



**DRAFT**

**OFFICIAL MINUTES OF:**

Meeting of:	Ad Hoc Compensation Committee
Date:	February 19, 2008
Time:	12:00 P.M.

**MEMBERS PRESENT**

Vincent Mesoella, Chairman  
Joseph Kimball, Ad Hoc Compensation Committee, Chairman  
Raymond Marshall, Executive Director  
Robert Andrade  
Bruce Campbell  
Angelo Rotella  
Michael Salvatore

**MEMBERS ABSENT**

Patrick Caine

**STAFF AND GUESTS PRESENT**

Laurie Horridge Bissonette, NBC  
Jamie Samons, NBC  
Joanne Maceroni, NBC  
Karen Musumeci, NBC  
Rich Bernier, NBC  
Tom Uva, NBC  
Paul Nordstrom, NBC  
Michelle Maciel, TEA  
Paul Martineau, TEA

**1. Call to Order**

Noting that a quorum was present, Ad Hoc Compensation Committee Chairman Kimball called the February 19, 2008 meeting of the Ad Hoc Compensation Committee to order at 12:25 p.m.

**2. Approval of Minutes – August 22, 2007-Ad Hoc Compensation Committee Meeting**

Ad Hoc Compensation Committee Chair Joseph Kimball asked members of the Ad Hoc Compensation Committee if they had an opportunity to review the minutes of the August 22, 2007 Ad Hoc Compensation Committee Meeting. Commissioner Campbell motioned to approve the minutes of the August 22, 2007 Ad Hoc Compensation Committee meeting as written. Commissioner Salvadore seconded the motion, and the vote taken by the Ad Hoc Compensation Committee was unanimous. The motion carries.

**3. Items for Discussion**

*A. Progress Report on the Non-Union Compensation Study being prepared by The Employers Association*

Chairman Mesolella stated that Ad Hoc Compensation Committee had been convened to begin discussion on succession planning and to get a better understanding regarding salary and benefits for our existing and future employees in relation to the private sector and/or similar sectors.

Committee Chairman Kimball stated that the next item on the agenda was the progress report on the Non-Union Compensation Study which would be presented by Paul Martineau and Michelle Maciel of The Employers Association.

Mr. Martineau stated that they were engaged approximately 3 months ago by NBC as part of an ongoing relationship as a supplier of information, advise, and human resources services to look at a number of compensation, benefit and retirement plan issues. They were specifically asked to look at 125 non-union positions that are of an administrative, technical and managerial nature. They were to look at position descriptions and match them to the marketplace in terms of current pay rates for positions at those levels. They were also asked to look at NBC's current non-cash compensation which included health, medical, life insurance, disability, etc., versus those being offered at other places, primarily, some of their member client companies, specified competitors and quasi public companies. Lastly they were asked to compare three (3) sets of pension plans: # 1 The Defined Contribution, # 2 The Defined Benefit and # 3 The Hybrid Plan (currently or previously in effect at NBC).

Mr. Martineau further stated that in the course of this project his primary contact had been with Executive Director Raymond Marshall who relayed to him what the interest, of the Commissioners was relative to jobs, benefits and pension plan. Mr. Martineau stated that they did look at all the positions that were specified. They did not look at the Executive Director position since typically when working directly with the Chief Executive that position is not reviewed, but if it is the wish of the Commissioners they could look at the Executive Director position.

Mr. Martineau noted that all job descriptions along with the scope of each job were reviewed. He then used a variety of sources both external and internal to The Employers Association and did a fair comparison between the jobs being reviewed and the current reliable market data available. Also, a small focus benefits survey was performed along with a review of pension plans by their pension analyst.

Ms. Maciel presented a chart, which showed all the data that was collected. The chart was comprised of actual NBC labor grades and the positions within that grade, the minimum and maximum salaries for each labor grade, actual market data collected from surveys, a competitor analysis from specifically targeted companies doing business in RI, and lastly NBC pay ranges for each individual position.

Mr. Marshall indicated that the information being presented today was in “draft” and as such is still a work in progress. He indicated that the materials presented would be collected at the end of the meeting for additional work and likely revisions.

In response to questions from Commissioners Kimball and Andrade, Ms. Maciel stated that six (6) Rhode Island companies were used in the competitor analysis. Mr. Martineau stated it was requested that specific consulting engineering firms and specific quasi-publics such as Airport Corporation and Resource Recovery along with two (2) national consulting firms and two (2) smaller regional firms which have a presence in this area be used in the analysis. Ms. Maceil also stated that the market data was national in scope.

There were questions from Commissioners Salvatore, Mesolella and Andrade asking if any comparisons were made with other sewer authorities, whether NBC’s labor grades were consistent with other grades in state government, along with questions regarding percentages used in the market data.

Mr. Martineau stated that no other wastewater facilities were used in this study and that the NBC labor grades are not the same as the State of Rhode Island. Approximately 7 years ago NBC worked together with The Employers Association to establish labor grades based on a nationally recognized national point value evaluation system. Thereafter, NBC installed a grading system which looks at a number of compensable factors, knowledge, experience, complexity of duties, supervisory responsibilities, etc, with (9) nine factors for non-supervisory and (11) eleven factors for supervisory personnel to establish the grade system. Mr. Martineau in response to Mr. Andrade’s question noted that in the market analysis 25% percentile represented the average minimum and 90% percentile the average maximum.

With no further questions Ms. Maciel moved on to review the Benefit Survey results which was comprised of benefit questions put out to local companies in order to gather what typical/common benefits are in the area. The columns were labeled company A thorough company F (for confidentially reasons), the last column in the survey represents a benefit survey conducted bi-annually by The Employers Association and for comparison purposes thought this might be helpful because it represents approximately (80) eighty companies in the area. The report was broken down in sections, paid holidays, time off, health insurance, paid sick days, life insurance and short-term disability insurance. She noted that NBC was more generous than the market/competitors in the area of health insurance and paid sick days and not competitive with the market/competitors regarding life insurance and short-term disability.

Ms. Maciel was asked by Commissioner Kimball to summarize the NBC salary report. She then spoke to the market data collected which reflects the positions that are leading the market, competitive with the market and those that are lagging in the market. It was noted that there were positions at NBC where there was no data available to compare. Two (2) positions at NBC were identified as leading the market, 33 positions fell in the competitive range and did so because they fell within the 25% to 90 % area in the market survey, 32 positions were lagging in the market by a range in salary between \$1,000 up to \$ 30,000. There were 30 positions where no comparable data could be obtained. Also noted was that only a benchmark number of positions were compared to the six competitor companies not the entire 125 positions, and of those benchmark positions 9 (nine) were below what the competitors were currently offering.

Ms. Maciel reiterated that the market data is a national scope and the competitor data is from (6) Rhode Island companies with a presence in Rhode Island .

Commissioner Andrade noted that in reviewing the market data vs. the competitor data, the market data indicated that salaries being paid for specified, positions were much higher in every category. Ms. Maciel stated that was true because the data is being compiled from a much larger population. Also, she noted that all the market data supplied in the report was actual findings. In answer to a question from Raymond Marshall concerning a summary of the comparative wage and salary data assembled, Ms. Macile stated that based on the actual data a greater number of positions at NBC fall below current market rates than positions at or above current market rates.

Commissioner Kimball after reviewing the data before him and based on his calculations estimated that 33 positions at NBC were leading/competitive with the market, 13 were lagging the market, 32 were lagging the market by more than 10, 20, or 30 thousand dollars, and lastly 9 positions were below what competitors are offering. He stated that of the 125 positions reviewed 68 positions are below or lagging behind the market. Ms. Maciel concurred with Commissioner Kimball that there were 68 positions that are below or lagging the market looking at base pay only.

Ms. Maciel and Mr. Martineau then discussed the retirement plans that were reviewed #1 The Defined Contribution Plan, # 2 The Defined Benefit Plan and # 3 The Hybrid Plan. In order to make a fair and accurate comparison a baseline was established. The comparison was based on an employee, 40 years old who began working for the company at age 25, and currently earned \$ 60,000 base pay per year with a salary increase of 3% per year. Assumptions were also made regarding the growth and performance over time of the funds deposited in Defined Contribution, Defined Benefit or Hybrid pension plan and the value of the individual funds at age 60 and 65. Information is also provided for Social Security at age 67 since that is the full maturity age for Social Security Benefits for the employee.

Mr. Martineau stated that the # 1 The Defined Contribution Plan at age 60 would generate a payment of \$ 43,000 per year, at age 65 a payment of \$ 62,000 per year. # 2 The Defined Benefit Plan at age 60 would generate a payment of \$ 84,193 per year, at age 65 a payment of \$ 97,603 per year. At either retirement age the payment would increase by a 3% COLA in year 3. #3 The Hybrid Plan at age 60 would generate a payment of \$21,500 per year from the Defined Contribution (DC) component and at age 62 approximately \$ 26,640 from the Defined Benefit (DB) component for a total of \$ 47,960. At age 65 a payment of \$ 31,000 per year from the DC component and \$ 36,600 from the DB component for a total of \$ 67,600. Mr. Marshall noted that # 1 The Defined Contribution Plan results reflect what non-union NBC employees had prior to changing on February 1, 2005 to # 3 The Hybrid plan. Mr. Marshall also noted that # 2 The Defined Benefit plan mirrored the State of Rhode Island pension plan.

There was discussion between the Commissioners Andrade, Mesolella, Campbell and Paul Martineau of the Employers Association regarding the maximum a person could collect on the Defined Benefit Plan, what the State of Rhode Island employees COLA was in addition to whether said employees received longevity. Mr. Martineau also reviewed what each of the fund balances would be in each of the pension plans at age 60 and 65 and noted that Hybrid Plan benefits would not be available until age 62 at which time the benefit would be reduced 7% for each year under age 65. Mr. Marshall referred to the Hybrid Plan and noted that if you use the example employee who entered the plan at age 25, the defined benefit portion of the Hybrid Plan maxes out at 30% and that after age 55 no additional contributions would be added to the employees account but the employee would still be required to contribute 5%. The amount the employee received when they retired would be based on their last three years, therefore all the

employee would be gaining in their last 10 years of employment was a higher salary base to calculate the DB component of the benefit.

Commissioner Campbell noted that when comparing the range in salary for an NBC grade level against the range in salary for the market data, there was a large difference in the high and low pay rate on the market data as opposed to the salary range in the NBC grading system. Mr. Martineau stated that the NBC labor grade was not relevant the NBC job descriptions were used in making the market data comparison.

Mr. Marshall asked Ms. Maciel to touch upon the benefit comparison that was done by The Employers Association. She stated that NBC was either equivalent to or surpassed the market in relation to the areas of health insurance, and sick days, and that NBC was not competitive regarding life insurance and short term disability.

Commissioner Mesoellella stated that while the report before the Commissioners was very well delineated, he would like to review a report that combined the complete package NBC offers employees compared to others companies in the market. Mr. Martineau stated that the report before the Commissioners reflects some initial data collection, established benchmarks with respect to salaries, and information relative to benefits and pensions. Mr. Martineau noted that other areas that would need to be explored to present an overall package comparison to the Commissioners to determine where NBC is lagging the market with respect to actual paid rates today versus the open market or competitors, total compensation which includes base pay, value of benefit plan, working conditions, opportunities to expand skills and ability, and, prospect for continued employment. Mr. Martineau stated that it was important to see the differences in overall employment packages especially when looking to future recruitment and succession planning.

Commissioner Campbell expressed concern regarding being competitive in recruiting and succession planning. Mr. Martineau suggested that they could produce a summary which profiled a current NBC employee, their wages, benefits, working conditions, etc. compared to the open market and to other competitors including quasi-public's, and consulting engineering firms.

Commissioner Kimball stated that he felt the number of positions within NBC that are lagging the market should be the starting point. Commissioner Andrade commented that favorable working conditions should not amount to employees being paid less, they should be paid what they are worth. He also stated that it was his opinion that the Executive Director position should also be reviewed. Mr. Marshall noted that an area of concern where NBC encountered difficulty last year was in recruiting young engineers primarily because of the base pay NBC was offering compared to the competitors. Also noted was the amount of employment turnover at NBC in this area.

Commissioner Mesoellella stated that there was a significant difference between the pension plans and that NBC should continue to move toward parity with our fellow state employees pension plan. He also agreed with Chairman Kimball that the first order of business was to address the 32 positions that were lagging as quickly as possible.

Commissioner Campbell stated that the problem of recruiting and keeping employees in the technical field might be dealt with by considering a program with super-grades or bonuses which are added to the grade. In response to a question from Commissioner Kimball, Mr. Marshall stated that if an employee is at the top of their pay scale and the average salary adjustment is 3 ½ percent, only if the employee qualifies based on performance, they would receive a one time bonus of 3 ½ % for that year as opposed to increasing the base pay. Mr. Marshall also stated that NBC is at a competitive disadvantage in the recruitment of technical,

environmental and pretreatment engineers in addition to other positions that fall within the 32 positions at NBC that are lagging the market.

NBC Director Paul Nordstrom also stated that he was anticipating a loss of key technical people starting in 2012 through 2015 when key employees will have attained 30 years of service. At present there is no incentive in place for these employees to remain at NBC.

After a lengthy discussion between the Commissioners it was agreed that the next step would be for the NBC Directors and the Commissioners on the Committee to review the minutes of today's meeting. Mr. Marshall would then meet with the Directors to discuss the issues presented today. The Ad Hoc Compensation Committee will meet again on March 18, 2008 at 12:00 p.m. at which time Mr. Marshall and the Directors will present their findings.

**4. Other Business**

None to report.

**5. Adjournment**

With no further business to come before the Committee, Commissioner Salvadore motioned to adjourn. Commissioner Andrade seconded the motion, and the vote take was unanimous. The meeting adjourned at 1:40 p.m.

Respectfully submitted,

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