

**ESSEX RETIREMENT BOARD
REGULAR MEETING
January 11, 2011**

Present: Ellen Whaley, Normal Needleman, Jim Francis, Carl W. Ellison, Paul Fazzino and Bruce Barth

Ellen Whaley called the meeting to order at 5:00 P.M. in the Essex Town Hall in Meeting Room B.

Review and Approval of Special Meeting Minutes from 10/19, 12/02 and 12/20:

Ms. Whaley stated that she received a note saying that the 12/20 minutes are being held up from the Board of Selectmen's Meeting.

Mr. Needleman suggested tabling approval of all the minutes until next time and Ms. Whaley concurred.

Calendar of Regular Meetings:

Ms. Whaley opened discussion as to the scheduling of meetings for the year. Mr. Needleman said that the goal is once a quarter but he would suggest monthly meetings until the open issues are resolved. It was decided to meet on the second Tuesdays of the month at 5:00 P.M. for the entire year and meetings can be cancelled if not needed. The dates are February 8, March 8, April 12, May 10, June 14, July 12, August 9, September 13, October 11, November 15 (to avoid a conflict with Election Day) and December 13. Schedule to be written up and approved at the next regular meeting.

Final Discussions/Vote to Approved Updated Retirement Plan and Any Changes in Submissions for the Essex Board of Selectmen:

It was brought up for discussion that the document says in Section 11.2 that the town shall pay all expenses relating to the administration of the plan and that has not been happening. The money has been coming out of the plan. Mr. Needleman stated that he feels in principle that the plan should pay its own expenses. The only way to follow what is in the plan is if the Retirement Committee requested a budgetary line item from the town. He feels it is better that the plan be self-sustaining. It was stated that there are certain known fees that could be built into the request from the town. Attorney Barth stated he will revise the document to state that all the expenses will be paid by the plan unless the town elects to pay any such expenses. The suggestion was presented to put a line item in the next budget. It was decided to make the change to the plan wording as suggested by Attorney Barth.

Mr. Francis noted that in the new plan, paragraph 7.5 is an exact duplicate of paragraph 6.4. It was explained that there is a lump sum provision in the death benefits section and a lump sum provision in the regular benefits section, which is why it is duplicated.

Mr. Francis stated that in Section 9 on page 19 the internal references were left to Section 8. They weren't changed to Section 9. It was agreed to make this change.

Mr. Francis questioned the 6 percent number in the actuarial equivalent. Attorney Barth explained that is the same number that was in the plan before. All that is being adjusted is the life annuity to a survivor, not the lump sum.

Mr. Francis questioned the phrase in Definitions on page 4, 1.2ciii, "...for a period beginning immediately such birth or placement." The word "following" will be inserted.

Mr. Francis questioned the use of the terms "survivor" versus "spouse." Some of the paragraphs say "will be paid to the spouse" not "to the survivor." He questioned if the language should be "survivor" all the way through. It was explained that the plan is basically a death benefit only to a spouse. There is an additional cost to provide benefits to others besides spouses. The plan is not designed to provide children with benefits. Mr. Francis asked if the words "minor children" could be added to show some level of compassion in the event of the death of a parent with young children. Ms. Whaley suggested once we pass this on the Board of Selectmen if there are changes to be made we could request an actuarial analysis and then make a decision to accept the plan or not based on that. The cost is likely to be minimal and it is a compassionate gesture. Mr. Ellison asked if this is the same provision that provides for a widow. It was explained there are two situations. One is when the participant retires. They then elect a benefit and the spouse gets that benefit and they can't elect a beneficiary other than the spouse. The second is the situation where the participant dies before receiving benefits. It was agreed to bracket this issue when the plan goes to the Board of Selectmen. They can decide if they want to offer this and then the Retirement Board can submit it to the actuary for cost analysis.

Mr. Needleman asked whether the plan goes before the Board of Finance. The plan first goes to the Board of Selectmen and the Selectmen take it to the Town Meeting. The Board of Finance would see it at budget time when they're trying to figure out how to fund it. It was asked whether or not the Board of Finance sees the collective bargaining agreement before it is approved from a cost standpoint and was told they do not. The Retirement Board submits the cost analysis and the Board of Selectmen decide what they want to put in the budget.

Attorney Barth wanted to clear up the spousal consent issue and make sure everyone is comfortable with the definition of compensation since there is a significant change. Everyone reviewed paragraph 1.3 in the new plan. Ms. Whaley stated that the question on the table was are we comfortable with the definition in Section 1.3 for annual compensation? She read for the record that "Annual compensation means the participant's wages, salaries, fees for services actually rendered during the calendar year in the course of employment with the town (including but not limited to overtime and bonuses) as reported or to be reported on the participant's Federal Income Tax Withholding Statement (W-2) including any employee elective deferrals to a 457B plan maintained by the town, contributions to a cafeteria plan qualified under Section 125 sponsored by the town or any elective contributions under Section 132, subsection F, Subsection 4 of the code. Annual compensation shall not include amounts not paid by the town (such as worker's

compensation) expense reimbursements, amounts paid for services not in the regular course of employment (such as serving as a clerk for a Board or Commission) or amounts which are included in income. Compensation shall not include compensation of an employee in excess of \$245,000 (increased as permitted under Section 401 Subsection A Subsection 17 of the code to reflect cost of living adjustments)." Up to this point, compensation has included overtime and bonuses. Mr. Needleman stated that if you have an employee that also clerks it currently goes through their W-2, it is included in their pay and it can't be 10-99. The new plan would not include items such as clerking. Mr. Needleman questioned how this would be kept track of. It was stated you have to add back in deferrals to a 403B plan or 401K plan or 457 plan so there is always an adjustment from the W-2. Employees cannot easily call out compensation by class of activity on their W-2s. The Retirement Board has to be able to explain how each employee's compensation is arrived at. There needs to be a documented formula and record for each employee every year. Kelly Sterner, Deputy Treasurer, has been producing the numbers in the past. What process she goes through - what she deducts and adds in - is unknown by the Board. Ms. Whaley has two followup questions for the town administratively - how have W2s been handled historically and what do we want to do from this point forward? A process will have to be established before the actuaries start their work this year.

Mr. Needleman believes that adding in overtime and other items is a problem. He feels pensions should be based on the base rate of pay so that overtime is not taken advantage of. The town has a top five out of the last ten years clause in determining pensions. Ms. Whaley said this may be another area the Selectmen may want to consider in terms of the structure of the plan and what they want to finance. The plan will be sent as a document to the Board of Selectmen but the Retirement Board will advise the Board of Selectmen that these were things that were raised as questions and they may want to consider them as a Board before they embrace the plan. Overtime and bonuses are bargaining issues. Mr. Needleman stated that the plan has to be administered fairly across the board. Ms. Whaley summarized by saying that this is another topic that has to do with how the town would like to structure it's benefits for employees. The Retirement Board can administer it any way that is required. It would be appropriate for the Retirement Board to ask Attorney Barth to call this issue out when it's submitted to the Board of Selectmen.

Mr. Ellison brought up the spousal issue. There was concern that a spouse's name could be forged. It was mentioned that the people who would be waiving this benefit are older and they've got to have their spouse's signature notarized. Ms. Whaley recommended that since no resolution on this issue can be made tonight that a one-page description of the options available to the town be written up with the pros and cons. She hopes that at the next monthly meeting these observations can be forwarded to the Selectmen for consideration. The definition of spouse was then questioned. In this plan, spouse is as defined under Connecticut law. Would it allow for a domestic partner? Ms. Whaley said that her reaction would be to follow Connecticut state law. It was stated that if we change the basis for compensation evaluation we cannot take out what people have accrued to date. Mr. Needleman personally feels that the non-employed spouse should be a signature to the agreement so that there is no fraud committed. It was decided to add the definition of spouse as defined under Connecticut law to the plan. Attorney Barth stated on the spousal consent issue and also on the compensation issue we should do a one page summary outlining options so the Retirement Board can make a recommendation to the

Board of Selectmen Attorney Barth said he would get the papers done before he leaves the country on February 8.

A **motion** was made by and seconded to table this, moving this forward to the Board of Selectmen until after the February meeting. Motion carried.

It was agreed to invite Ms. Sterner to come to the next meeting.

New Business:

Clerking Issue:

Questions were being raised about how Ms. Sterner is making calculations, and show she now has voiced a willingness to participate ex officio on the Retirement Board. It was suggested that she should have a seat at the table, not as a member of the public but as a non-member plan administrative internal person. It is proposed that the person that the town is going to recognize as the internal administrator for the plan be invited as a regular participant in meetings. Mr. Ellison asked if she was going to be in the position for a good length of time and was assured that she is. Mr. Ellison was also assured that she is spectacularly confidential and one of the best people in the Town Hall in terms of staying out of other people's business and out of the fray. Ms. Whaley stated we could have her sign a confidentiality agreement once she starts taking these duties. Ms. Whaley stated there is a proposal on the table to have the administrator available to participate in these meetings so they become familiar with the plan and the Board. It was asked if they should be called an ex officio member or merely a participant. Suggestion was made that she be a participant and not ex officio until everyone is confident that all open issues are resolved. Therefore the administrator would not sit in on Executive Sessions for the time being. Ms. Whaley said she has heard from Mr. Needleman that Ms. Sterner has the skill set for this position and she has heard only good things about her.

Motion made by Mr. Fazzino that the town's retirement administrator be a permanent invitee to meetings of the Retirement Board. Motion seconded and passed unanimously.

It was decided that the Chairman will send Ms. Sterner a note informing her of this decision with a copy to be sent to Phil and Bob.

Signatory Issues:

Mr. Fazzino stated that the Board is at an impasse because a retiree had documentation sent to actuaries and approved, but Bank of America cannot accept it because the Board does not have a signatory. Cheryl Morgan of Bank of America has given him forms whereby the Board has to authorize and change who is going to be the signatory. There was discussion about who this person should be. Ms. Whaley made a proposal that in order to move this along that she sign it as Chairman and at the next monthly meeting a decision will be made as to the ongoing signatory. Mr. Needleman asked who has to sign the forms to change the signature and was told it has to be authorized by the Town Clerk. Mr. Needleman suggested that the First Selectman not be one of the signers on the account but one of the people authorizing the signers. He feels that it was not acceptable

for Bank of America to take one person off as an approved signer based solely on a phone call, leaving only a single approved signer. It would be prudent to have dual signers. Except in the absence of the Chairperson becoming advised of fraud or malfeasance actions taken with regard to changing authorized signers should be done with Board approval. This Board has the authority to appoint the signatory and this will be certified by the Town Clerk. It was recommended that anything that needs to be signed only needs to be signed by one person but that two people have authority so that in the absence of one, the other can sign. Mr. Needleman said in the short run it is fine if Ms. Whaley signs, however in the long run a process should be developed to 1) change signatures and 2) approve payments. There was discussion about whether or not Bank of America took inappropriate action when Cindy Varricchio was taken off as a signatory. Ms. Whaley will contact Cheryl Morgan to learn what she needs to move this person's paperwork along.

A **motion** was made that Ms. Whaley be the authorized signatory for now for these processes. Motion seconded by Mr. Ellison. Mr. Needleman recommended that we pick one other person on this board on an interim basis to be an additional signatory. Ms. Sterner was recommended as this second signatory. The **motion** was modified that the signatories be Ms. Whaley and Ms. Sterner. Motion seconded and passed.

In the future a process will be defined in writing by which changes can be made. Mr. Needleman recommended single points of contact wherever possible so he recommended that from now on either Ms. Whaley or Ms. Sterner should be the contact with Bank of America. Also at some point the Retirement Board should send a letter to Bank of America stating that the removal of the previous signatory was inappropriate. It was suggested that we ask Bank of America for an explanation as to why Cindy Varricchio was taken off and what documentation justified their actions. Ms. Whaley will do some fact-gathering regarding the matter before making any decision to contact the bank.

Ms. Whaley stated that there was a request at the last session that we hold open a spot for an Executive Session. No motion made for Executive Session this evening.

Adjournment:

A **motion** was made for adjournment at 6:25 P.M. Seconded. Motion passed.

Respectfully submitted,

Essex Retirement Board