

**BOARD OF FINANCE
REGULAR MEETING
Tuesday, May 16, 2006**

MEMBERS PRESENT:

Robert Cruickshank	Virginia Lastner
Mary Davis Cody	Roger Smith
Kathleen Corbet	Robert Spangler
Robert DiPanni	Dan Ward
Harry Durney	
John Laird	

Judy Neville, Chairman

MEMBER ABSENT:

Susan LaPerla

ALSO PRESENT: George Maranis, Administrative Officer; Gary Conrad, Chief Financial Officer; Cheryl Jones, Personnel Director; Mike Pastore, Town Engineer; Johnny Potts and Paul Giusti, Selectmen; Steve McElhaney, FSA, Mercer Human Resources Consulting; Jim Beall, Chairman, Police Station/EMS Building Committee; Stuart Sawabini, Information Technology Consultant; Sandy Reddin and Jack Horner, Fire Commissioners; Jim Cole, Police Commissioner; Mike Lagas, Business Manager, NCPS; Dr. Lewis Annunziato, Chairman, and Barbara Beall, Ken Campbell, Paul Foley, Ruth Smithers, and Penny Young, members, Town Council; Police Chief Ed Nadriczny; Police Officer Milligan; Frank Stone, Public Works Department; John Kovach, New Canaan Advertiser; Kristiana Glavin, New Canaan News-Review.

Judy Neville called the meeting to order at 7:36 p.m., took the roll, noted the absence of Ms. LaPerla and, by unanimous vote of the Board, seated Alternate Mary Davis Cody . Ms. Neville then asked that the minutes of the Special Meeting of April 5, 2006 and the Regular Meeting of April 18, 2006 be approved. Upon motion of Mr. Smith and second of Mr. Laird these minutes were approved unanimously, Ms. Davis Cody, Mr. Cruickshank, and Mr. DiPanni abstaining as to the April 5th minutes, and Mr. Cruickshank and Mr. Ward abstaining as to the April 18th minutes due to absence.

Steve McElhaney of Mercer Human Resource Consulting presented Item 3, Discussion on the Ramifications of Adoption of a Defined Contribution Plan. He reviewed the Actuarial Valuation Report for the Funded Retirement Plan of New Canaan for the period ended June 30, 2005. As part of the presentation he described New Canaan's Defined Benefit Plan as it exists today, made projections for the future based on certain assumptions, and advised how other organizations are structuring their retirement plans. He explained that the assumptions Mercer made are conservative, noting that the interest rate assumption has been reduced from 7.5% to 7.0%. In comparing the projection of accrued liability to the projection of assets in the Town plan, Mr. McElhaney opined that New Canaan is unique among public pension plans in that its plan is so well funded. Consequently, the Town is not required to make annual contributions to the plan. He explained when a Town may, and may not, withdraw funds from a pension plan, and noted that, under ERISA, New Canaan is allowed to pay retiree health benefits

from the plan. During discussion of asset allocation, Ms. Neville noted that the Town's asset allocation is currently under review. Mr. McElhaney next discussed pension plans used in the public sector, and explained that the defined benefit plan is currently the primary retirement plan used in the public sector. He disclosed that few towns switch from defined benefit to defined contribution, and those that do change usually have underfunded plans. He described the problems that may arise if a town decides to switch from a defined benefit to a defined contribution plan.

In response to Mr. DiPanni's inquiry, Mr. McElhaney explained that, should the Town switch to a defined contribution plan, the present defined benefit plan might ultimately be terminated. He explained the many complications this would entail, including complex IRS requirements. Additional discussion ensued, with Mr. McElhaney responding to a variety of questions from Board members and some of the public. Mr. Smith concluded the discussion by opining that the Town's present defined benefit pension plan is in very good condition, well serves the needs of the Town and its employees, and that there is no need to change it.

By unanimous vote of the Board, there was added to the agenda a request from the Police Station/EMS Building Committee for an appropriation from general funds of \$25,000 for engineering and related services in connection with repairs and renovations to the Police building. Mr. Beall explained that there was some urgency to this request given that the third floor of the Police Station was under consideration for relocation of Town Hall employees while Town Hall was being renovated. He disclosed that the request had been approved by the Board of Selectmen at its last meeting. Upon motion of Mr. DiPanni and second of Mr. Ward, the Board unanimously approved the request, stipulating that it should be funded from the Contingency Fund.

The Board then addressed the setting of the Mill Rate for the 2006-2007 fiscal year. Mr. Conrad advised that the current balance of the General Fund is approximately \$8,700,000 and that operating expenditures are projected to be \$103,204,777. He explained that the General Fund balance is generally set in the range of 5% to 10% of operating expenditures, and that 7 1/2% is an acceptable goal. At this point, it was noted that the Capital and Non-recurring Fund balance had been reduced to approximately \$100,000 and, upon motion of Mr. Smith and second of Mr. DiPanni, the Board voted unanimously to transfer \$1,200,000 from the General Fund to Capital and Non-recurring. Mr. Cruickshank then made a motion, seconded by Mr. DiPanni, that \$454,000 be taken from General Funds to produce a Mill Rate increase for 2006-2007 of 5%. Mr. Smith offered an amendment, seconded by Mr. Laird, that \$550,000 be taken from General Funds, resulting in a Mill Rate increase of 4.893%. Mr. Ward moved the question as to the amendment, and the Board voted unanimously in favor of the amendment. Mr. Ward then moved the question as to Mr. Cruickshank's original motion, as amended, and the Board voted unanimously to take \$550,000 from the General Fund

Discussion of the Sewer budget then ensued. Upon motion of Mr. Smith and second of Mr. Durney, the Board voted unanimously to contribute \$70,691 from the Sewer Fund Balance, resulting in an increase in the Sewer Mill Rate of 4.800% over the past year.

The Board also voted unanimously to defer to a subsequent meeting the request from Mr. Scott Hobbs to connect to the Town sewer system

The Board next voted unanimously at 9:21 pm to go into Executive Session to discuss legal matters. The Board came out of Executive Session at 9:50 pm and, there being no further business, the Board voted unanimously to adjourn at 9:50 p.m.

Respectfully submitted,

Robert DePanni, Secretary