

**Report of the RTM Finance & Employee Comp Committee**

**Date:** Sept 27, 2012

**Time:** 7:30 PM

**Purpose:** Ratify the Collective Bargaining Agreement between Town and Local 1303-194 AFSCME

**Fin Members Present:** Lowenstein, Nathan, McCarthy, Talmadge, Schine, Arthurs, and Wieser (chair)

**EC Members Present:** Lowenstein (chair), Nathan, Izzo, Mall, Bergman, Keenan, and Loselle

**Presented By:** Gary Conrad

Issue: To Ratify collective bargaining agreement between Town of Westport and Local 1303-194, Council 4, AFSCME, AFL-CIO for the period 7/1/11-7/1/15 and appropriate the sum of \$41,997 to the 2012-13 fiscal year budget.

The settlement included a wage freeze for 2011 and a ~~no~~ 2.25% step for 2012 then 2.5% step for 2013 and 2014. This only affected two workers. Some changes were made to insurance and time off.

Both the RTM Finance and Employee Comp committees voted unanimously in favor on both items 7-0.

**RTM Finance Committee Meeting  
July 18, 2012**

**Members Present:** Jeff Wieser, Chair; Allen Bomes; Dick Lowenstein; John McCarthy; Cathy Talmadge; Gil Nathan; Arthur Ashman; Lee Arthurs;

**Others Present:** Stuart McCarthy, Dir., Parks & Rec.; Freda Welsh, E.D., Levitt Pavilion; Gary Conrad, Fin. Dir.; Helen Garten, BOF.

Discussion regarding the Proposed Defined Contribution Plan for Non-Union Employees and the proposed restatement of the Town's 401(k) Plan. Action Minutes. No Vote Taken.

This discussion was in introduction to the new Defined Contribution Plan and an update of the 401(k) Plan. We were presented with the plan and the proposed terms. We questioned the wisdom of a flat 7% employee contribution and employee match and suggested that we should provide some flexibility. Gary will consider providing for a minimum employee contribution requirement (and Town match) of 3.5% and a maximum Town match of 7%, subject to an employee's contribution up to that level. Discussions will continue before a presentation to the full RTM.

Subsequent to this meeting, the RTM Finance and Employee Compensation Committees held a series of joint sessions on Aug. 2, 2012, Aug. 20, 2012, Sept. 11, 2012 and Sept. 27, 2012. These sessions explored the issues associated with the change to a Defined Contribution Plan for Non-Union Supervisory and Non-Union Non-supervisory personnel. A quorum of each committee was present at all of these meetings, but no votes were taken until the Sept. 27, 2012 meeting.

**RTM Joint Finance and Employee Compensation Committees Meeting  
Sept. 27, 2012**

**Finance Members Present:** Jeff Wieser, Chair; Dick Lowenstein; John McCarthy; Cathy Talmadge; Gil Nathan; Lee Arthurs; Lois Schine.

**Employee Compensation Members Present:** Dick Lowenstein, Chair; Gil Nathan; Jimmy Izzo; Lou Mall; Jay Keenan; Don Bergmann; Dewey Loselle.

**Others RTMers Present:** Velma Heller; Wendy Batteau; Melissa Kane;

**Others Present:** BOE: Elliott Landon, Supt.; Jim Marpe, Acting Chair; Elaine Whitney; Marge Cion; BOF: Tom Lasersohn; CT Legislature: Jonathan Steinberg, St. Rep; Gary Conrad, Fin. Dir.; Helen Garten, BOF; Becky Sielman, Milliman Associates; .

- 1) Our first task was to deal with the changes to the 401(k) that the Town currently has in place.

Gary Conrad asked that we recommend that the full RTM approve the amended Plan that would allow employees to enter the 401(k) at any point during the year after their date of hire. Currently employees can join only on Jan. 1 or July 1 of a given year and after six months of service. Thus, a new employee with a hire date of early Jan. or early July, say, can enter the plan often after nearly a full year's service. The only other proposed changes allowed the plan to conform with the tax code. Both committees voted unanimously 7-0, to accept these amendments to the 401(k).

- 2) We then discussed the new Defined Contribution (DC) Plan that will fill the current void that exists after the cancellation of the Defined Benefit (DB) Plan for newly hired non-

union supervisory and non-supervisory employees including BOE employees on the Town's payroll

Following our series of meetings to discuss the proposed Defined Contribution (DC) Plan, we all looked forward to this meeting when the Milliman consultants were expected to put some amount of analysis to our previously unanswered questions. These revolved around some of the more precise financial ramifications to the Town. Becky Sielman led off the discussion.

Her analysis, based on a number of assumptions that the BOF had been using, confirmed that a new DC plan over a long period of time (assuming 30 years until most employees were fully involved in the plan) would create a substantial savings to the town (absent rampant inflation, as pointed out by Tom Lasersohn). She also pointed out the corollary: that on average, such a savings would, given most assumptions, represent lower retirement benefits to the employees.

We reviewed the history to date: DPW Union employees recently negotiated their contract and ended up after arbitration with a DC plan in which the employee is required to contribute 5% of their gross salary to the plan, and the town is required to match that 5%. Thus the cost to the town is 5% of gross salaries. We had asked the proposed plan to include a floor of 3 1/2% and a max of 7%, instead of the initially proposed 7% flat employee contribution and 7% required match by the town. This plan would be available only to new hires not represented by a union, but we also recognized that such a plan would probably have an impact on union negotiations when those are activated on the union pension plans starting in 2014. It was a useful point early in our conversation to note also that of all town employees, only DPW, Fire and Police personnel are NOT covered by Social Security.

Becky indicated that the Town's current DB plan is "relatively expensive." A few main reasons for this is that employees are able to retire at age fifty after 10 years of service (though few do), and that the 4% employee contribution to the plan is low for a plan with such liberal entitlements.

Jim Marpe, Acting Chair of the BOE suggested that, given the inconclusive information from the actuaries, we might be moving too fast and perhaps further analysis might be required. (We were reminded by Gary Conrad that currently there is no plan in place for new hires because the DB plan has been cancelled, therefore, many felt we need to do something now and if necessary amend the terms of our agreement at a later date.). Jim confirmed that the BOE supports the efforts to change to a DC plan, given the predictability in cash flow that allows. But, the BOE is also concerned about the competitive workplace and Westport's ability to attract good talent, as we have been able to do in the past. We anticipate that the BOE will have further comments for the deliberation by the full RTM.

After the ongoing debate about DC and DB plans, we received a motion to approve a DC plan for employees, as a means of determining our desire to move away from DB plans. The motion passed in the Finance Committee 7-0, and in the Employee Compensation Committee 6-1, with Don Bergmann dissenting. His explanation has been delivered, and is a part of the record.

This allowed us to move to the specific issue of the employee contribution and the town's required minimum and maximum contributions to the plan. There was general agreement that a 3 1/2% floor is a good thing in that it requires employees, throughout their careers, to maintain the discipline of saving something for retirement, but reduces the amount to a workable number for new or lower-paid employees. There was concern about starting a plan at 7%, and it was clear in

the discussion that many members were more comfortable using the precedent of the DPW contract as a starting point for this first non-union DC plan.

Gil Nathan moved to recommend that the RTM approve a DC plan, the terms of which include a 3 ½% minimum employee contribution and Town match, with a 7 % max employee contribution and Town match. Dick Lowenstein seconded (Gil and Dick are members of both, so their actions were for both committees.) Finance rejected the proposal 2-5 (Nathan and Lowenstein voting for); and Employee Compensation rejected the proposal 2-5 (Nathan and Lowenstein voting for).

Gil Nathan then moved to recommend that the RTM approve a DC plan, the terms of which include a 3 ½% minimum employee contribution and Town match, with a 5 % max employee contribution and Town match. Dick Lowenstein seconded (Gil and Dick are members of both, so their actions were for both committees.) Finance approved the proposal 6-1 (Lowenstein voting against); and Employee Compensation accepted the proposal 5-2 (Lowenstein and Bergmann voting against).

Gary Conrad confirmed that our recommendation included the following changes:

- 1) Employees need not be employed on Dec 31 of any year to be eligible for the Town match of their current contributions to the proposed 401(k) and the DC Plans.(as in the current plan): and
- 2) The Town will contribute to the 401(k) and the DC Plans on an ongoing basis and not just on Dec. 31 as in the current plan.

We agreed that these changes are in the recommendations to the full RTM.

Jeff Wieser  
Chair  
RTM Finance Committee

September 28, 2012

Dear Fellow Members of the RTM and the RTM Employee Compensation Committee:

I am out of the country on October 2<sup>nd</sup>. Hence, I write, but by e mail, because the Employee Compensation Committee had its last meeting on this matter, yesterday, Thursday.

I do not support voting at this time on any defined contribution plan for new Town and certain School employees (the "New DC Plan"). The points listed below are factors that cause me to take this position. They originate in my desire to address better the interests of our employees, our residents and our Town.

#### Concerns/Viewpoints

1. The new DC Plan appears to flow from the several statements of the First Selectman that Westport can no longer afford its benefit plans for existing employees. However, the First Selectman has not attended the meetings of the RTM Employee Compensation Committee.
2. Additional support for the New DC Plan appears to arise from comments of certain members of the Board of Finance. However, that Board has not discussed the New DC Plan.
3. The decision to pursue the New DC Plan appears to have been made by the First Selectman last year without meaningful involvement of the RTM. The first evidence of that decision probably arose by the determination to propose a "5% match" defined contribution plan for our Public Works Employees, a result that was achieved by a decision in arbitration when the Public Works Union failed to submit a counter proposal as to retirement benefits.
4. The employment contract for our Finance Director provides for a "7% match" defined contribution plan. That provision reflects plan terms negotiated last year between, I believe, only the First Selectman and the Finance Director. No such plan existed then or exists now.
5. All presentations to the Employee Compensation Committee meetings as to the New DC Plan were conducted by the Finance Director.
6. Alternatives to the New DC Plan were not presented to the Employee Compensation Committee. I was one of possibly two members of that Committee that expressed interest in the consideration of alternatives, most notably defined benefit/hybrid/cash balance plans.
7. No presentation was made by the First Selectman's office as to Westport's underlying philosophy regarding the benefit structure and goals of Town benefit plans and compensation.
8. No information was provided as to the cost and benefits of a defined benefit plan containing provisions less generous than the present, very generous, Town defined benefit plans.
9. There has been no involvement of a Town Human Resources Director, since that position has remained unfilled since April 1, 2011.
10. Significant decisions have been made without the input of a Town Human Resources Director, e.g. the decision of the First Selectman not to modify in any way the benefits applicable to present non-union employees and the decision to seek a defined contribution plan in all future union retirement negotiations.
11. No formal analysis has been conveyed of the likelihood of success if, in arbitration, our union employees do not agree to a defined contribution plan.
12. No information has been provided as to non-retirement benefits for new employees.

Only three individuals are presently eligible for the New DC Plan. Hence, we have the time to address the philosophy behind, and the details of, our approach to our employees. I also believe we need a Town Human Resources Director who is skilled in union matters and negotiations.

Don Bergmann

RTM District One, Member Employee Compensation Committee

# WESTPORT PUBLIC SCHOOLS

BACK UP MATERIAL  
RTM ITEM # 4

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*Superintendent of Schools*

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To: Members of the Board of Selectmen  
Members of the Board of Finance  
Members of the Representative Town Meeting

From: The Westport Board of Education and Superintendent of Schools

Subject: Defined Contribution Plan -- RECOMMENDED COURSE OF ACTION

Date: October 2, 2012

The Board of Education strongly supports the Town's efforts to develop a defined contribution pension plan as a means to establish a more sustainable employee benefit cost structure over the long term and to more effectively and transparently manage associated taxpayer funds. In addition, the Board of Education firmly believes that any defined contribution plan adopted by the Town of Westport must be fiscally responsible and actuarially sound, and, at the same time, competitive in terms of attracting and retaining the highest quality employees.

With over 300 Board of Education employees covered by the Town pension plan, whose daily efforts affect the lives of almost 6,000 students, the Board of Education must be included as an active partner in defining the scope and terms of whatever defined contribution plan ultimately is approved by the Board of Selectmen, the Board of Finance and the Representative Town Meeting.

**To that end, the Board: 1) requests the RTM to NOT APPROVE the current form of the pension plan for new, non-union employees as proposed by the Board of Selectmen and on the agenda for consideration by the RTM on October 2, 2012; and 2) requests that, prior to approval, any such plan is appropriately benchmarked as well as determined to be both cost-effective and actuarially sound.**

Specifically, prior to any decision to approve a new pension plan, and through a fully transparent process, the Board requests the Town to engage the Town's "plan actuary" and/or "benefit consultant," to provide:

- a. Additional benchmarking data with other comparable municipalities regarding the prevalence and design of defined contribution plans for their employees (including levels of employer matching, maximum levels of employee contributions, vesting terms, degree of employee control over investment decisions, etc.); and
- b. Comparisons of the projected relative costs of the current defined benefit plan as a percent of payroll vs. the Town's projected contributions to a defined contribution plan.

In summary, our goal is to assure that the decision to move to a defined contribution plan is a cost-effective one, both near- and long-term, and that it would position the Town competitively in terms of attracting high-caliber employees.

Changes to the: **Town of Westport Defined Contribution Retirement Plan**

To: Members of the RTM

I spoke with First Selectman Gordon F. Joseloff and we agree to the Plan change for the voluntary portion which was previously recommended at 3½% will now be 1½% for a Total town contribution of up to 5%.

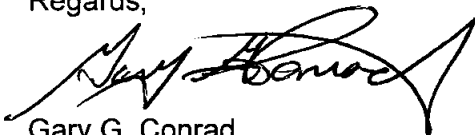
I will Pre-empt and present the following changes:

Change Section 5.2 of the Defined Contribution Plan to read 1½%.

Section 7.3(b) will need the reference to Section 4.2 to read 4.2(b).

Section 7.3(b) is to be changed completely to read that "Non-bargaining employees referred to in Section 4.1(a) will receive the Matching Contribution on behalf of the participant entitled thereto under 4.2(a) and 5.2(a) at the same point in time that the employee's mandatory and voluntary contributions are credited to the participants account." (The Town's Pension Attorney is working on the exact wording to comply with IRS Regulations).

Regards,



Gary G. Conrad  
*Finance Director*  
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