GENERAL EMPLOYEES RETIREMENT BOARD SPECIAL MEETING
Monday, February 25, 2008, 10:30 A.M.

I. CALL TO ORDER

The Special Meeting of the General Employees Retirement Board of Trustees was called to order by Trustee, James Karman at 10:30 a.m. on Monday, February 25, 2008 in the Town Hall Council Chambers. Attending were Secretary Jonathan Luscomb, Vice-Chairman Brett Madison and Trustee Peter Elwell. Also in attendance was Assistant Director of Human Resources Carla Kneipp. Mr. Karman stated that Chairman Robert Garvy would be late but had asked that the meeting begin without him.

II. APPROVAL OF AGENDA

Mr. Karman inquired whether there were any changes or additions to be made to the agenda. There were no changes to report.

Mr. Elwell moved approval of the Agenda. Mr. Karman seconded. There was no further discussion and the motion carried unanimously.

III. DISCUSSION OF INPUT FROM PLAN PARTICIPANTS AND CITIZENTRY REGARDNG CHANGES TO PENSION AND BENEFIT PLANS

Mr. Karman explained that the Board of Trustees had been asked to get additional information from employees and residents concerning changes to pension and benefit plans. He asked the employee representatives if they had had an opportunity to discuss this with the employees they represented.

Mr. Madison stated that he had met with the Public Works employees and all had expressed concerns about any changes that might take place and that there was a general feeling of uneasiness. Mr. Luscomb reiterated Mr. Madison's comments, stating that the employees he had spoken to were very concerned.

Mr. Karman stated that he had contacted several residents regarding this subject and provided a summary of their comments as follows:

> The Town has made a commitment to the employees concerning their retirement benefits and drastic modification should not be considered. However, as retirement and health costs (both public and private) are rapidly increasing, cost controlling measures should be examined. Measures which could be considered to control costs – and perhaps would not create major change – could be 1)change in vesting; 2) a combination of defined benefit and defined contribution plans; 3) a change in age and service requirements; 4) a retirement age change; 5) employee contributions; 6) modified pay-out schedule; 7) some reduction in benefits offset by other measures.

A two-tier plan freezing benefits for existing employees and a different plan for new Employees could be considered and could be effective if the plans were considered to be fair to both groups. This would not necessarily be problem. Above all, the impact of The study, and any modifications to the retirement plan, should carefully consider the impact on employee morale, the retention of employees, and the ability of the Town to continue to attract high-quality employees.

Mr. Garvy arrived at the meeting at 10:45 a.m. After being brought up to date on what had been discussed to this point, Mr. Garvy stated that he had also discussed these issues with residents and their comments had been similar to the comments provided to Mr. Karman. He thanked Mr. Karman for summarizing the input he had received.

Mr. Garvy then asked that Mr. Karman's summary be provided to actuary Brad Armstrong, who joined the meeting via the telephone. He asked Mr. Armstrong for his input on the various options.

Mr. Armstrong stated that there were many options that the Board could consider, including not only those that had already been discussed, but also changes to the cost of living adjustment or changes to the joint survivor benefit. He stated that a change in one or more of these benefits could have a negative impact on the Town's ability to attract and retain employees. The Board members indicated their agreement with this.

Mr. Armstrong stated that a combination of defined benefit and defined contribution plans could be offered to just new hires with the option offered to current employees. He explained that one example of this would be for the Town to freeze their defined benefit contributions at 10% with a floating defined contribution rate that would result in an overall combined consistent rate of 14%. Mr. Armstrong stated that in addition, the employees' contribution to the defined contribution plan would decrease, but a decreased multiplier would also result. He stated that the downside to this was that the administrative costs of the defined contribution plan would be passed on to the employees, and this would result in a reduced multiplier, increased fees, and more risk being passed to the employees. Mr. Karman stated that the benefit to this plan was that employees could take their contribution with them when they left the Town's employment.

Mr. Armstrong stated then commented on the proposal to change age and service requirements and stated that any change in these should be gradual so as to not affect employee morale. He then commented on the option to change employee contributions. He explained that employee contributions could also vary, as the Town's do, but this would require rigorous controls and measures. He explained that with this type of plan, the employee's would share the variability of contribution requirements with the Town.

Mr. Garvy departed from the meeting at 12:00 p.m.

Mr. Armstrong stated that a modified pay-out schedule was not pertinent to the Town's plan. Mr. Karman agreed, stating that he had included it in his summary because it had been one of the options proposed during his discussions with residents.

Mr. Armstrong then stated that an offset for a reduction in any other type of benefit would have to take place outside the retirement system.

Mr. Armstrong addressed the issue of a two-tier plan, which would result in a brand new plan for new employees, yet would not impact the current employees. He stated that it would be very important to design something that would not create a gap in benefits that would result in further changes in future years. He explained that one option would be to change the benefits and requirements and create a new plan for new employees, and another option would be to create a schedule for new employees that would gradually trend away from the current benefits.

The Board then briefly discussed changes to the Cost of living Adjustment and changes to the 75% Joint Survivor Benefit.

Mr. Karman asked if the Board felt they should meet again before the March 11th Town Council meeting to discuss the cost impacts of the proposals as well as the impacts they might have on employees.

Mr. Elwell explained that at this point, it was important to react to the concepts versus the cost impacts. He explained that the Town Council was looking to the Board to provide a preliminary assessment of choices at this point, versus the costs that were associated with them.

Mr. Armstrong stated that he could put together a grid with some reference to each change and the impact it could have on costs as well as on employees. He asked the Board to reiterate the areas that they would like him to look into.

Mr. Elwell stated that the areas the Board was requesting information on were 1) changes to the multiplier; 2) changes to retirement eligibility; 3) changes to the Cost of Living Adjustment (COLA), including tying the COLA to market performance; 4) changes to the member contributions; 5) changes to the 75% Joint Survivor Benefit; 6) creating a hybrid defined contribution/defined benefit plan; 7) changes to the "13th check" benefit; and 8) creating of multiple tiered plans based on the employee's date of hire. Mr. Elwell asked Mr. Armstrong if he could provide a ranking of these options according to the impact of the change versus cost savings, explaining that he thought it was important to know that a change might result in a lowered cost but have a huge negative impact on employees.

The Board members indicated their agreement with Mr. Elwell's suggestions.

Mr. Madison asked if Mr. Armstrong could provide them with any preliminary figures from the actuarial report he was preparing. Mr. Armstrong replied that the Town's contribution rate had dropped from 19% to 18%, approximately $100,000, and the funded ratio had increased from 88% to 92%.

Mr. Karman asked how this information should be provided to the Town Council. Mr. Elwell suggested that after Mr. Armstrong provided his information, it would be submitted to Mr. Garvy for his review before being forwarded to the Town Council.

VIII. ADJOURNMENT

There being no further business, the meeting adjourned at 1:00 p.m.

Approved: ______________________
Brett Madison, Secretary