



**OFFICIAL MINUTES OF:**

Meeting of:	Ad Hoc Compensation Committee
Date:	August 22, 2007
Time:	12:00 p.m.

**MEMBERS PRESENT**

Vincent Meselella, Chairman  
Raymond J. Marshall, Executive Director/Secretary  
Joseph Kimball, Chair of Ad Hoc Compensation Committee  
Bruce Campbell  
Patrick Caine  
Michael Salvatore

**MEMBERS ABSENT**

Angelo Rotella, Vice Chairman  
Robert Andrade, Treasurer

**STAFF AND GUESTS PRESENT**

Jean-Marie Grossi, NBC  
Karen Giebink, NBC

Laurie Horridge Bissonette, NBC

**1. Call to Order**

Noting that a quorum was present, Committee Chair Kimball called the August 22, 2007 Ad Hoc Compensation Committee Meeting to order at 12:13 p.m.

**2. Item for Discussion**

*A. Plan for Non-Union Employees' Compensation Study*

Ad Hoc Chair Kimball stated that NBC Chairman Meselella requested that the NBC Board take a hard look at the overall compensation for the NBC's non-union employees. He noted that Chairman Meselella will give the Committee some historical information on this matter.

Chairman Meselella stated that back in 2004 the Board began discussing the issue of trying to reach parity with the pension plan for NBC's non-union employees. He noted that it became apparent that NBC needed to begin a process to study the non-union compensation plan and a non-union employee pension study. He noted that at that time, Commissioner Richard

Oster expressed an interest in this matter, so he appointed Commissioner Richard Oster to chair this Compensation Committee. He further noted that during that process, we formally established a Compensation Committee. The Chairman stated that as most of the Board members are aware, Commissioner Oster has not been able to attend any Board Meetings for quite some time.

Chairman Mesoletta stated that when we began the process of trying to make some improvements to the non-union employee pension plan, it met with unexpected opposition from the Public Utilities Commission. In any event, he stated that NBC went through the process with the PUC hearings, etc., and gradually the pension improvements were approved by the NBC Board, which we went forward with. Chairman Mesoletta stated that a meeting last week at the PUC, PUC Chairman Germani tried to close the docket on this matter and suggested that the plan was operating precisely as anticipated. However, Chairman Mesoletta noted that PUC Commissioner Holbrook objected to closing the docket, and it was left open.

Chairman Mesoletta emphasized that NBC proceeded to adopt revisions to the non-union pension plan, and the plan is performing as anticipated. He noted that we never really began the process of examining the issue of overall compensation, especially for the NBC's non-union employees. He further stated that Ray Marshall has had some discussions with people in the industry, URI, etc., to get a general idea of how NBC's compensation compares to other organizations. It appears our compensation levels are significantly lower than in private industry, and we compete against them for the same people.

Chairman Mesoletta stated that it became apparent that not only should the non-union compensation issue be re-visited, but also the pension plan for non-union employees. Therefore, he established an Ad Hoc Compensation Committee to explore our options. He then stated that this Committee should embark on the process of establishing compensation policies for the present and something that can be amended into the future, as necessary.

Ad Hoc Chair Kimball stated that one of the most difficult parts of running his own practice relates to employee compensation matters. He noted that for purposes of ensuring that the NBC continues to run effectively, smoothly and has the staff in-place on an ongoing basis, it is necessary to continue managing the overall employee compensation and pension plans in a professional manner. He noted that the overall compensation and current pension plan for NBC non-union employees needs to be looked at to provide an overall package that would keep our staff properly compensated and happy to be working at the NBC. He stated that the question becomes, "How do we go about analyzing this information at this point in time?"

Commissioner Campbell stated that he is familiar with a company called The Employer's Association, which publishes a booklet every year called "Executive Compensation." He noted that it includes both the private sector and public sector data. The study includes a list of all the different positions including executive staff levels for various company sizes. He stated that you could look at this booklet and find any position and find a salary range, a median and some extremes. They also have different benefits that are listed under each position. Commissioner Campbell noted that what he did with the executives and managers that worked for him was to copy the particular page of this booklet containing the employee's job description and then meet with the employee to talk about compensation. He noted that he used The Employers Association's Executive Compensation booklet as an objective guide with his employees.

Mr. Marshall stated in terms of history that up until 1999, NBC treated our non-union personnel in a fashion that would be considered traditional to State employees. For example, he noted that every year the employees would received a Cost of Living Adjustment (COLA), Longevity Increases every five years, and various incentive programs. He noted that the annual evaluation process was essentially the same as the State of RI used; however, it had nothing to do with how the employee was compensated.

Mr. Marshall stated that NBC started to make a changeover in 2000, by evaluating all the non-union positions and titles working with The Employers Association. We went through every position and every job specification in an effort to evaluate all job titles, and we came up with a coherent unified system of assigning a grade to each position. He further stated that The Employers Association recommended that NBC establish pay ranges for each position, based on the surveys that Commissioner Campbell talked about earlier. At that time, NBC made the change from the Cost of Living Adjustment (COLA) and Longevity approach to compensating non-union employees on a “pay for performance” scale. He noted that NBC then established a completely different evaluation program, and since May 2002, NBC actually implemented the new “pay for performance” system.

Mr. Marshall stated that the ranges that were established back in 2000-2002 and were based on the industry at that time. Since then, NBC has asked The Employers Association to take a look at how NBC’s ranges compare to what is going on in the private sector. He noted that it seemed like every other year, The Employers Association would recommend that NBC increase their salary ranges; the only exception is this past May or June, when we asked them to review our salary ranges, they said even though we changed the salary ranges 2006, they strongly recommended that NBC increase the salary ranges again in 2007, due to the fact that the demand for the workforce is becoming increasingly competitive for qualified people. At their June 20, 2007 Meeting, our Board of Commissioners voted on and passed the recommendations of the The Employers Association to again increase the NBC’s salary ranges in 2007.

Mr. Marshall continued to note that this increase in pay scales was in sync with what we experienced this past spring when we tried to hire two Pretreatment Engineers that have either chemical engineering or civil and environmental engineering backgrounds. He stated that NBC advertised the non-union Pretreatment Engineer positions at a salary range of \$40,000 to \$59,000, without much success. We spoke with the Placement Office of the University of Rhode Island (URI), and we were told that we would have a very difficult time hiring an engineer at a starting salary of \$42,000. URI stated that their engineering students are receiving multiple offers within the low to mid-\$50,000’s. In order to compete, they recommended that NBC consider upgrading the pay scales. Mr. Marshall also noted that we have had the same types of problems in the past with hiring employees in NBC’s Information Technology Section.

Mr. Marshall stated that this all ties into whether or not we are compensating our employees at a level that allows us to maintain the quality staff we currently have; and, looking to the future, with succession planning, in the next five to ten years, the NBC has approximately twenty (20) key employees here that will be leaving and need to be replaced. Mr. Marshall noted that now is the time to identify how NBC is going to hire employees that we need to run this organization.

Mr. Marshall continued to note that he knows a number of engineering firms that are having an extremely hard time trying to hire qualified employees even with higher pay ranges. Chairman Mesolella noted how long it took the NBC to hire and retain a qualified electrician that would not leave the NBC due to the low pay scale.

Commissioner Caine stated that this problem includes many other positions outside the NBC as well.

Chairman Mesolella noted that the NBC is in need of acquiring qualified staff for these types of positions and make sure that they are compensated properly, as well.

Commissioner Caine asked where the NBC is getting their information from and if it is outdated? Mr. Marshall stated The Employers Association reviews NBC’s pay ranges to

determine suggested pay range adjustments. He noted that they (TEA) are not looking at whether the individual positions are in the proper pay grades. He noted that in some cases, NBC's pay grade "8" possibly should be a pay grade "10." He noted that maybe there are market corrections for certain categories that need to be factored in based on what is happening in the job market at a particular time. Mr. Marshall also noted that in a four to five year period, there may be a great need for a particular type of position, and then several years later there is no longer a big demand for that type of position.

Mr. Marshall noted NBC's turn-over statistics have undergone an interesting change the last couple of years. He stated that NBC employees completed an "employee satisfaction survey," that The Employers Association conducted for us approximately two years ago. He noted that overall our employees were happy and satisfied, but one of the big issues is that there was not a lot of room for advancement. Ms. Karen Giebink stated that NBC also performed a study on employee turnovers. Although we have had very little turnover in the non-union ranks historically, over the last couple of years that has changed significantly.

Commissioner Caine recommended hiring an outside source to help NBC look at the business and compare our salary ranges, etc., to private industry's salary ranges. He then asked how much training NBC's employees receive. Mr. Marshall stated that NBC retains information that shows how much training each of our employees was actually exposed to on an annual basis. We also have a Safety Training position, and that employee conducts a lot of in-house safety training at NBC. Additionally, we encourage outside training, such as seminars, conferences, etc., which the NBC keeps track of and is recorded as part of our EEO report the NBC annually generates for the State.

Chairman Mesolella stated that he created this Committee to (1) see if our existing employees are being properly compensated both in salary and benefits, (2) evaluate the pension issue and address the inequity issue (non-union vs. union), and (3) create a basis for NBC to use for future succession planning. He stated that there are multiple issues and concerns that this Committee will have to deal with.

Mr. Marshall noted that the NBC's flex-time policy is a very valuable benefit, especially with single mothers or families with two working parents. Mr. Marshall noted an objective evaluation of our benefit package would probably turn out favorably. He noted that in terms of pay that he was not sure in certain categories of employees that we would be that strong; some we would and some we would not, and this is what we need to identify and address.

Committee Chair Kimball stated that NBC will need to seek outside help on this issue and that the cost of this work will probably be significant. Commissioner Kimball further noted that this would give this Committee a sense of how current internal conditions relate to the private sector.

Chairman Mesolella stated that the NBC has been satisfied with the work that The Employers Association has performed for us in the past.

After much discussion, Chairman Mesolella motioned to engage The Employers Association for the purpose of preparing a non-union employee compensation study. Commissioner Salvadore seconded the motion, and the vote taken by the NBC Ad Hoc Compensation Committee was unanimous. The motion carries.

**3. Other Business**

None to report.

**4. Adjournment**

With no further business to come before the Committee, Commissioner Salvadore motioned to adjourn. Commissioner Caine seconded the motion, and the vote taken was unanimous. The meeting adjourned at 1:08 p.m.

Respectfully submitted,



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Raymond J. Marshall, P.E.  
*Executive Director/Secretary*