

**BOARD OF FINANCE
COMBINED BOARD OF SELECTMAN AND BOARD OF FINANCE
PUBLIC BUDGET HEARING**

FEBRUARY 27, 2013

This combined Board of Selectman and Board of Finance Public Budget Hearing and of Finance held its Monthly Meeting on Tuesday, February 27, 2013 at 7:30 p.m. in Seminar Room 300, Board of Education Administrative Offices, and 501 Kings Highway East, Fairfield, CT.

MEMBERS PRESENT

Thomas Flynn, Chairman Robert Bellitto, Jr., Vice Chairman, Ken Brachfeld, James Brown, James Walsh, Mary LeClerc, Robert Stone, and Cathy Albin.

ABSENT

Christopher DeWitt

BOARD OF SELECTMAN

First Selectman Michael Tetreau, Robert Mayer, Chief of Staff and Chief Fiscal Officer, Selectman Cristan McCarthy Vahey and Selectman Kevin Kiley

ALSO PRESENT

Caitlin Bosse, Clerk of Board of Finance, Linda Gardner, Budget Director, Mary Carroll-Mirylees, Human Resources Director, Ann Bostic, Client Service Manager, at PMA Companies, Elizabeth Churney and Timothy Ryor, Hooker & Holcombe, Steven Ribeiro and Carlton Lindgren, VP AON Consultants.

1. CALL TO ORDER

The meeting was called to order at 7 05 p.m. by Chairman Flynn.

2. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was recited

3. Retiree Benefits- Hooker & Holcombe

a. OPEB

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Mr. Mayer presented an overview of the handouts regarding these items to the Boards. He introduced Elizabeth Churney and Timothy Ryor, the Actuaries with Hooker and Holcombe who then discussed the OPEB Retiree Benefits.

Questions and answers followed:

Mr. Ryor noted the liabilities are funded to calculate ARC and the unfunded liabilities are stable.

Chairman Flynn questioned if this budget represents full funding of the ARC.

Mr. Mayer noted it does.

Mr. Tetreau stated fully funded Pensions are paid out of trust to get to 100% funding

Mr. Ryor noted OPEB was previously at 7.5 % and is not going down in future years.

Chairman Flynn questioned who is responsible how is the investment plan managed.

Selectman Tetreau noted the pension funds will be invested through the OPEB funds.

Chairman Flynn asked if the two new contracts at 12% will that go into a trust fund.

Mr. Mayer stated it would go through the trust fund not the general fund.

b. Pension

Following discussion on OBEB, a brief review of the July 1, 2012 Actuarial Valuation Results was discussed.

Discussion ensued regarding the nine recent firefighters who were involved in brief provisional promotions.

Mr. Ryor noted one retirement prior to July 1, 2012, was reflected in the annual recommended contribution to the pension fund for 2013-14, while the other eight won't affect the ARC until the 2014-15 fiscal year, making the contribution about \$83,000. more than expected for the next fifteen years.

Mr. Mayer stated the temporary firefighter appointments took place because there was no promotional list in place since the prior administration didn't want to spend money on the testing process. There was a test, and there will be a list adding the practice of provisional

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appointments which has been discontinued. A promotional exam was given earlier this year, which got postponed from last October because of Super Storm Sandy. He also stated under the local firefighters' contract, if a promotional list was not in place, provisional appointments were made to fill any vacancies. The contract also required the Fire Commission hold a promotional test within ninety days of a vacancy if no list is available. The testing process cost approximately \$20,000.

Mr. Kiley had concerns about not having a list and now having a list will keep this from happening and why continue to blame the previous administration for a \$15,000 to \$20,000 test.

Mr. Kiley noted Fire Department has a \$14 million budget, but apparently a management decision was made not to spend the money.

First Selectman Michael Tetreau noted his administration will make sure the proper promotional policies are in place and will make sure provisional appointments just prior to retirement are difficult if not impossible. He also noted the Fire Commission did not make a request for funds for testing.

Chairman Flynn inquired about the status of the independent counsel's report.

It was noted, Town Attorney, Stanton Lesser, is working with the lawyer, and it's not going to be a 30-day process.

Kenneth Brachfeld noted he is willing to wait for the independent counsel's report regarding the promotional process, and is more concerned with the \$883,000 figure. That assumes a 7.5 percent return on the pension fund investments. The number is most likely in excess of \$1 million.

Public Comment

David McKenzie, RTM-District 3

Mr. McKenzie had two concerns; the return on the investments and the disconnect. He stated the Town should be projecting where they're going and how much is going into stocks and bonds makes a difference.

Peter Osgood, 170 south Road

Mr. Osgood questioned whether the Town is receiving money back from Madoff because it has such a significant impact on the pension plan.

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Mr. Flynn stated the Board meets with the Pension Board on a quarterly basis for updates and how they are investing the assets.

Selectman Tetreau noted this is still ongoing with a few legal procedures in place.

Don Burton, 1376 Pequot Avenue, RTM - District 10

Mr. Burton noted going forward; he would like to see the Town reduce obligations with respect to current employees and new employees.

David Downey, Waterville Road, Southport

Mr. Downey also spoke in reference to future obligations.

4. Workers Compensation- PMA

Mary Carroll-Mirylees, Human Resources Director and Ann Bostic, Client Service Manager, at PMA Companies, presented this item to the Boards. The total estimated worker's claims cost for 2003 – 2014 is \$2,471,000; the total estimated heart and hypertension claims cost is \$850,000; total estimated fixed costs is \$231,700 and total estimated worker's compensation and heart hypertension program costs is \$3,552,700.

James Walsh questioned the \$900,000 claim after improving internal service fund by 2 million.

Mary Carroll–Mirylees noted the medical attributes will give the answers the Board is looking for.

There are now laws regarding excess stop laws but this was not the case in 1982.

Chairman Flynn asked when did this problem start, how was it communicated and how was it reflected in the numbers on an annual basis.

Chairman Flynn noted it is a two- step allocation process.

5. Health Insurance Actives- AON

Steven Ribeiro and Carlton Lindgren, VP AON Consultants presented this item to the Boards. It was noted this presentation only covers the Town side.

Mr. Lindgren noted the updated projection offsets the December claim experience through 2012.

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Mr. Mayer noted the budget number is based upon the December data, which is \$11,382k.

Chairman Flynn stated basically, the experience within the last month is better to the tune of \$300,000.

Mr. Lindgren stated they will have the ability to update the claims experience by March 15th to get January claim numbers.

Mr. Lindgren also stated the reason why the increase can go up is based on rolling over coverage, as you add one month you drop the furthest month. Also, the increase can occur because sometimes the month you're adding is good and the month your dropping is bad.

Mr. Brachfeld noted the projection going forward is based on rolling the most recent twelve months experience.

Mr. Brachfeld and Chairman Flynn agreed the Board's issue is the fact that the reserve is not adequate so any movement of the percentages discussed is a meaningful amount to the fund balance.

6. Internal Service Fund

Mr. Mayer presented and discussed the schedules of the Internal Service Funds. He noted regarding the workers compensation, they evaluated the reserves as of December 31, 2012 and medical is based upon the January actuaries. He also noted the numbers presented are conservative.

7. Human Resources Department

Mary Carroll-Mirylees, Human Resources Director presented the Budget to the Boards. She noted this is the last year of a rate stabilization, although is not a freeze it does stabilize the rates. The total amount expended in the lines run approximately 1.2 to 1.4 million dollars. She also noted after this year they will be in float and will not have the rate stabilization. It will go out to bid on line of coverage.

Mr. Brachfeld asked why Line No. 55230 was not in the BOE budget.

Mrs. Carroll-Mirylees noted all lines of insurance are paid out on Town side

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Mr. Mayer noted the Town completes and forwards to the BOE for completion a report of the EDOO1. This is then forwarded to the State. The State then produces the New Current

Expenditure per Pupil (NCEP) calculation. He also noted the In-Kind services is approximately \$42 million and by the time that number gets to the State database it is reduced to approximately \$6 million.

Chairman Flynn asked Mr. Mayer to report back to the Board on the \$42 million he referenced.

Mr. Mayer will follow up on putting together the requested information and will report back to the Board.

Mrs. Albin noted the State Department of Education has a strategic school profile, which will give the information the Board is looking for.

8. Executive Session to discuss Risk Management and Contingency Accounts

The Board went into Executive Session at 10:35

Motion was made by Cathy Albin to go into Executive Session, seconded by Ken Brachfeld
Motion passed unanimously.

9. Adjourn

There being no further business to come before the Board, Bellitto *moved* and Ken Brachfeld *seconded* to adjourn the meeting at 11:15 p.m. *Motion passed unanimously.*

Respectfully Submitted,

Josephine M. Keogh