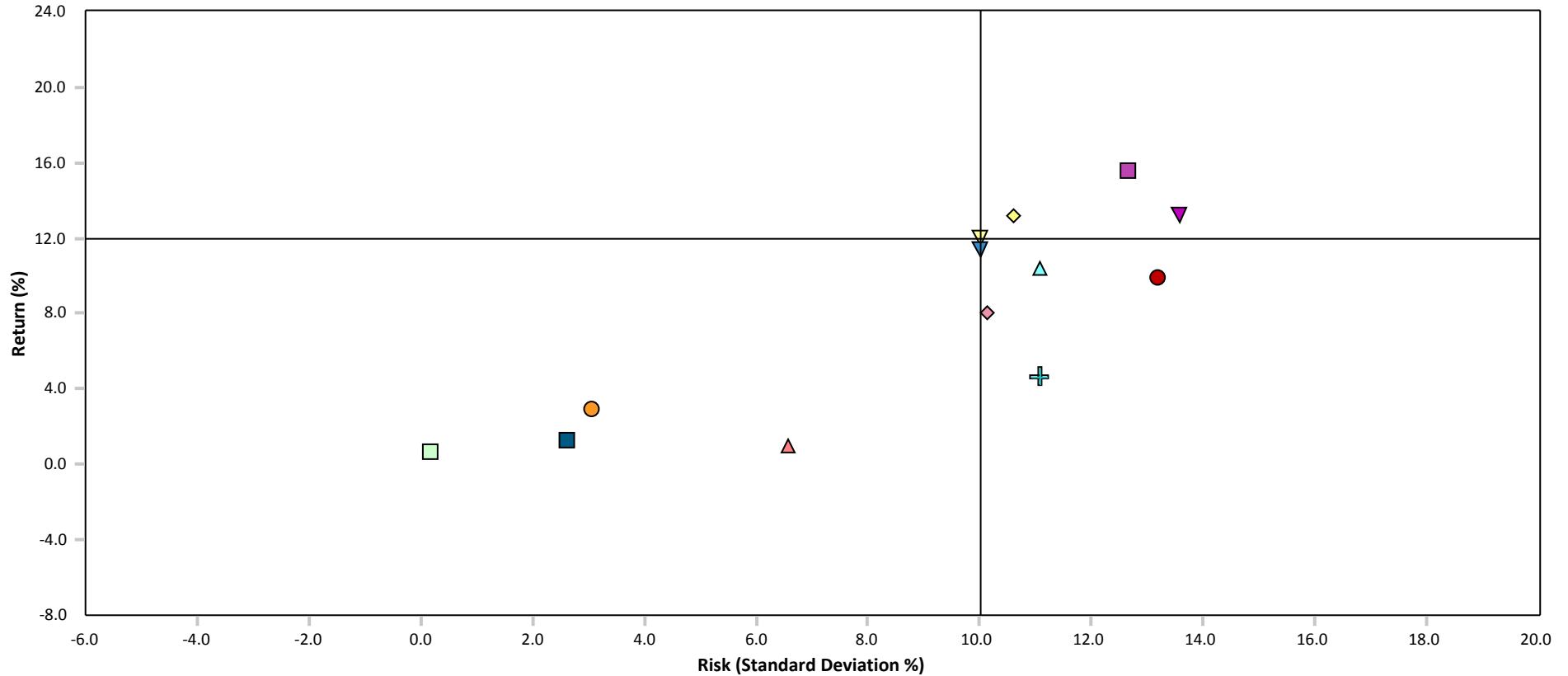
Source: Lipper Analytical Services or investment manager for non-mutual fund holdings.

Performance vs Risk

3 Years Ending June 30, 2018

The plan's investment menu should provide for investment options with materially different risk/reward characteristics that would allow participants to construct a broadly diversified portfolio. The chart below illustrates how the funds in the plan align on the "risk-return spectrum" when compared to the S&P 500 Index.

Calculation based on monthly periodicity.



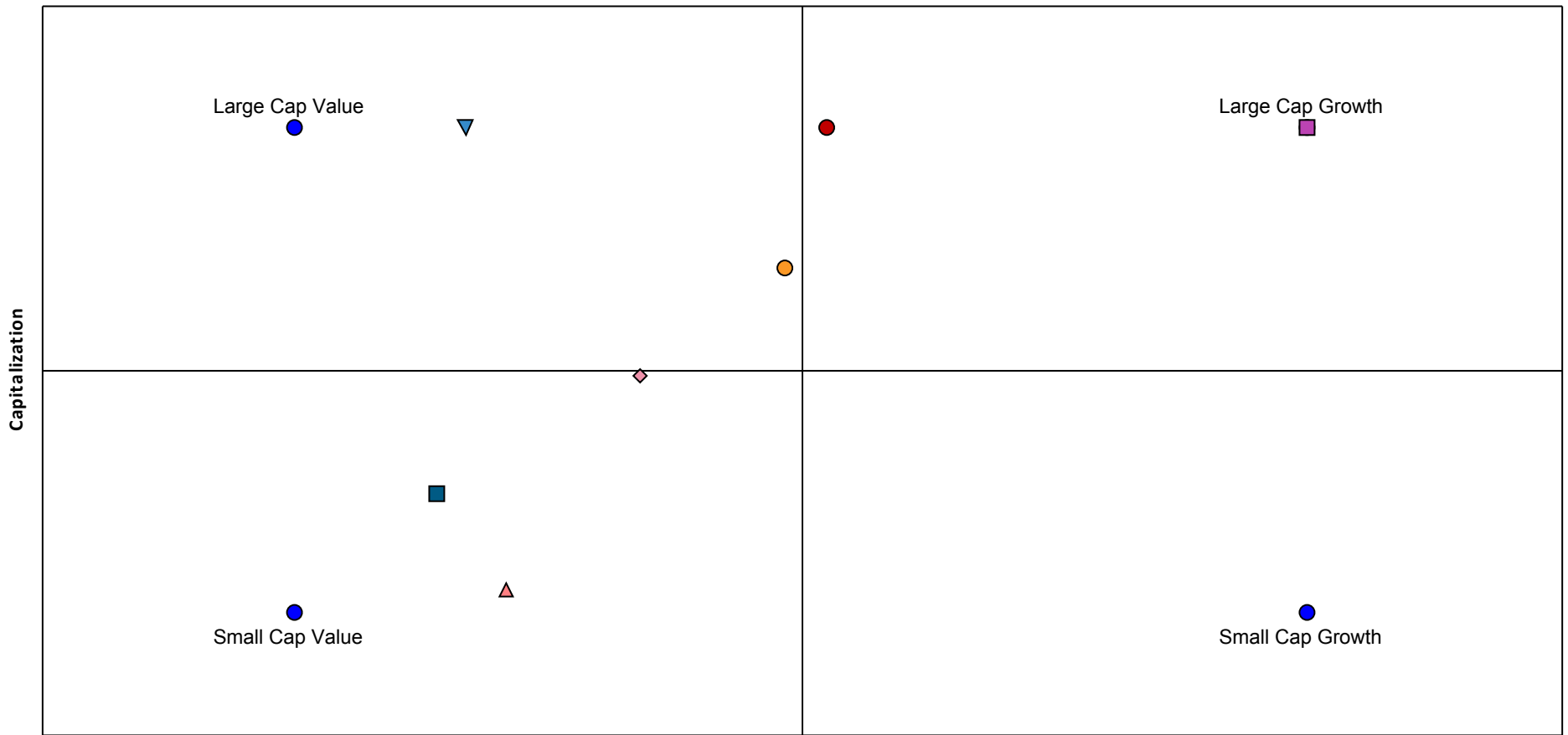
- Dreyfus Bond Market Index Inv
- MFS Value Fund R3
- AllianceBern Discovery Value A
- Dreyfus Small Cap Stock Index
- 90 Day U.S. Treasury Bill
- Western Asset Core Plus Bond FI
- Dreyfus S&P 500 Index
- Dreyfus MidCap Index
- Hartford International Opportunities R4
- Templeton Global Bond A
- T. Rowe Price Growth Stock R
- Eaton Vance Atlanta Capital SMID-Cap A
- S&P 500 Index

Performance Statistics

Average Style Exposure

The chart below illustrates the Lipper Style Box exposure for the plan's funds that invest primarily in U.S. stocks. The purpose of the chart is to demonstrate the presence of coverage in all style boxes, from small cap to large cap and from growth to value.

Style Map(03/01/15 - 06/30/18)



■ AllianceBern Discovery Value A

● Eaton Vance Atlanta Capital SMID-Cap A

▲ Dreyfus Small Cap Stock Index

◆ Dreyfus MidCap Index

▼ MFS Value Fund R3

■ T. Rowe Price Growth Stock R

● Dreyfus S&P 500 Index

Manager Commentary

As of June 30, 2018

Manager	Manager Status	Comments
General Account	Maintain	2Q 2018 - Commentary not available at time of report production.
Dreyfus Bond Market Index Inv	Maintain	In accordance with its objective, the Dreyfus Bond Market Index Fund sufficiently tracked its index during the quarter.
Western Asset Core Plus Bond FI	Maintain	2Q 2018 – The Western Asset Core Plus Bond fund produced a negative absolute return during the quarter and underperformed the Bloomberg Barclays Aggregate Bond Index. Fixed income markets generally produced negative returns during the period as interest rates rose and credit spreads widened. The strategy’s exposure to emerging market debt and a longer than benchmark duration posture, two themes that had been drivers of outperformance over recent years, were the main culprits of relative underperformance during the period. Negatively impacting emerging market debt was a rising U.S. dollar, as well as concerns about the impact of tariffs, and geopolitical tensions rising. On the other hand, the portfolio’s non-agency MBS exposure, CMBS holdings, and high yield investments had a positive impact. The team continues to believe that U.S. growth will be subdued and that emerging economies will experience better growth in the long run as they have less debt and better demographics. As such, positioning within the portfolio has not shifted dramatically. There was a modest increase in investment grade corporate exposure on the back of widening spreads. The strategy continues to be longer than the benchmark in duration to act as a ballast against the overweight exposure to spread sectors.
Templeton Global Bond A	Maintain	2Q 2018 – The Templeton Global Bond Fund declined during the second quarter but outperformed its benchmark, the FTSE WGBI, as global market conditions, highlighted by political uncertainty and escalating global trade tensions, fostered risk aversion which resulted in a sharp rise in the U.S. dollar against most foreign currencies and rising yields in several emerging markets. The Fund’s largest absolute detractor in the period was its emerging markets currency exposure, including the Brazilian real, Mexican peso, Argentine peso, and Indian rupee, as these currencies depreciated significantly against the U.S. dollar. Select duration exposures in Argentina and Indonesia were additional sources of negative returns as yields rose across several local markets in Latin America and Asia. Meanwhile, the Fund’s net-negative positions in the euro and yen contributed to results as these currencies also depreciated against the dollar. The Fund is maintaining the same defensive approach regarding interest rates in developed markets, while holding duration and currency exposures in select emerging markets, which the team believes have attractive risk/return profiles, favorable macro conditions and economic resilience, and relatively higher and maintainable rate differentials.

Manager Commentary

As of June 30, 2018

Manager	Manager Status	Comments
MFS Value Fund R3	Maintain	2Q 2018 - The MFS Value Fund trailed the Russell 1000 Value Index in the second quarter. Value stocks (as measured by the Russell Indices) continued to underperform growth stocks over the quarter as the Russell 1000 Value Index was up just 1.2% while the Russell 1000 Growth Index was up 5.8%. Sector allocation was responsible for the majority of the Fund's underperformance in the quarter. An underweight to energy was the largest detractor as the sector rallied this quarter and was easily the best performing one in the index for the period. An overweight position in the consumer staples sector also weighed on performance. Staples was the worst performing sector in the benchmark this quarter as it continues to struggle with cyclical and structural issues. On the positive side, selection was strong in technology led by Accenture PLC and Texas Instruments which were the top contributors across the Fund for the period. The Fund has trailed the benchmark over the past year due to more or less the same thing, sector allocation. The Fund's underweight position in energy has hurt as the sector has been the best performing one in the benchmark over the past year. The Fund's overweight in Staples has also hurt as the sector has been the worst performing one in the benchmark over the past year. The Fund has always underweighted the energy sector due to the cyclical nature of the space and has historically favored staples due to the durability of the sector.
Dreyfus S&P 500 Index	Maintain	In accordance with its objective, the Dreyfus S&P 500 Index Fund sufficiently tracked its index during the quarter.
T. Rowe Price Growth Stock R	Maintain	2Q 2018 – The T. Rowe Price Growth Stock Fund produced a positive absolute return during the second quarter and outpaced the Russell 1000 Growth Index. Among large caps, growth stocks continued their dominance over value counterparts, a trend that has now persisted for six consecutive quarters. From a sector standpoint, the traditionally higher growth areas of the market, including technology, consumer discretionary and pockets of health care, also continue to outperform, while energy stocks joined the leadership ranks this period on the back of rising oil prices. Regarding attribution, strong stock picks in industrials contributed during the quarter, as did strong selection among health care names. Overweight stakes to TransUnion and Boeing lifted performance within industrials, as each reported earnings above expectations. In health care, medical device and equipment manufacturers boosted results as did strength within managed care names. Top contributors from the sector included stakes in Intuitive Surgical and UnitedHealth Group. On the negative side, weakness in financials and technology held back relative gains. Morgan Stanley and TD Ameritrade were underperformers in financials while an overweight posture to Symantec weighed on results in technology this quarter.
AllianceBern Discovery Value A	Maintain	2Q 2018 - The Alliance Bernstein Discovery Value Fund trailed the Russell 2500 Value Index in the second quarter. Reversing direction from Q1, all of the sectors in the index posted positive results with top performing sectors Energy and real estate posting 20% and 10% returns, respectively. Sector allocation was mostly responsible for the Fund's underperformance this quarter due to overweights in the industrial and technology sectors along with an underweight to real estate. After leading the way last quarter, tech stocks took a breather in Q2. Real estate on the other hand, rebounded strongly from a negative quarter. On the positive side, stock selection was positive during the quarter, led by holdings in the energy and healthcare sectors.

Manager Commentary

As of June 30, 2018

Manager	Manager Status	Comments
Dreyfus MidCap Index	Maintain	In accordance with its objective, the Dreyfus Midcap Index Fund sufficiently tracked its index during the quarter.
Eaton Vance Atlanta Capital SMID-Cap A	Maintain	2Q 2018 - The Eaton Vance Atlanta Capital Smid Cap Fund produced a positive absolute return during the second quarter but trailed the Russell 2500 Growth Index. Factor headwinds that the Fund experienced during most of 2017 and the first quarter of 2018, persisted through the second quarter of the year, as preferences for high quality and value once again proved detrimental. Regarding attribution, underperformance was driven primarily by the Fund's sector allocations, with security selection just modestly detracting from relative results in aggregate. Specifically, overweight stances to the weaker performing financials and industrials sectors were hindrances, as were underweights to health care, consumer discretionary and energy, which were all among top index performers. In addition, unfavorable selection among financials, consumer discretionary and health care names compounded the adverse results in those groups. A 5% cash position also served as a headwind in a rising equity market. Pockets of strength occurred from stock picks within industrials, technology and real estate and partially offset the mentioned areas of weakness.
Dreyfus Small Cap Stock Index	Maintain	In accordance with its objective, the Dreyfus Small Cap Stock Index Fund sufficiently tracked its index during the quarter.
Hartford International Opportunities R4	Maintain	2Q 2018 – The Hartford International Opportunities Fund declined during the second quarter and underperformed its benchmark, the MSCI ACWI ex-US. International equity returns in the period were mixed with developed markets rising and emerging markets declining as investors digested numerous developments including signs of slowing economic growth in Europe and Japan, political uncertainty, and escalating trade tensions. In addition, returns for dollar-based investors were significantly lower due to a sharp rise in the U.S. dollar. The Fund's lagging returns were the result of poor stock selection as the portfolio's information technology and healthcare positions were the largest detractors. In contrast, this underperformance was partially offset by positive stock selection in the industrials and consumer discretionary sectors. Meanwhile, sector allocation was modestly additive to relative returns due to the portfolio's underweight to financials and telecom stocks, the market's two worst performing sectors. The Fund is sub-advised by Wellington Management.

Manager Commentary

As of June 30, 2018

Manager	Manager Status	Comments
T. Rowe Price Retirement Funds	Maintain	<p>2Q 2018 – The T. Rowe Price Retirement Funds produced positive absolute returns during the second quarter, in line with peer group averages, but lagged composite indices for the period. Longer dated vintages outperformed shorter vintages on an absolute basis as domestic equities rose despite trade and political turmoil globally during the quarter. Tactical allocation was a drag on performance, as an underweight equity allocation, overweight international equity positioning, and underweight real assets positioning were headwinds. Strong stock selection within growth equities including, New Horizons Fund and Growth Stock was additive, however an energy sector underweight in the International Stock fund was a detractor. Within fixed income, the core bond holdings modestly underperformed the benchmark. The underweight positioning to emerging markets debt was additive as EMD struggled amid a strengthened USD, however this was partially offset by an underweight positioning to High Yield which performed well relative to investment grade for the quarter. The portfolio continues to maintain a defensive posture, including an underweight position to non-core fixed income and an underweight equities position which was increased in Q2 as valuations remain elevated.</p>



Investment Policy Statement

**TOWN OF SIMSBURY DEFINED CONTRIBUTION PLANS
INVESTMENT POLICY STATEMENT
May 2014**

I. PLAN DESCRIPTION

The Town of Simsbury sponsors the Simsbury 457/401 Plans (the "Plan") for the benefit of its employees. It is intended to provide eligible employees with long-term accumulation of retirement savings through a combination of employee and employer contributions to individual participant accounts and the earnings thereon.

The Plan's participants and beneficiaries are expected to have different investment objectives, time horizons and risk tolerances. To meet these varying investment needs, participants and beneficiaries will be able to direct their account balances among a range of investment options to construct diversified portfolios that reasonably span the risk/return spectrum. Participants shall bear the risk of and receive any benefits from the investment options and asset mixes that they select.

II. PURPOSE OF THE INVESTMENT POLICY STATEMENT

This investment policy statement is intended to assist the Plan's fiduciaries, who are charged with making investment-related decisions for the plan in a prudent manner. It outlines the underlying philosophies and processes for the selection, monitoring and evaluation of the investment categories and investment options utilized by the Plan. Specifically, this Investment Policy Statement:

- Defines the Plan's investment objectives
- Defines the roles of those responsible for the Plan's investments
- Describes the criteria and procedures for selecting investment categories and investment options
- Establishes investment performance measurement standards and monitoring procedures
- Describes methods for addressing investments that fail to satisfy established objectives

This Investment Policy Statement will be reviewed periodically, and, if appropriate, can be amended as needed.

III. INVESTMENT OBJECTIVES

The following criteria may be considered when choosing a menu of investment options:

- The menu of investment options should represent a broad range that allows for participant choice among various asset classes and investment styles.
- Investment options should have varying degrees of risk and potential for return.
- Investment options should have returns that are competitive in the marketplace when compared to appropriate benchmarks.
- Investment options should have total expense ratios that are competitive in the marketplace.

These are not necessarily the only criteria that may be considered.

IV. ROLES AND RESPONSIBILITIES

The parties responsible for the management and administration of the Plan include:

1. The Town of Simsbury Retirement Plan Sub-Committee, (the "Committee") which is responsible for:
 - Establishing and maintaining the Investment Policy Statement
 - Selecting the plan record keeper and administrator
 - Selecting investment options which may be with the advice and assistance of a paid professional investment advisor
 - Periodically evaluating the Plan's investment performance and recommending investment option changes
2. The Plan's Administrator, who is responsible for day to day administration of the plan.
3. The Plan's Trustee, who is responsible for holding and investing plan assets in accordance with the terms of the Trust Agreement
4. The Investment Managers of the Plan options, who are responsible for making reasonable investment decisions consistent with the stated approach as described by prospectus and reporting investment results on a regular basis
5. The Plan Record keeper, who is responsible for maintaining and updating individual account balances as well as information regarding plan contributions, withdrawals and distributions

At the Committee's discretion, the services of an investment consultant may be utilized to assist the Committee with any of the following, including, without limitation: Investment policy development, fund menu construction and selection, fund analysis and recommendations, performance monitoring, and employee education.

V. SELECTION OF INVESTMENT OPTIONS

Set forth below are the considerations and guidelines employed in selection of investment options:

The Plan intends to provide a broad range of investment options that will span a risk/return spectrum and will allow Plan participants to construct portfolios consistent with their individual circumstances, goals, time horizons and tolerance for risk.

After determining the asset classes to be used, the Committee must evaluate and select investment options. Each investment option should be managed by a prudent expert that meets certain minimum criteria:

- Be a bank, insurance company, mutual fund company, or investment adviser registered under the Registered Investment Advisers Act of 1940.
- Be operating in good standing with regulators and clients.
- Provide qualitative and quantitative information on the history of the firm, its investment philosophy and approach, and other relevant information.

Assuming the minimum criteria are met, additional factors that may be considered include:

- Investment results that are competitive when compared to appropriate, style-specific benchmarks and peer groups.
- Adherence to stated investment objectives.
- Fees that are competitive in the marketplace.
- Availability of relevant information in a timely fashion.

VI. INVESTMENT MONITORING AND REPORTING

The Committee will periodically review the investment options in the Plan. Investment options that no longer accept participant and/or employer contributions and cannot be removed from the Plan due to contractual limitations and where participants have been notified of this will not be monitored by the committee. Performance monitoring shall provide a mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain intact and that investment options continue to be appropriate. While frequent change is neither expected nor desirable, the monitoring of investment performance relative to specified guidelines shall be an on-going process.

Monitoring should occur on a periodic basis. The monitoring process may utilize the same criteria that formed the basis of the investment selection decision; however, these are not the only criteria that may be considered. In addition, a set of “watch list criteria” may be employed to track important quantitative and qualitative elements, to assist in the Committee’s evaluation process, and to focus the Committee on potential areas of concern.

Watch list criteria may include the following:

- Results versus applicable benchmarks over specified periods of time
- Deterioration of risk-adjusted performance
- Notable style drift / change in investment objective
- Expense ratio versus category average
- Significant organizational or manager change

VII. TERMINATION OF AN INVESTMENT OPTION

An investment option may be terminated by the Committee in its discretion at any time. An investment option shall be terminated by the Committee if the Committee has lost confidence in the manager's ability to:

- Achieve investment objectives,
- Comply with investment guidelines,
- Comply with reporting requirements, or
- Maintain a stable organization and retain key relevant investment professionals.

There are no hard and fast rules for termination. However, if the investment option has consistently failed to adhere to one or more of the above conditions, failure to remedy the circumstances of unsatisfactory performance, within a reasonable time, may be grounds for termination.

Any recommendation to terminate an investment option will be treated on an individual basis, and will not be made solely based on quantitative data. In addition to those above, other factors may include professional or client turnover, or material change to investment processes. The Committee shall have considerable discretion in the exercise of its judgment in the termination decision process.

An investment option may be terminated or removed using any of the following approaches:

- Remove and replace (map assets) to an alternative comparable option,
- Freeze assets in the terminated option and direct new assets to a replacement option,
- Phase out the option over a specific time period,
- Remove the option and do not provide a replacement option, or
- A reasonable solution that may be determined at the time of termination.

The process for selecting a replacement for a terminated investment option may follow the criteria outlined in Part V, Selection of Investments.

VIII. PARTICIPANT EDUCATION AND COMMUNICATION

The Plan will communicate to employees that:

- employees control their own investments,
- investment changes are permitted on a daily basis and may be subject to individual investment option requirements,
- educational materials allowing employees to make informed decisions are readily available.

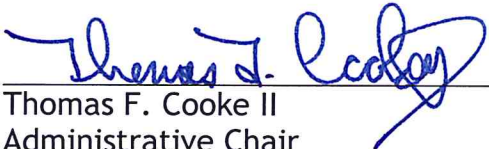
IX. COORDINATION WITH THE PLAN DOCUMENT

If any term or condition of this investment policy conflicts with any term or condition in the Plan Document, the terms and conditions of the Plan Document shall control.

X. APPROVAL

It is understood that this investment policy is to be reviewed periodically by the Committee to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status, risk tolerance, or changes involving the investment managers.

This Investment Policy Statement has been adopted by the Retirement Plan Sub-Committee at its Regular Meeting on Wednesday, May 21, 2014.



Thomas F. Cooke II
Administrative Chair
Retirement Plan Sub-Committee

Custom Index Descriptions

CRSP U.S. Large Cap Growth Spliced Index – Following May 1, 2013: CRSP U.S. Large Cap Growth TR. Periods prior to May 1, 2013: MSCI U.S. Prime Market Growth.

CRSP U.S. Large Cap Spliced Index – Following February 1, 2013: CRSP U.S. Large Cap TR. Periods prior to February 1, 2013: MSCI U.S. Prime Market 750.

CRSP U.S. Large Cap Value Spliced Index – Following May 1, 2013: CRSP U.S. Large Cap Value TR. Periods prior to May 1, 2013: MSCI U.S. Prime Market Value.

CRSP U.S. Mid Cap Growth Spliced Index – Following May 1, 2013: CRSP U.S. Mid Cap Growth TR. Periods prior to May 1, 2013: MSCI U.S. Mid Cap Growth.

CRSP U.S. Mid Cap Spliced Index – Following February 1, 2013: CRSP U.S. Mid Cap TR. Periods prior to February 1, 2013: MSCI U.S. Mid Cap 450.

CRSP U.S. Small Cap Growth Spliced Index – Following May 1, 2013: CRSP U.S. Small Cap Growth TR. Periods prior to May 1, 2013: MSCI U.S. Small Cap Growth.

CRSP U.S. Small Cap Spliced Index – Following February 1, 2013: CRSP U.S. Small Cap TR. Periods prior to February 1, 2013: MSCI U.S. Small Cap 1750.

CRSP U.S. Small Cap Value Spliced Index – Following May 1, 2013: CRSP U.S. Small Cap Value TR. Periods prior to May 1, 2013: MSCI U.S. Small Cap Value.

CRSP U.S. Total Market Spliced Index – Following June 1, 2013: CRSP U.S. Total Market TR. Periods prior to June 1, 2013: MSCI U.S. Broad Market.

FTSE Developed Asia Pacific Spliced Index – Following April 1, 2013: FTSE Developed Asia Pacific. Periods prior to April 1, 2013: MSCI Pacific.

FTSE Developed Europe Spliced Index – Following April 1, 2013: FTSE Developed Europe. Periods prior to April 1, 2013: MSCI Europe.

FTSE Developed ex US Spliced Index – Following December 1, 2015: FTSE Developed All Cap Ex US Transition Index. Periods between May 1, 2013 and December 1, 2015: FTSE Developed ex NA Index. Periods before May 1, 2013: MSCI EAFE (net).

FTSE Emerging Markets All Cap China A Inclusion Spliced Index – Following November 1, 2015: FTSE Emerging Markets All Cap China A Inclusion Transition Index. Periods between July 1, 2013 and November 1, 2015: FTSE Emerging Markets (net). Periods between February 1, 2013 and July 1, 2013: FTSE Emerging Markets Transition. Periods Prior to February 1, 2013: MSCI Emerging Markets.

FTSE Global All Cap ex U.S. Spliced Index – Following June 1, 2013: FTSE Global ex USA All Cap. Periods between January 1, 2011 and June 1, 2013: MSCI ACWI ex USA IMI ND. Periods prior to January 1, 2011: MSCI EAFE + EM ND USD.

JP Morgan Global Diversified Hybrid Benchmark – 50% JPM EMBI Global Diversified, 25% JPM ELMI+, 25% JPM BGI-EM Global Diversified

MSCI AC World ex USA (net) Spliced Index – Following January 1, 2001: MSCI AC World ex USA (net). Prior to January 1, 2001: MSCI AC World ex USA.

MSCI AC World ex USA Growth (net) Spliced Index – Following January 1, 2001: MSCI AC World ex USA Growth (net). Periods between January 1, 1997 and January 1, 2001: MSCI AC World ex USA Growth. Periods prior to January 1, 1997: MSCI AC World ex USA.

MSCI AC World ex USA Value (net) Spliced Index – Following January 1, 2001: MSCI AC World ex USA Value (net). Periods between January 1, 1997 and January 1, 2001: MSCI AC World ex USA Value. Periods prior to January 1, 1997: MSCI AC World ex USA.

Glossary

Alpha - A measure of return that cannot be attributed to the market. Thus, it can be thought of as how the portfolio would have performed if the market had experienced no gain or loss. Alpha is value added over the benchmark; the higher the alpha, the better.

Batting Average - Ratio defining excess performance of a portfolio in comparison to its benchmark, measured, typically, over a series of calendar quarters.

Beta - Indicates the level of risk relative to the market. A beta of more than one suggests more volatility than the market, while a beta of less than one indicates less volatility than the market. Beta is also referred to as systematic risk.

Down Market Capture Ratio - A measure of a portfolio's performance in down markets. The lower a portfolio's down market capture ratio, the better the manager protected capital during a market decline. Ex: a value of 90 suggests that a manager's losses were only 90% of the market loss when the market was down. A negative down market capture ratio indicates that a manager's returns rose while the market declined.

Information Ratio - Measures a portfolio's excess return per unit of risk. The ratio is used to measure the value added from the information a manager possesses, adjusted for the risk taken in making active investment decisions. The greater the information ratio, the better.

Performance vs Peers - Trailing return and calendar year returns reveal how the portfolio has performed versus a peer group of portfolios of similar style.

R-Squared - This number reflects the correlation between a portfolio's movements and the movements of its comparative benchmark. An R-squared of 100 indicates that there is perfect correlation between the movements of a portfolio and its benchmark, while an R-squared of 0 indicates that there is no correlation between the portfolio's movements and the benchmark's movements.

Return vs Standard Deviation Scatterchart - This graph shows a risk/reward relationship of the portfolio and its relative benchmark. Risk, or volatility as measured by standard deviation, is plotted along the horizontal axis. Reward, as measured by total return, is plotted along the vertical axis. A line drawn from T-bills and through the benchmark separates efficient managers from inefficient managers. Efficient managers will plot above this line and are considered to have risk/reward tradeoffs that are superior to the benchmark.

Sharpe Ratio - Reward per unit of risk, calculated using standard deviation and excess return. The greater the Sharpe Ratio, the better.

Standard Deviation - A gauge of risk that measures the spread of the difference of returns from their average. The more a portfolio's returns vary from its average, the higher the standard deviation.

Style Map - Using returns-based style analysis, the style map is an efficient tool to gauge the adherence of a portfolio to its style mandate. The trend of the style plots allows the viewer to identify style drift, or lack thereof. The smaller sized plots represent earlier time periods, while the larger plots represent the more recent observations.

Tracking Error - The standard deviation of the portfolio's residual (i.e. excess) returns. The lower the tracking error, the closer the portfolio returns have been to its risk index. Aggressively managed portfolios would be expected to have higher tracking errors than portfolios with a more conservative investment style.

Up Market Capture Ratio - A measure of a portfolio's performance in up markets. The higher a portfolio's up market capture ratio, the better the manager capitalized on a rising market. Ex: a value of 110 suggests the manager captured 110% of the market when the market was up. A negative up market ratio indicates that a manager's returns fell while the market rose.



Town of Simsbury

933 HOPMEADOW STREET

SIMSBURY, CONNECTICUT 06070

Melissa A. J. Appleby - Deputy Town Manager

TO: Retirement Plan Sub-Committee

FROM: Melissa Appleby, Deputy Town Manager

RE: Retirement Income Plans – Interest Rate Assumption Scenarios

DATE: May 23, 2018

CC: Maria E. Capriola, Town Manager
Burke LaClair, School Business Manager

At the Retirement Plan Sub-Committee meeting on May 9, 2018, Becky Sielman of Milliman presented the July 1, 2017 pension valuations (her presentation is attached to this memo). As noted in her presentation, the expected rate of return for the plans, based on a 75-year time horizon, is 6.59%. The current interest rate assumption for the plans is 7.00%.

The committee discussed potentially lowering the interest rate assumption for the July 1, 2018 valuations, which would have an impact on the FY20 budget. Becky had calculated the cost to move from a 7.00% interest rate assumption to 6.75% when planning for FY19; that analysis is also attached to this memo. This does not include the figures for the Board of Education plan, as staff had already made the decision to keep the interest rate assumption at 7.00% for FY19 by the time the BOE census information was available. Two notes on this analysis:

- The total actuarially required contribution for the General Government and Police plans would have been \$167,590 higher if the interest rate assumption was reduced to 6.75% for FY19.
- Because the interest rate assumption is fairly linear, the contribution at 6.875% would be about halfway between that at 7.00% and 6.75%. Therefore, every 0.125% is worth approximately \$83,795 (\$47,390 for General Government and \$36,404 for the Police plan).

Becky will calculate the July 1, 2018 valuations at 7.00%, 6.875%, and 6.75%, and she will have those results available for the November 14 Retirement Plan Sub-Committee meeting. If the committee decides to take any action regarding the interest rate assumption, this information will be taken into account for the FY20 budget planning process.

Please feel free to reach out with any questions or concerns on this matter.

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mappleby@simsbury-ct.gov
www.simsbury-ct.gov

8:30 - 7:00 Monday
8:30 - 4:30 Tuesday through Thursday
8:30 - 1:00 Friday

Town of Simsbury

2017 Pension Valuations

May 9, 2018

Rebecca A. Sielman, FSA
Principal and Consulting Actuary



The annual pension valuation

- Collect membership census data as of each July 1
- Calculate liability for future benefits
- Review asset performance
- Analyze events of the past year and how they impact each plan's funded status
- Monitor trends over the past several years
- Set assumptions about future events
- Determine the Town's contribution

Funding terminology

- **Accrued Liability** = cost of benefits earned in **past** years
- **Actuarial Value of Assets** = plan assets with market gains or losses phased in over 5 years
- **Unfunded Accrued Liability** = Accrued Liability minus Actuarial Value of Assets
- **Past Service Cost** = amortization payment to gradually pay off the Unfunded Accrued Liability and get to 100% funded

Funding terminology

- **Normal Cost** = cost of benefits earned **this** year
- We net **expected member contributions** out of the Normal Cost
- We add **expected administrative expenses** that are paid out of pension trust assets

- **Actuarially Determined Contribution** = Past Service Cost plus Net Normal Cost plus Interest

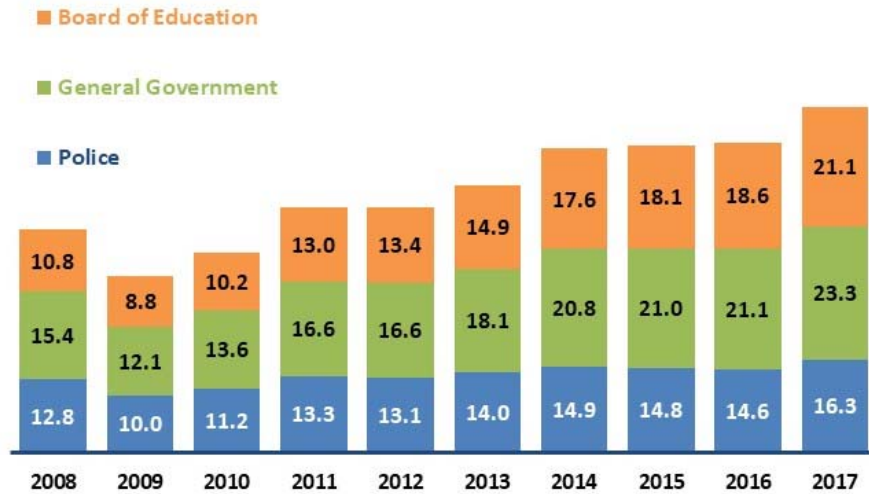
Plan assets

Based on July 1, 2017 valuations

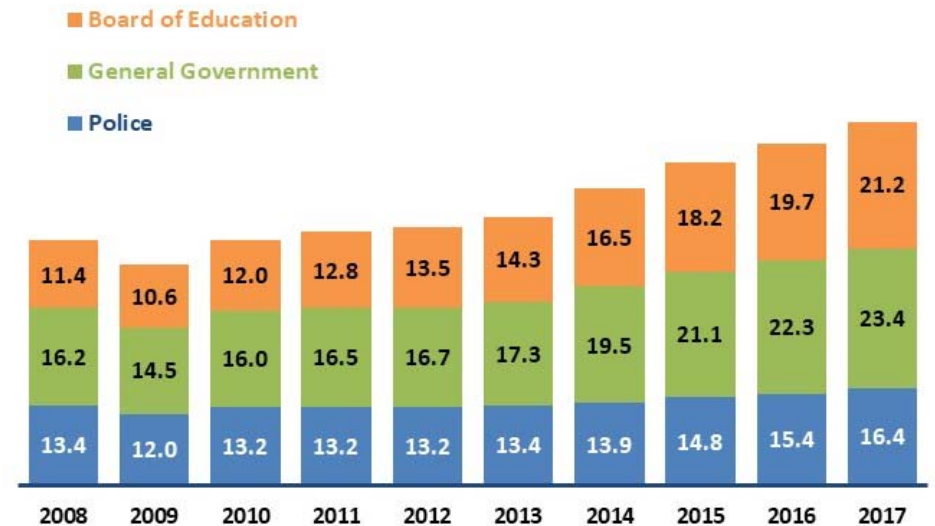
Actuarial value: market gains or losses are recognized gradually over 5 years.

Because of this asset smoothing mechanism, the big market dip in 2009 only gradually increased the Town's pension contributions.

Market Value of Assets (\$ millions)



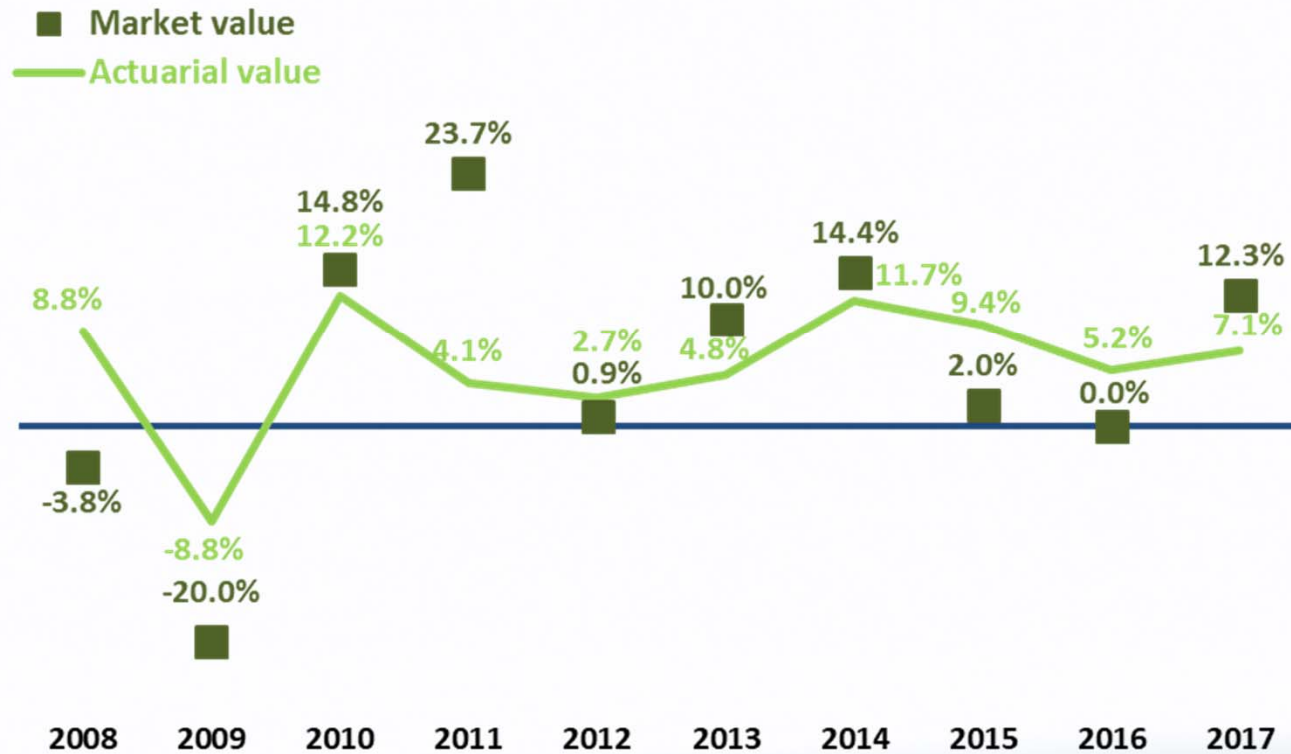
Actuarial Value of Assets (\$ millions)



Investment returns

Based on July 1, 2017 valuations

The Actuarial Value is much more stable over time than is the Market Value.

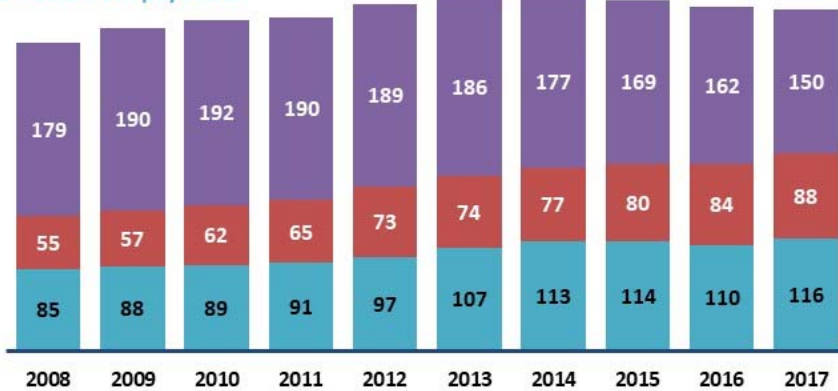


Plan population

Based on July 1, 2017 valuations

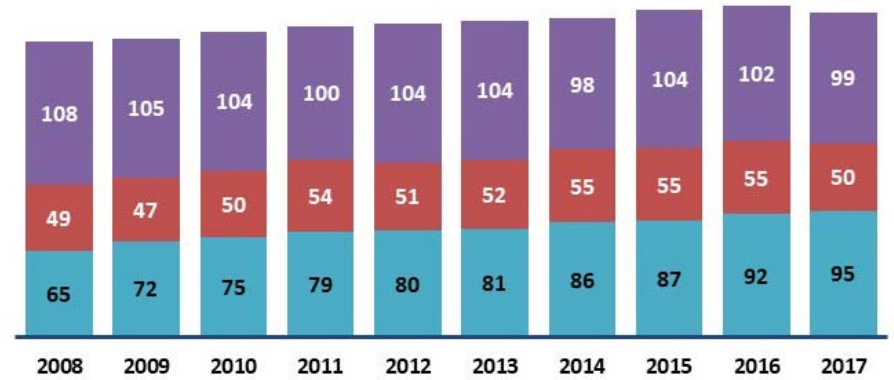
Board of Education Plan Members

- Active members
- Terminated vested members
- Members in pay status



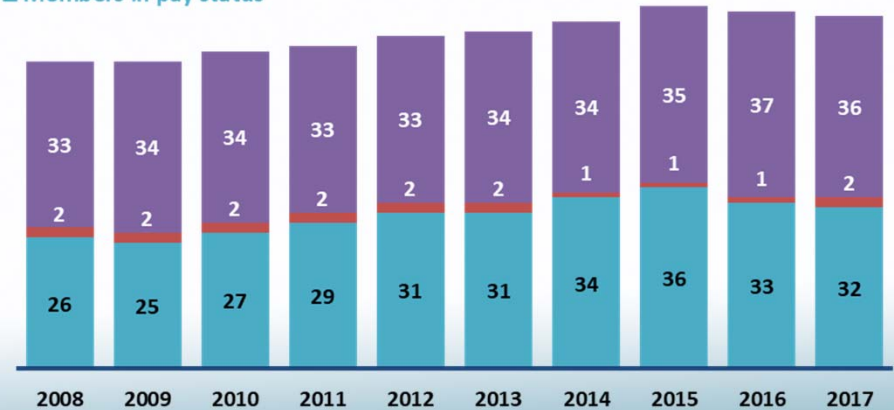
General Government Plan Members

- Active members
- Terminated vested members
- Members in pay status



Police Plan Members

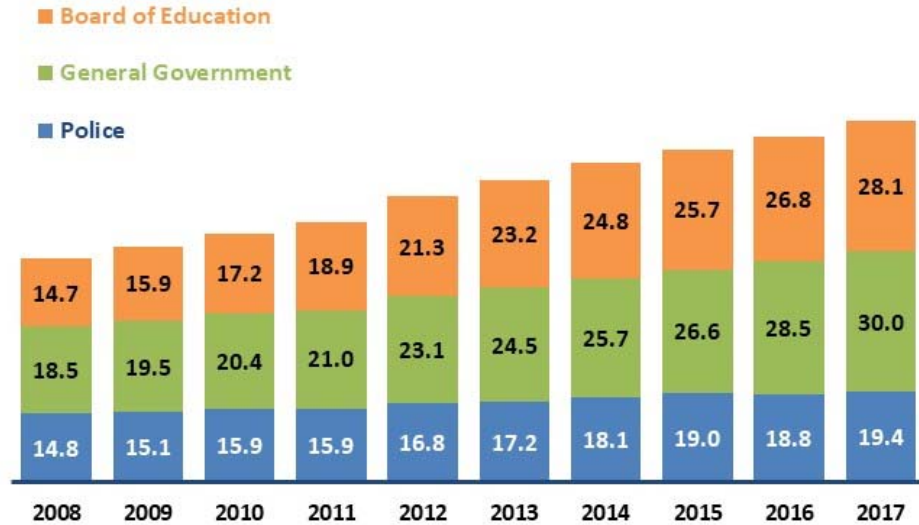
- Active members
- Terminated vested members
- Members in pay status



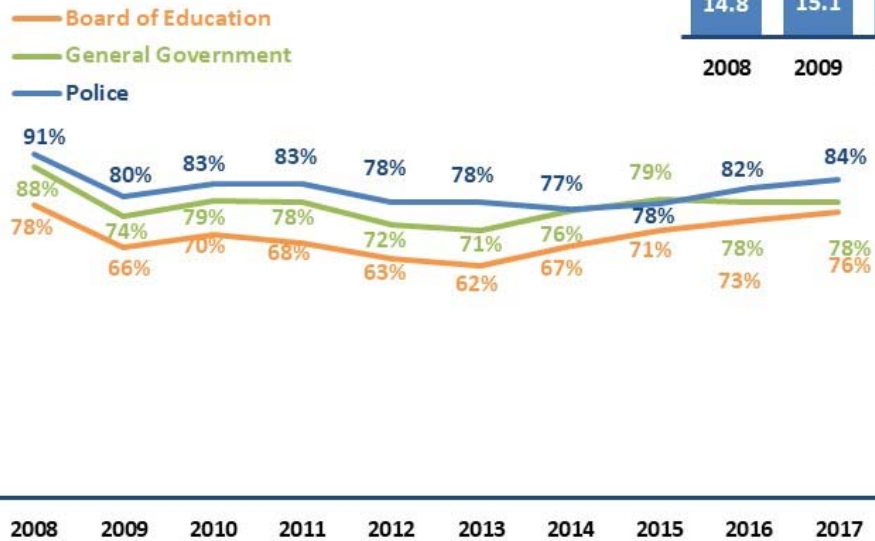
Funded status

Based on July 1, 2017 valuations

Accrued Liability (\$ millions)



Funded Ratio



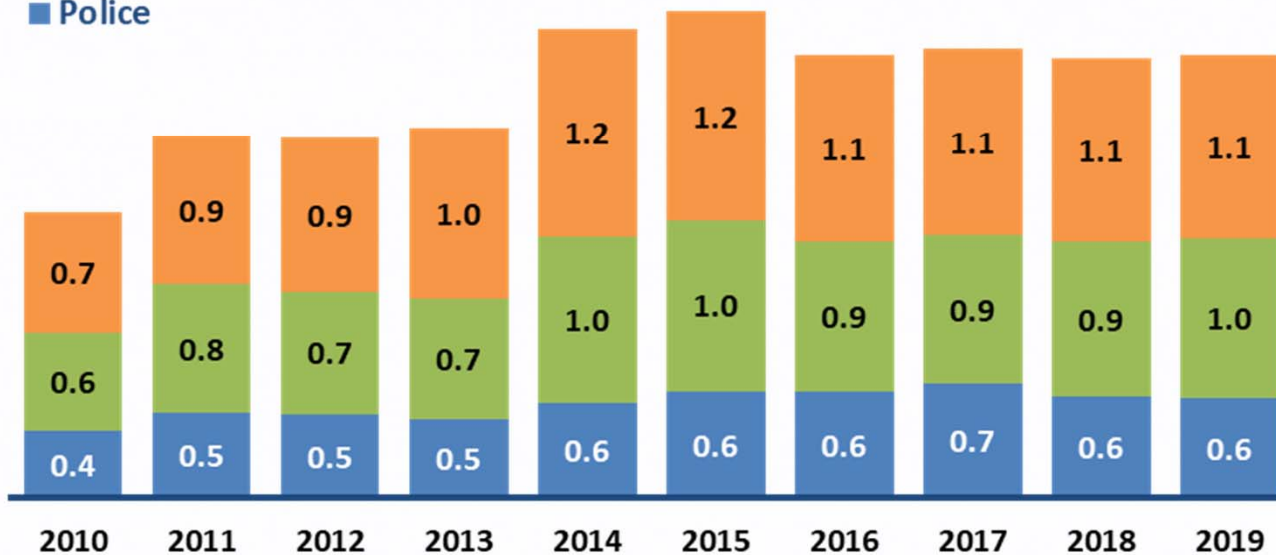
Town contributions

Based on July 1, 2017 valuations

Actuarially Determined Contribution (\$ millions)

- Board of Education
- General Government
- Police

The Town has faced two significant headwinds: the 2009 market meltdown plus gradual decreases in the interest rate assumption



Summary

	Board of Education	General Government	Police	Total
Membership as of July 1, 2017				
Active Members	150	99	36	285
Terminated Vested Members	88	50	2	140
Members in Pay Status	116	95	32	243
Total Members	354	244	70	668
Payroll	\$7,235,501	\$7,110,117	\$3,400,678	\$17,746,296
Assets and Liabilities as of July 1, 2017				
Market Value of Assets	\$21,106,540	\$23,295,414	\$16,266,199	\$60,668,153
Actuarial Value of Assets	21,193,924	23,425,550	16,366,441	60,985,915
Accrued Liability for Active Members	16,005,656	14,038,179	8,432,926	38,476,761
Accrued Liability for Terminated Vested Members	2,020,264	2,983,226	461,802	5,465,292
Accrued Liability for Members in Pay Status	10,031,887	12,958,628	10,525,740	33,516,255
Total Accrued Liability	28,057,807	29,980,033	19,420,468	77,458,308
Unfunded Accrued Liability	6,863,883	6,554,483	3,054,027	16,472,393
Funded Ratio	75.5%	78.1%	84.3%	78.7%
Actuarially Determined Contribution for FY2019				
Normal Cost	\$471,405	\$369,172	\$306,461	\$1,147,038
Past Service Cost	544,107	519,580	242,096	1,305,783
Interest	71,086	62,213	38,399	171,698
Actuarially Determined Contribution	1,086,598	950,965	586,956	2,624,519

Looking forward

- We update our long-range projection each year
- The projection assumes that there are no gains or losses in the future, i.e. all of our assumptions come true year in and year out
- We know that the future will not unfold exactly according to our assumptions; future valuations will reflect future experience
- Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets. The purpose of this forecast is to give the Town a general sense for where the numbers are headed over time.
- Keep inflation in mind – all costs go up over time

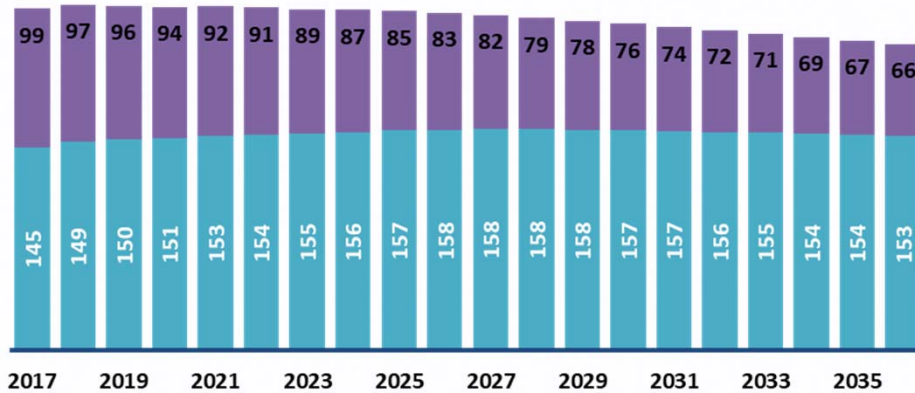
Looking forward

Based on July 1, 2017 valuations

Projected General Government Plan

■ Active members
■ Inactive members

The General Government plan is closed to new Dispatchers and Public Works employees

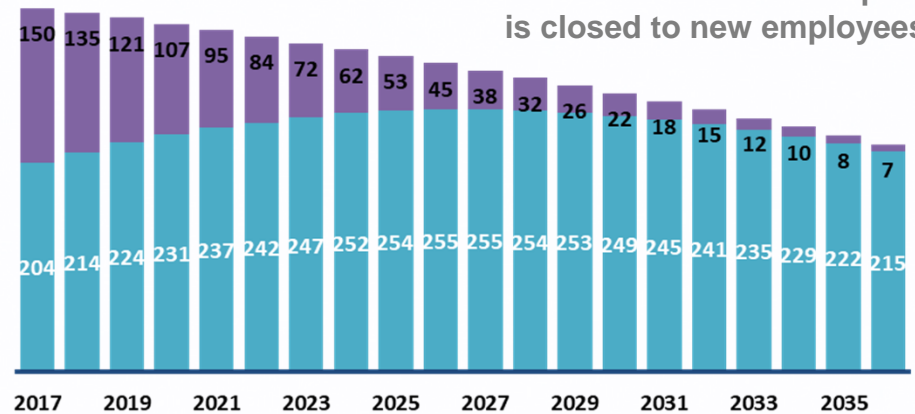


Our long-range forecast for the Police plan assumes that the number of active members remains constant, and that as active members terminate or retire they are replaced by new employees with the same age / gender / compensation profile as officers who were hired recently.

Projected Board of Education Plan

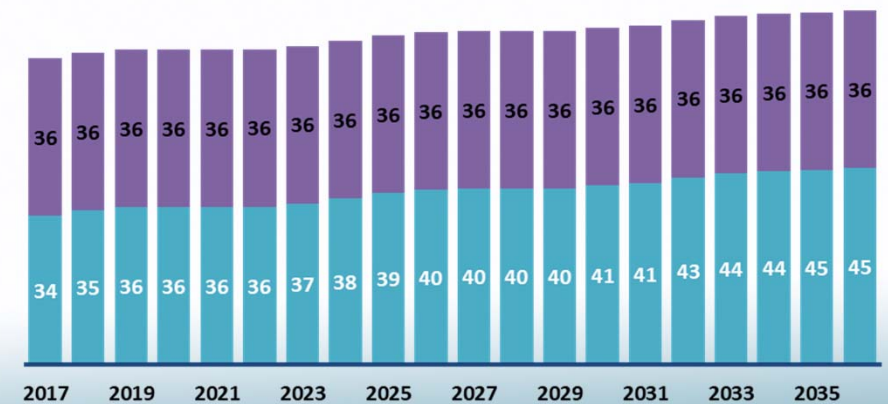
■ Active members
■ Inactive members

The Board of Education plan is closed to new employees



Projected Police Plan Members

■ Active members
■ Inactive members

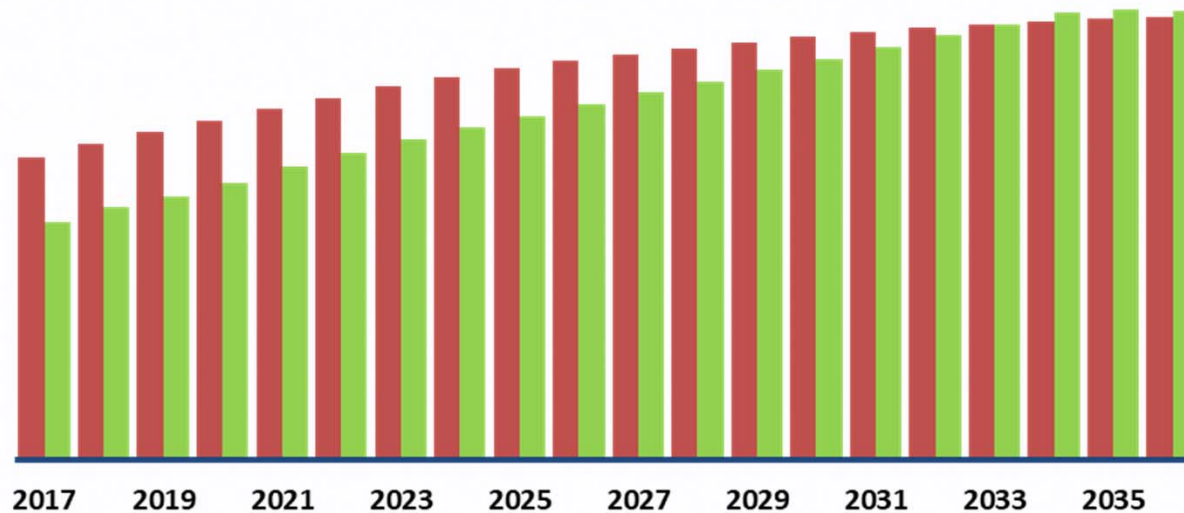


Looking forward

Based on July 1, 2017 valuations

Projected Funded Status (\$ millions)

■ Accrued Liability
■ Actuarial Value of Assets

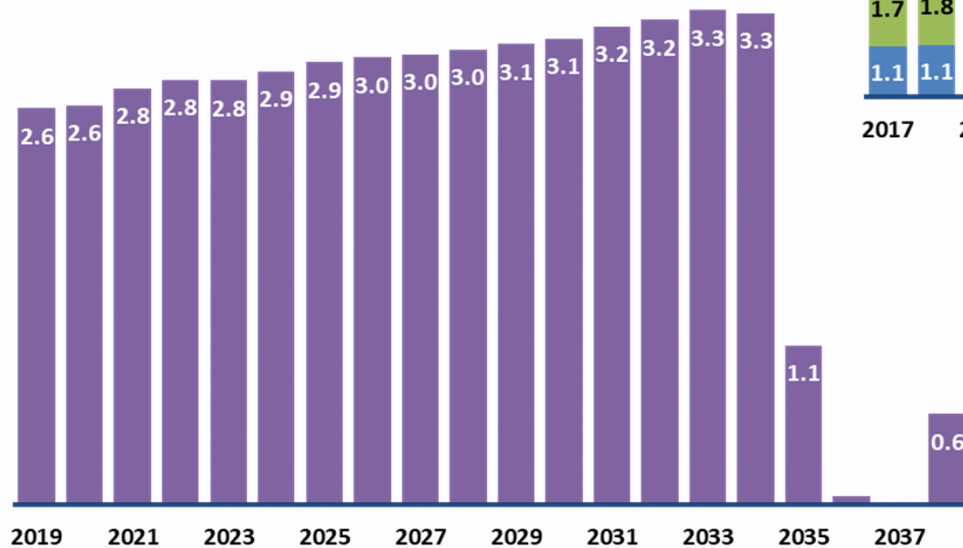


Our long-range forecast assumes that the assets always yield the assumed rate of return (7.00%), the Town always pays the Actuarially Determined Contribution, and there are no future changes in the plan or the actuarial assumptions other than the interest rate assumption.

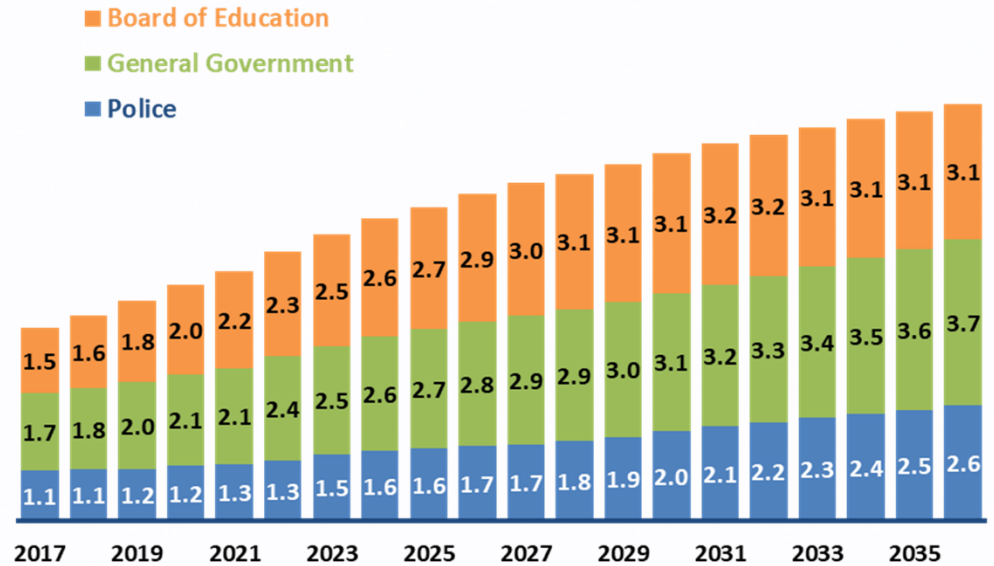
Looking forward

Based on July 1, 2017 valuations

Projected Contributions (\$ millions)



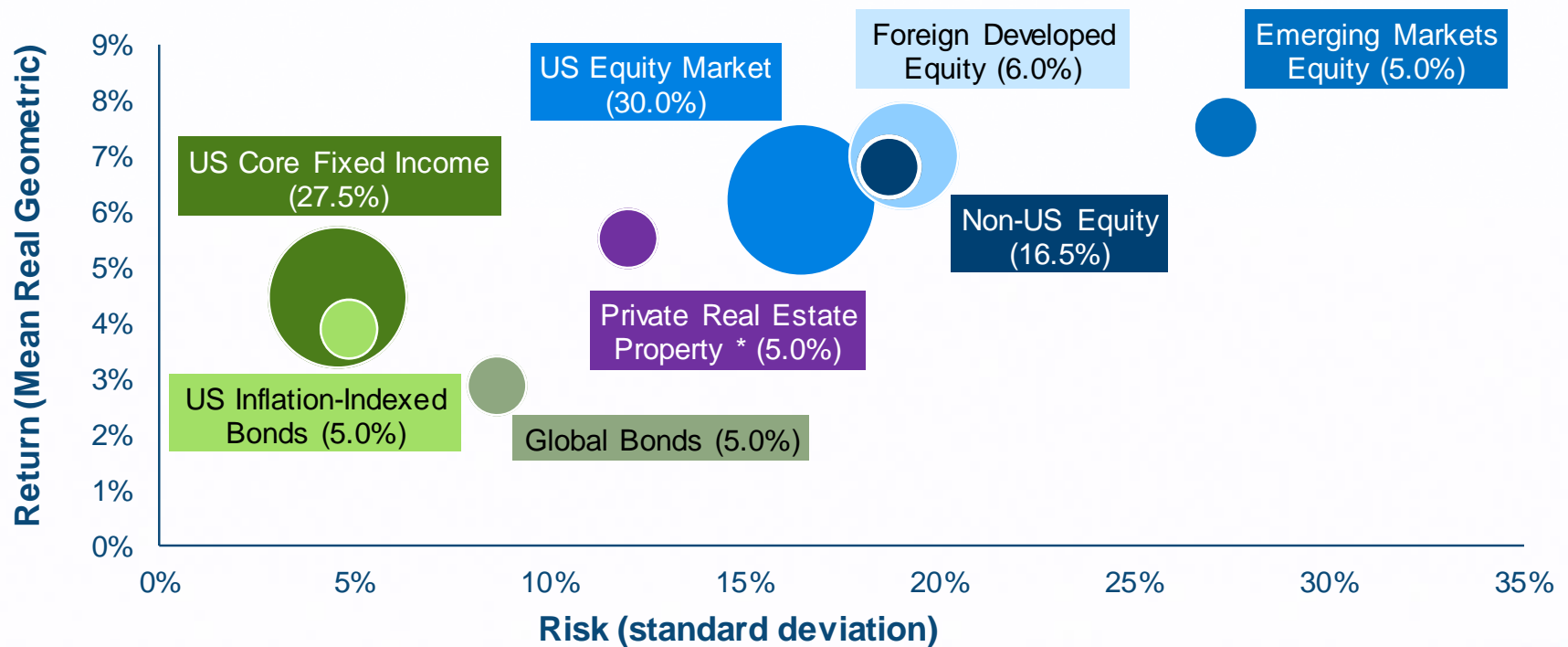
Projected Benefit Payments (\$ millions)



Our long-range forecast assumes that the assets always yield the assumed rate of return (7.00%), the Town always pays the Actuarially Determined Contribution, and there are no future changes in the plan or the actuarial assumptions other than the interest rate assumption.

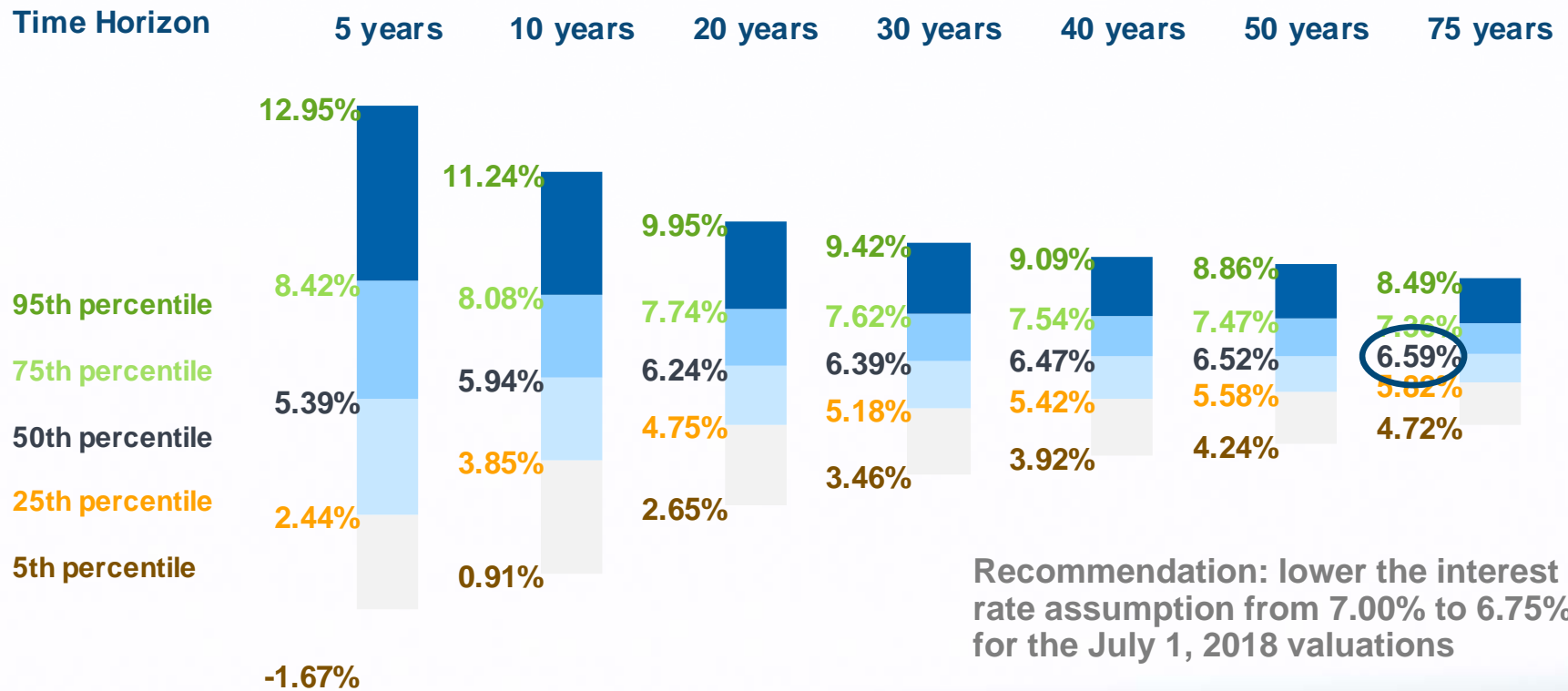
New asset allocation

Risk / Return Profile of New Asset Allocation



The interest rate assumption

Distribution of Expected Returns Over Time



Questions



TOWN OF SIMSBURY PENSION PLANS
JULY 1, 2017 VALUATION - IMPACT OF REDUCING INTEREST RATE ASSUMPTION

	General Government		Police	
	7.00%	6.75%	7.00%	6.75%
Interest Rate Assumption				
Normal Cost				
Total Normal Cost	674,691	713,132	530,370	561,811
Expected Employee Contributions	341,419	341,419	249,009	249,009
Expected Expenses	35,900	35,900	25,100	25,100
Net Normal Cost	369,172	407,613	306,461	337,902
Amortization Payment				
Accrued Liability	29,980,033	30,757,495	19,420,468	19,957,278
Actuarial Value of Assets	23,425,550	23,425,550	16,366,441	16,366,441
Unfunded Accrued Liability / (Surplus)	6,554,483	7,331,945	3,054,027	3,590,837
Funded Ratio	78.1%	76.2%	84.3%	82.0%
Amortization Period	16	16	16	16
Past Service Cost (Amortization Payment)	519,580	572,010	242,096	280,143
Actuarially Determined Contribution for FY 2018-19				
Net Normal Cost + Past Service Cost	888,752	979,623	548,557	618,045
Interest to End of Year	62,213	66,125	38,399	41,718
Actuarially Determined Contribution	950,965	1,045,748	586,956	659,763

This work product was prepared solely for the Town of Simsbury for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. The explanatory notes contained in the July 1, 2016 valuation reports dated January 24, 2017, including statements of reliance and limitations on use, continue to apply.