

<https://www.youtube.com/watch?v=5oJF23oRi0A>

\*\*\*\*\* FINAL \*\*\*\*\*  
**BOARD OF FINANCE**  
**SPECIAL MEETING MINUTES**  
**Thursday, November 5, 2020**  
**7:00 pm**

A Special Meeting of the Board of Finance was held virtually on Thursday, November 5, 2020, at 7:00 p.m. in Fairfield, Connecticut.

MEMBERS PRESENT: Edward Bateson, Jim Brown-Chair, Lori Charlton, Christopher DeWitt-Vice Chair, Mary LeClerc-Secretary, Sheila Marmion, John Mitola, Jack Testani, James Walsh

ALSO PRESENT: Joint Retirement Investment members Brian Carey & Kenneth Brachfeld, Human Resource Director James Haselkamp, First Selectwoman Brenda Kupchick, Jared Schmitt, FairTV

1. Call to Order – Chair Brown called the meeting to order at 7:12 p.m.
2. Pledge of Allegiance – Mr. Brown led the Pledge of Allegiance.

Mr. Brown reminded the public that there will be no live public comment. He said the public is encouraged to email comments including their name and address to [bof@fairfieldct.org](mailto:bof@fairfieldct.org).

3. As Referred by the Representative Town Meeting (RTM), to Hear the VERIP Plan as Proposed by the First Selectwoman and to Verify the Pension and OPEB Liabilities on Future Budgets, and also, to Consider the Impact of Other Expenses and Savings on the Operating Budget

**Chris DeWitt motioned approve the item. Lori Charlton seconded the motion.**

First Selectwoman Kupchick reviewed highlights of her powerpoint presentation outlining the plan. She thanked Mr. Flynn who assisted. She said it included VERIP goals, modernization of Town Government, and answers to questions the RTM submitted.

Mr. Haselkamp went through the eligibility and benefit package summary consisting of five unions. He said the two components are those who are eligible and those eligible for early retirement. He said roughly 57 people are eligible and about 50% will take the package is standard estimation.

Mr. Mitola asked when employees can get medical benefits without these plans. Mr. Haselkamp responded they get that with normal retirement with 10 years of service and meeting the age requirement.

Mr. Schmitt gave an overview of the next few pages with two different scenarios. He said the first is the budget impact if all 27 positions get refilled and the second is only 22 get refilled reflecting a 50% opt-in. He said related costs and savings for three years were broken out. He said a vacancy savings was added because positions won't be filled immediately.

Mr. DeWitt asked if people filling the retired position will have a 401a. Mr. Schmitt replied yes and said they will be in a new retirement system where the Town won't fund the pension and it will continually decrease. He said the incentive part of the package will show an increase.

Mr. Mitola asked how the cost is factored in if you use some people on a contract/per diem basis. Ms. Marmion wanted to know costs related to hiring people in the short term.

Mr. Walsh asked what the assumptions were with the 401 replacement. Mr. Schmitt responded it's a 3% increase. Mr. Walsh inquired how is it 3% with step increases it would take it to a salary level of 5%. Mr. Schmitt said he doesn't have that information; salaries were estimated. Mr. Walsh asked if step increases were taken into account. Mr. Schmitt said a 3% increase was included. Mr. Walsh said he is concerned with health care increases. Mr. Haselkamp explained provisions. Mr. Walsh asked that a spreadsheet be provided to the BOF with numbers for the 14 professional and technical group. Mr. Haselkamp said he took an estimate. Mr. Walsh wants to know the amount in today's costs. Mr. Haselkamp said the retirement health care contributions only go on for three years. Mr. Haselkamp went through in detail the impact of the costs, how they were determined and methodology and then he discussed savings. Mr. Haselkamp said until the Town knows who is leaving it won't have the costs. Mr. Walsh expressed concerned if the Town hires back people and then lets them go it may have to pay unemployment. Mr. Haselkamp said it's a savings to hire back part-time rather than paying benefits.

Mr. Mitola asked if someone can be a town employee collecting a pension under the Town's pension plan if that person would be an independent contractor. Mr. Haselkamp said it is part of the agreement to allow them to return and be re-employed. Mr. Mitola said he is concerned with how long and if the majority decides to return. Mr. Haselkamp said it's a savings and he will come up with a staffing model.

Mr. Dewitt asked why the salary differential savings isn't going down. Mr. Haselkamp said the gap will narrow. Mr. Dewitt said he thought the most likely people are the ones already eligible and that numbers should be the minimum for the RTM and the auditors.

Ms. Charlton noted both packages came within \$50,000. She said her concern is replacing employees at a lower salary level. Mr. Haselkamp said the bulk of the benefit are those in the early retirement category because they are leaving early and there is a reduced penalty and they are getting benefits. Ms. Charlton clarified she thought that it was the employees closer to retirement age. She said costs are how many people take the early retirement and who takes it. She said savings is also dependent on who leaves. Ms. Charlton questioned if there is an impact on the savings side if the scenarios are looked at. She asked why the Town can't re-estimate savings on estimates and why it is an unknown. Mr. Haselkamp said they won't until they sign the paperwork which Ms. Charlton disagreed with.

Mr. Brown offered to tally questions and send them to Mr. Haselkamp for the November 9, 2020 RTM committee meeting. Mr. Brown said he will call into the meeting to provide the RTM updates and analysis after he gets feedback from the BOF.

Mr. Schmidt said there are an infinite number of scenarios to present and they are based on estimates. He went through the second scenario.

Mr. Schmitt reported there is not too much of a difference on the cost side and it is fairly consistent.

He said there are minor changes because of five fewer people in assumptions. Mr. Schmitt said the difference is on the savings side for the salary differential changes because he couldn't include them because some of those positions will now be gone. He said the Town doesn't know which positions will be refilled. He said he took an average salary of \$75,000 and added a 40% pension and health care benefits which comes out to \$105,000 per position. He said the Town gets half of the savings in the first year; he gave calculations for three years.

Mr. DeWitt asked how the number five was used for not refilling. Mr. Schmitt said he thought it is a reasonable number. Mr. Dewitt asked why the three-year snapshot and five positions not being refilled are not based on a reorganization plan. First Selectwoman Kupchick said there have been a lot of reorganization meetings and the goal is to reduce the headcount.

Mr. Walsh asked if it is allowed to not bring 15 of the 27 people. First Selectwoman Kupchick answered that the Town wouldn't want to leave departments without staff to provide services. She said she wants the highest level of service. She said she wouldn't want to hire back 15 people. Mr. Walsh asked if the Town is allowed to not hire back under Union contracts and if it impacted it by a five person reduction. Mr. Haselkamp said the Town is not laying off people, but has an administrative right to. He said he doesn't believe there will be grievances. Mr. Walsh asked what the administration is really trying to accomplish and if it would be beneficial if there was a plan. First Selectwoman Kupchick said this is based on what other towns had done using a 50% participation estimate and Towns do this to reorganize. She said she heard through campaigning that residents want modernization. Mr. Walsh asked why some positions aren't selectively chosen to be eliminated. Mr. Haselkamp said it is uncomfortable for department heads. Mr. Walsh suggested a plan and stated that a tremendous amount of funds is being asked during a world-wide pandemic. Mr. Walsh asked why not reorganize and choose the people who should leave. First Selectwoman Kupchick said it's not easy to lay people off in a union environment. She said all the information is there for alternatives.

Mr. Brown reminded the Board it is meeting to verify numbers of the plan. First Selectwoman Kupchick said this presentation was developed for the RTM based on their questions. Mr. Walsh asked Mr. Haselkamp to provide the BOF with the total salary number of those individuals who are going to accept the plan. Mr. Haselkamp said it is about \$2 million in salary.

Ms. Marmion said she agrees with Mr. Walsh that this is being done backwards; a plan needs to be written on how the Town should be reorganized to create efficiency. She said this is a random way to reorganize and is not happy with it. Mr. Haselkamp said this is backwards to ask for numbers before it is known who is going to take the plan. He said this is typical in corporate. Ms. Marmion said the BOF is here to discuss the impact to the Town and asked how the BOF is supposed to understand the impact if it isn't known who's taking the early retirement and who's being hired back.

Ms. LeClerc said she is struggling with this. She said the BOF is being asked to verify numbers for the RTM. She said the schedules don't show the math behind them so it's hard to judge if it's accurate or if estimates are close. She said they could be close or very different and doesn't know how to report back. Mr. Haselkamp said the BOF has all the numbers on Pension and OPEB and have to make a judgement on a reasonable number of people who will take the package.

Ms. Charlton questioned the back and forth is on the savings side. She said the RTM wanted to know if the Town could afford this plan. She said she is struggling with how to fulfill the RTM's request on that basis.

Mr. Brown said it is objective and to verify the numbers on the savings and costs side the best the BOF can with the information it has. Mr. Brown said the costs are determined, the savings are a guesstimate. He asked First Selectwoman Kupchick how comfortable she is with the positions laid out. First Selectwoman Kupchick said Mr. Haselkamp has been doing this for years and this is based on what is historically normal. Mr. Walsh said he thought it was based on hard evidence of 50% and not historical. He said he has to protect the taxpayer and that it might be 75% and he said he thinks the RTM should look at it as 75% as well. First Selectwoman Kupchick said Mr. Haselkamp said he believes that between 25 and 27 people would take it. Mr. Walsh asked if based on Pension and OPEB, will the ADEC be fully funded in the budget. Mr. Brown asked if the First Selectwoman was committed to funding the ADEC 100% in the budget as requested by the Pension Board and the actuaries. Mr. Schmitt said this has to be part of a larger picture. He said the ADEC would be fully funded, but OPEB needs to be part of a larger conversation. Mr. Walsh said he couldn't recommend something to the RTM without a funding commitment.

Mr. Brown said we are committed to fully funding the pension and fully funding OPEB and the fund balance. He said last year was an exception. He asked Mr. Schmitt to keep that in mind.

Mr. Mitola said if this is done there seems to be significant costs in annual contributions. He asked if the Town will take away from somewhere else in Town to fully fund the pension. He said that's the question the RTM needs to ask if it's worth doing.

Mr. Vahey said the Pension Board took the Town's assumption and the work with H&H and had it done by an independent firm. He said that roughly the numbers came out to be the same. He said the Pension Board asked for what the BOF typically sees - market returns and smoothing. Mr. Brown asked if Mr. Vahey would concur with the numbers. Mr. Vahey said the numbers seem to tie out. He said OPEB and pension will definitely be around for a long time.

Mr. Bateson asked about additional liability. He said these people were going to retire eventually and occur ADEC eventually - just earlier. Mr. Vahey said in the actuaries report when it said they were unfunded by \$30 million and they were adding \$10 million from this. Mr. Vahey said one of the things they look at is what happens in the Town if employees retire as soon as they're eligible. He referred to the firefighters staying past eligibility. He said from a liability perspective it is better that they stay because they are paying into the pension.

First Selectwoman Kupchick said the Town is now on a 401 plan and the liability goes down each year because it has less people utilizing the pension fund. Mr. Vahey said the \$30 million is the unfunded number and adding \$10 million to that. Mr. Vahey said there are other ways to pay for this. He said lump sums are very attractive because you know the amount right away and you don't have a long dated variable.

Ms. Charlton asked Mr. Vahey to explain the decrease in the discount rate from the analysis the Pension Board requested from the new actuary. He said they try to estimate what they are going to earn over 21 years. He said it's going to be tough to get to 7.

Mr. Bateson said though he has no hard data on who is leaving it appears to be reasonable. He said he believes the RTM is struggling with impact and liability. He said the RTM needs to know there are three pieces affecting the ADEC and the VERIP is impacting it. He said he doesn't think the best way to finance this is through the pension. He said the Town is committed to funding OPEB.

He asked where money will be found for this. He said it all appears reasonable, but is expensive.

Mr. Mitola said he has the same concerns. He said it's a commendable idea to reorganize, but it is a significant cost and there may be other ways to reorganize.

Ms. Charlton said she still doesn't have an answer to her savings concerns.

Mr. Walsh said he thinks the BOF and RTM should look at what the Town can afford. He said a change in the discount rate increases liability; in order to afford it, the Town would have to cut services.

Mr. Brown reiterated the BOF is supposed to verify numbers. He said it sounds like the costs are what they are, the plan is to reorganize and it's the savings the BOF is having more difficulty with - having to cover these additional costs and to get a more accurate savings to offset these costs. Mr. Schmitt clarified that it is going to be about 50% and not going to be 100% so the analysis assumed that 100% of people were taking it and when it's at 50% the impact on the funded ratio is still over 80% and doesn't take that big of a hit. He said offering a lump sum approach doesn't work. Mr. Schmitt said the discount rate of 7% is too high and it is not impossible to achieve 7%.

Mr. Brown said the BOF is looking for more of an explanation on how to cover the cost on the savings; how to make up for the cost of the plan; how to convince the BOF that these costs will be covered based on the data used of \$810,000. Mr. Schmitt replied that this is a balance of creating a better government and reorganizing to serve people better. Mr. Brown said it's worthwhile, but the BOF is still looking for some validation on the savings. First Selectwoman Kupchick said the emphasis was not cost savings, but Town government needs to be reorganized. She said there is also a cost to not doing this. She said this is a well vetted retirement package and hopes to move the Town in a positive direction.

Mr. Brown reviewed the meeting schedule for the remainder of the year – Regular Meeting on November 17, Quarterly Review Meeting on November 24, Organizational Meeting on December 1 and Capital Plan Workshop on December 10.

4. Adjourn

**There being no further business to come before the Board, Mr. Mitola motioned to adjourn the meeting at 10:22 p.m. Mr. DeWitt seconded the motion which carried unanimously, 9-0.**

Respectfully submitted,

Sheila Tesei  
Recording Secretary