



**OFFICIAL MINUTES OF:**

Meeting of:	Personnel Committee
Date:	November 17, 2004
Time:	10:15 a.m.

**MEMBERS PRESENT**

Vincent J. Mesoella, Chairman  
Paul Pinault  
John MacQueen  
Bruce Campbell  
Michael Salvatore

**MEMBERS ABSENT**

Laurie Montanaro, Personnel Chair  
Angelo Rotella, Vice Chairman

**STAFF AND GUESTS PRESENT**

Ray Marshall, NBC  
Karen Giebink, NBC  
Joanne Maceroni, NBC  
Thomas Uva, NBC  
Francie Brown, NBC  
Diane Buerger, NBC  
Sam Celone, NBC  
Jillian Colby, NBC  
Rich Bernier, NBC  
Pat Dodd, PUC  
Commissioner Rick Burroughs

Jamie Samons, NBC  
Jean-Marie Grossi, NBC  
Leah Foster, NBC  
Rich Bernier, NBC  
Brenda Smith, NBC  
Laurie Horridge, NBC  
Dan Smith, NBC  
Kerry Britt, NBC  
Cecille Antonelli, NBC  
Thomas Massaro, PUC  
Commission Tom Lazieh

**1. Call to Order**

Due to the fact that Personnel Committee Chairwoman Kijak was not present, Chairman Mesoella chaired the November 17, 2004 Personnel Committee Meeting. Recognizing a quorum, Chairman Mesoella called the November 17, 2004 Personnel Committee meeting to order at 10:21 a.m.

**2. Approval of Minutes – September 29, 2004**

Chairman Mesolella asked if all Committee members had an opportunity to review the minutes of the September 29, 2004 Personnel Committee meeting. Commissioner MacQueen motioned to approve the minutes of the September 29, 2004 Personnel Committee meeting as written. Commissioner Salvadore seconded the motion, and the vote taken by the Committee was unanimous. The motion carries.

### **3. Items for Action:**

#### *A. Review and Approval of Resolution 2004:33, Adoption of the Narragansett Bay Commission Non-Union Defined Benefit Plan*

Chairman Mesolella stated that this item has been in the works for at least six months in an effort to reach parity and to eliminate the stark inequities with the union retirement plan and the non-union employee retirement plan. He noted that he believes this proposal will substantially close the gap at no additional cost to the Narragansett Bay Commission ratepayers.

Ms. Karen Giebink introduced Bob Chin from Abacus Benefit Consultants. She noted that Mr. Chin has been working diligently with her to develop non-union retirement plan options. She noted that she also worked with Dan Waugh from Tillinghast, Licht, Perkins, Smith & Cohen on the drafting of the proposed plan document.

Ms. Giebink noted that the current non-union retirement plan was adopted in July 2002 and it is a 401a profit sharing plan, which is a defined contribution plan, and was adopted to replace the SEPP plan that had been in place since 1981. NBC basically outgrew the SEPP plan and in 2002, we looked for alternatives and we chose the defined contribution plan, even though at that time we acknowledged that the defined contribution plan in-place for the non-union employees was not in parity with the union plan. The non-union employees also enjoy the opportunity of participating in a 457 Deferred Compensation Plan, which is funded entirely by pre-tax employee contributions.

Ms. Giebink stated that the current union State retirement plan is a defined benefit plan. Therefore, a participant can retire with a maximum defined benefit up to 80% of income replacement and that also includes a cost of living adjustment. They also enjoy retiree health insurance and union employees may also participate in the 457 Deferred Compensation Plan.

Ms. Giebink noted that back in May 2004, the Chairman had asked the Executive Director to explore retirement plan options for NBC's non-union employees to try to achieve parity. This was motivated by the inequity of retirement benefits for union and non-union employees; concern about non-union retirement income adequacy; and acknowledgement of the significant contribution of non-union employees to NBC's successful operation. She noted that in terms of background and the basic retirement plan types that are available, NBC is a governmental employer, and as such, we are like a square peg in a round hole. There are two basic plan types. There is a defined contribution plan type and there is a defined benefit plan. With the defined benefit plan, the employee is guaranteed a fixed benefit upon retirement. With the defined contribution plan, the benefit is going to be dependent upon how well the employees investments perform based upon the employee's choice. Also with the defined benefit plan there is not a fixed employer contribution, but there is a mandatory employer contribution. With the defined contribution plan, the employer decides upfront how much they will be contributing to the plan, but it is not mandatory unless it is written into the plan as mandatory. With the defined benefit plan, the bearer of the investment risk is the employer, and with the defined contribution plan, the bearer of the investment risk is the employee.

Ms. Giebink noted that when we started looking at the plan development, we were interested in a number of objectives. One was to provide a base retirement income. We were

also interested in sharing the risk between the employee and the employer. We were also interested in not increasing NBC's overall contributions to the plan, and, as the Chairman mentioned earlier, we were really interested in addressing the inequity issues between the union and non-union retirement plans. She reviewed the following outline regarding the Plan Design:

- Hybrid Plan designed to achieve 80% income replacement
  - Addition of a defined benefit plan (maximum of 30%)
  - Maintain the defined contribution component
  - Social Security benefits
- New Defined Benefit Plan
  - Maximum 30% income replacement (*if employee performs service for 30 years*)
  - Benefits accrue at 1% per year
  - Credit for past and future service
  - Cliff vesting after 7 years
  - Normal Retirement Age of 65 plus 5 years of plan participation
  - Voluntary participation

Plan Funding

- Employer contribution – 5% FY'04
  - Future contribution may change based on investments and plan demographics
- Employee pre-tax contribution – 5%
- Bi-weekly Funding

Overall Plan Funding

- Historically non-union retirement funded at 10%
- FY'05 contribution to State Union Retirement Plan is 16.96%

Employee/Employer	Current (Non-Union)		Proposed (Non-Union)	
	EE	ER	EE	ER
Profit Sharing Plan	0%	10%	0%	5%
Defined Benefit	0%	0%	5%	5%
TOTAL	0%	10%	5%	10%

- Unfunded liability for past service credit
- Projected annual contributions include the amortization of the unfunded liability and is within this year's budget

Mr. Bob Chin stated that there are a few ways to view unfunded liability. One view of unfunded liability is the difference between the actual plan assets and the benefit obligations accrued in the first year. Our projected cost for the minimum funding is roughly \$695,000. The vested benefit liability in the first year is approximately \$2.9 Million. Therefore, the difference between \$695,000 and \$2.9 Million is the unfunded liability in the first year of the plan. The reason why the unfunded liability is so high is because the Chairman wanted to count past service. Therefore, when you count past service, your first year accruals or your accrued benefit is a lot higher. Ms. Giebink stated that the \$695,000 that Mr. Chin referenced is included in the total annual contribution and we are included the past service as part of that and it is amortized over 30 years.

Plan Revisions since Package was Mailed to Board

- Several Early Retirement Options Deleted

- Pre-Taxing of Employee Contributions Added
- Plan Termination Language Modified
- Clerical – Cross Reference Corrections/Clarifications

#### Plan Roll-Out

- New Defined Benefit plan in effect 1/1/2005
- Defined Contribution to 5% 1/1/2005
- Start Funding of Defined Benefit Plan 1/1/2005
- Educate and Enroll Employees
- Select Trustee
- Select Investment Platform
- Institute Actuarial Services and Recordkeeping

#### Plan Comparison

	NBC Defined Benefit Plan	State of RI Defined Benefit Plan
Maximum Benefit	30%	80%
Employee Contribution	5%	8.75%
Current Employer Contribution (Increase effective 7/1/2005)	5%	10.51% 16.96%
Formula (based on three highest consecutive years)		
Years 1 – 10		1.70%
Years 11 – 20		1.90%
Years 21 – 34		3.00%
Years 35		2.00%
Up to 30 Years	1%	
Vesting Schedule	7-Year Cliff	10-Year Cliff
Normal retirement	Age 65 with 5 years	28 years of service or Age 60 with 10 years
Early retirement (with 5 years participation)	Age 62 with 20 years	28 years of service
Cost of Living Adjustment	N/A	3% compounded COLA the third January following retirement and every January thereafter
Health Insurance	N/A	Percentage based on age and years of service

#### Summary

- Hybrid Plan

- More Equitable Retirement Plan
- Conservative Design

Ms. Giebink stated that since the plan was distributed to the Board, staff has been working fast and furiously on this project, and there have been a few plan modifications which are outlined in a memo to the Personnel Committee and Board dated November 17, 2004.

1. The definition of Early Retirement Date has been revised to incorporate five-years of plan participation and to delete the early retirement option of 55 years of age and 20 years of service, as well as the early retirement option of 60 years and 25 years of service.
2. Section 4.3 Mandatory Contributions language has been modified to ensure that the employee contributions are pre-taxed.
3. Article X – Plan Termination language has been revised to require NBC at a minimum to repay employee contribution plus interest compounded annually at a rate of 10%, if the plan is voluntarily terminated and there are insufficient funds to pay accrued benefits to plan participants.
4. A defined term has been capitalized and cross-references to defined terms have been corrected.

After much discussion, Commissioner MacQueen motioned to approve Resolution 2004:33, Adoption of the Narragansett Bay Commission Non-Union Defined Benefit Plan. Commissioners' Campbell and Salvadore seconded the motion, and the vote taken by the Personnel Committee was unanimous.

*B. Review and Approval of Resolution 2004:34, Amendment of the Narragansett Bay Commission Non-Union Retirement Plan (Defined Contribution)*

Ms. Giebink stated that this item is a housekeeping matter. When the NBC originally adopted the 401A Plan, we used a boiler plate plan that was already approved by the IRS. Since that time, we have reviewed the plan, and due to the fact that the Narragansett Bay Commission is a governmental employer and is not subject to ERISA; therefore, we have removed any language from the Plan related to ERISA that is unnecessary. We also fine-tuned some of the plan definitions such as compensation, hours of service, 1-Year Break in Service, Year of Service, and the language related to the Effective Date of Participation.

Mr. Pinault asked if it were true that even if we would not have recommended and approved the new defined benefit plan that was just discussed, these changes would still have to be made anyway? Ms. Giebink stated that was correct.

With no other comments or questions, Commissioner Salvadore motioned to approve Resolution 2004:34, Amendment of the Narragansett Bay Commission Non-Union Retirement Plan (Defined Contribution). Commissioner MacQueen seconded the motion, and the vote taken by the Finance Committee was unanimous. The motion carries.

**4. Other Business**

None.

**5. Adjournment**

With no further business to come before the Committee, Commissioner MacQueen motioned to adjourn. Commissioners' Salvadore and Campbell seconded the motion, and the vote taken was unanimous. The meeting adjourned at 10:50 a.m.

Respectfully submitted,



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Paul Pinault, *Secretary*