

**TOWN OF SOUTH WINDSOR
PENSION COMMITTEE
MINUTES
January 27, 2016**

The meeting was called to order at 4:15 p.m.

Members Present: Chris Chemerka, Board of Education; Mayor Tom Delnicki, Town Council; Matthew Galligan, Town Manager; Patricia Perry, Director of Finance; Matthew Riley, Town Council

Members Absent: Saud Anwar, Town Council; Timothy Edwards, Chief of Police

Also Present: Anthony Tranghese, CFA, Principal, Fiduciary Investment Advisors, LLC and Keith Yagaloff, Town Attorney

Mr. Tranghese informed the Committee about the 7th Annual Client Conference and reviewed FIA 2015 Year-End Firm Update. Mr. Tranghese then reviewed the Fourth Quarter Executive Summary Report (copy with original minutes), including Funding of State and Local Pensions, GASB 74 & 75 – OPEB Plans, Market Review, Index Results, Asset Allocation, Portfolio Summary, Manager Performance Overview and Estimated Fee Analysis. Mr. Tranghese updated the Committee on proposed changes to the Town of South Windsor, Investment Policy Statement, as shown in attached Exhibit A.

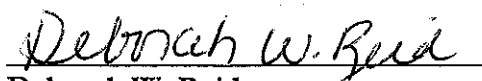
Mayor Delnicki made a motion to approve the changes to the Town of South Windsor, Investment Policy Statement subject to referencing of the Town Charter or Town Ordinances. Councilor Riley seconded the motion; and it was approved, unanimously.

A decision of the October 29, 2015 minutes will be done at the next meeting.

The next meeting date will be scheduled by consensus of the members.

At 5:18 p.m. the meeting was adjourned.

Respectfully submitted,



Deborah W. Reid
Council Clerk

**Town of South Windsor
Retirement Plan**

INVESTMENT POLICY STATEMENT

DRAFT UPDATE - January 2016

Introduction & Purpose

The Town of South Windsor Retirement Plan (the "Plan") has been established to provide retirement benefits to those individuals eligible to receive them. This policy statement outlines the goals and investment objectives for the Plan. This document is also intended to provide guidelines for managing the Plan, and to outline specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes the investment objectives of the Plan;
- Describes an appropriate risk posture for the investment of the Plan's assets;
- Defines the responsibilities of the Pension Committee and other parties responsible for the management of the Plan;
- 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 Plan as a whole.

Investment Objective

The Plan's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the Plan, the Pension Committee (the "Committee") has taken into account the financial needs and circumstances of the Plan, the time horizon available for investment, the nature of the Plan's 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 Plan; ~~short term goal of 7% per annum and long term goal of 10% per annum~~
- To maintain sufficient liquidity to meet the obligations of the Plan;
- To diversify the assets of the Plan in order to reduce the risk of wide swings in market value from year-to-year, or of incurring large losses that could occur from concentrated positions;
- To achieve investment results over the long-term that compare favorably with those of other municipal pension plans, professionally managed portfolios and appropriate market indexes.

Volatility Objectives

- Diversification will be employed to reduce risk. The Plan's assets will be diversified by employing multiple investment firms engaging in distinct styles of investment.
- The volatility of the total portfolio, in aggregate, should be reasonably close to the volatility of a weighted composite of market indices of the target portfolio, which currently is comprised of: 31.5% Barclay's Aggregate Bond Index, 38% Russell 3000 Index, 15% MSCI ACWI ex-USA Index, 5% FTSE EPRA/NAREIT Developed Index, and 10.5% Blended combination of TIPS, commodities, and resource related equities. ~~35% Lehman Bros. Aggregate Bond Index, 45% Russell 3000 Index, 15% MSCI EAFE Index, and 5% S&P Citigroup Broad Market Real Estate Index.~~
- The following types of investments/transactions are prohibited: selling short, purchasing securities on margin, unregistered securities, and private placement.

~~Based on the Market value of the portfolio under each Investment Manager's direction, the following will apply.~~

- ~~1. No more than 5% in any one company~~
- ~~2. No more than twice the industry weighting of the S&P 500 in any one group at cost up to a maximum of 20% per industry sector.~~

Assignment of Responsibilities

Pension Committee – The Committee is charged with the responsibility of managing the assets of the Plan. To that end, the Committee's responsibilities include: establishing and maintaining the Plan's investment policy, approving the selection of investments, and periodically monitoring the performance of the investments. The Committee shall discharge its duties with the care, skill, prudence and diligence appropriate to the circumstances then prevailing.

Investment Consultant – The Committee may 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 Plan's 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 Plan. Make investment recommendations to the Pension Committee and direct Investment Managers.

Investment Managers – Several investment managers will be appointed to manage a portion of the Plan's assets in a particular manner. Investment managers are given discretion to manage funds entrusted in accordance with the style for which they are employed provided they comply with the restrictions and limitations as may be determined by the Committee.

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 Plan, 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 Plan (for example, to accommodate payments to eligible Plan participants).

Rebalancing

Given the inherent volatility of the capital markets, strategic adjustments in various asset classes may be required to rebalance asset allocation back to its target allocation. Investment managers will rebalance portfolios at the direction of the Committee or its authorized representative. Such adjustments should be executed so as to minimize excessive 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 retained by the Plan shall be chosen using the following criteria:

- Past performance, fee structure, considered relative to other investments having similar investment objectives with consideration granted 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 Plan;
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund;
- An assessment of the likelihood of future investment success, relative to other opportunities.

The Plan utilizes a multi-manager structure of complementary investment styles and asset classes to invest the Plan's assets.

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

Securities Guidelines

The Plan's investments may include separately managed accounts and/or mutual funds/co-mingled 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 Plan's separately managed accounts or in the prospectus/ offering memorandum for each mutual fund/co-mingled fund in the portfolio.

With respect to separately managed accounts, any securities and transactions that are not permitted in the Plan without prior written Committee approval will be detailed in the investment policy statement of each separate account manager, which is included as an attachment to this policy.

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; (d) cost-effectiveness; and (e) responsiveness to evolving investor requirements.
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.

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 according to their established proxy voting guidelines. A copy of those 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 Plan. 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 Plan. 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:

- Behind benchmark performance over a specified period of time;
- Deterioration of risk-adjusted performance;
- Notable style drift/change in investment objective;
- Investment management fees not competitive in marketplace;
- Significant organizational or manager change.

Termination of an Investment Manager or Fund

A manager/fund may be terminated at the discretion of the Pension Committee.

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 signature below affirms that this statement has been read, understood and accepted by the Committee.

Town of South Windsor Retirement Plan

Name: _____

Signature: _____

Date: _____

Title: _____

Appendix A

Asset Allocation

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

Target Asset Allocation Table - Updated February 2013

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Cash Equivalents	0.0%	0.0%	10.0%	90-Day US T-Bill
Fixed Income:	27.50%	31.50%	42.50%	BC Aggregate Bond Index
Core Fixed Income	12.5%	16.50%	22.5%	BC Aggregate Bond Index
Flexible Fixed Income	0.00%	5.00%	10.00%	BC Aggregate Bond Index
Bank Loans	0.00%	5.00%	10.00%	S&P/LTSA Leverage Loan Index
Global Fixed Income	0.00%	5.00%	10.00%	Citi World Government Bond Index
Domestic Equities:	30.00%	38.00%	55.00%	Russell 3000 Index
Large Cap Blend	5.00%	14.00%	15.00%	S&P 500 Index
Large Cap Value	10.00%	10.00%	20.00%	Russell 1000 Value Index
Large Cap Growth	10.00%	10.00%	20.00%	Russell 1000 Growth Index
Small/Mid Cap Blend	0.00%	4.00%	10.00%	Russell 2000 Index
International Equities:	10.00%	15.00%	20.00%	MSCI ACWI ex-US Index
Non-US Value	5.00%	7.50%	10.00%	MSCI ACWI ex-US Value Index
Non-US Growth	5.00%	7.50%	10.00%	MSCI ACWI ex-US Growth Index
Global REIT:	0.00%	5.00%	10.00%	FTSE EPRA/NAREIT Developed Index
Inflation Protection:	0.00%	10.50%	12.50%	Blended - TIPS / Commodities / Resources Related Equities
TIPS	0.00%	3.5%	6.00%	BC US TIMS 0-5 Year Index
Natural Resources	0.00%	3.5%	6.00%	S&P N. American Nat'l Rscs Index
Commodities	0.00%	3.5%	6.00%	Bloomberg Commodity Index TR

Appendix A

Asset Allocation

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

PROPOSED Target Asset Allocation Table - January 2016

Asset Class	Min Weight	Target Weight	Max Weight	Benchmark Index
Cash Equivalents	0.00%	0.00%	10.00%	90-Day US T-Bill
Fixed Income:	27.50%	31.50%	42.50%	BC Aggregate Bond Index
Core Fixed Income	12.50%	16.50%	22.50%	BC Aggregate Bond Index
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