

## **CITY COUNCIL WORK SESSION**

### **Retirement System Re: Financial Impact**

September 15, 2008 – 6:00 p.m.

Eileen Dondero Foley Council Chambers

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City Council Present: Mayor Ferrini, Assistant Mayor Blalock, Councilors Novelline Clayburgh, Dwyer, Smith, Kennedy, Spear, Pantelakos and Hejtmanek

Officials Present: John P. Bohenko, City Manager; Senator Martha Fuller Clark, Speaker of the House Terie Norelli; State Representatives: Paul McEachern, and Jacqueline Cali-Pitts, Dianna Fogarty, Human Resources Director and Dianne M. Kirby, Deputy City Clerk

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#### **I. Call to Order**

At 6:00 p.m., Mayor Ferrini called the work session to order and advised the City Council and members of the public that this meeting is for a review of the financial impact the Retirement System will have on the City.

#### **II. Introduction**

City Manager Bohenko stated that the issue of average base pay would cause the City to pay a surcharge. He said that this was an unintended consequence. He stated that the City is already paying into retirement for overtime with Police and Fire employees and this would cause the City to be charged twice. He further stated that he does not believe that this is what the Legislature wanted. He said that employees hired after 1996 will no longer get sick leave payout at retirement. He further stated that only 40% of the City's employees are pre 1996.

Dianna Fogarty, Human Resource Director stated that eight employees will retire within the next year. She calculated the City's assessed cost to be 1.3 million for these eight individuals in addition to what has already been paid into the retirement system. She further stated that there is one firefighter who is retiring and she has assessed that with that individual the City will be assessed \$371,000 without cash out from leave time. City Manager Bohenko stated that over this firefighter's career, he has had overtime and we have paid into the system for that overtime. Diana Fogarty stated that with firefighters they receive additional compensation. She said they receive holiday pay as a stipend and they also receive a stipend if they are an EMT or paramedic. She said they get a lot of additional compensation above and beyond their base pay before they even receive any overtime and that would impact us under this law.

### III. Discussion and Questions

City Manager Bohenko stated that one of the issues within the law now is that if there were contracts in place by September 1<sup>st</sup>, the City would be grandfathered, for example, the teacher's contracts settled and they are grandfathered until the life of the contract. Unfortunately, we have fourteen other collective bargaining agreements we are working on right now and if we were to settle any of those after September 1<sup>st</sup>, we would be exposed to this surcharge. He stated that he would like to see the Legislature amend or eliminate this surcharge in some way so that we could then start moving forward in a positive way with some of our collective bargaining agreements. He said this has such an effect in terms of financial impact to the City it is making it very difficult for the City, the way the law stands, to go forward and settle these contracts.

Speaker of the House Norelli stated that there appears to be some consequences that the Legislature did not intend. She stated that the intent of what Representative Regan was bringing forward and some people supported was that some communities give better benefits than others and that expense is distributed across the entire system. She said that there are a lot of other communities that do not have benefits as generous and these cities are actually paying for communities that offer more. She said that the intent was that communities that offer more should bear that cost and not the communities that don't. She further stated that the Legislative Delegation is here tonight to listen to the concerns that the City has and take that information back and see what can be done. Mayor Ferrini asked if we had some good solid modeling of how this is going to impact us and how it impacts other communities so that if you measure twice and cut once you end up with the bill that you want to have. He stated that these things happen and we would like to influence it in everyway that we can to change it.

City Manager Bohenko said that the City of Portsmouth, in 1996, really made an effort in their collective bargaining to eliminate these payouts. He said that it was a hard fought negotiation to make sure that payouts for any accumulated sick leave ended. He said it would be helpful if we go into the law to look and give credit to those communities at least to say that we have a certain amount of time to get those out of our collective bargaining agreements.

Speaker of the House Norelli stated that this problem has been decades in the making and it has been less than two years working towards correcting the problem. She said we know that there is a lot more that we have to do. Mayor Ferrini said that it is important to note that this was a very sophisticated bill and a lot of it was excellent. He stated that we had a lot of input and dialog about. He said we do appreciate that it is a piece of work nicely done and we can't do complex things without sustained endeavors. Senator Clark said that it is clear that in the last moments of negotiations that went on into the wee hours of the morning that there were some unintended consequences. She thanked the City for drawing them to their attention. She further stated that it looks like Representative Regan is willing to go forward with some legislation and we will all make an effort to share that legislation as it is being crafted so that if it is not achieving the desired results, the City will have a chance to look at it and have some input to remove any further unforeseen consequences that might be within the new language. She stated that there are communities with a history of these issues of being excessive and this law is trying to put some parameters around that. She further stated that this does not mean to require communities to pay for something that they are already paying for. She stated

that New Hampshire is not alone in trying to revamp the retirement system. She said there are many states across the country with the same problems.

Councilor Dwyer asked if the Representatives have any since of a time line. Speaker of the House Norelli stated that the new legislature will be sworn in on December 3, 2008 and so the legislation will come forward at the beginning of January depending upon how complex it is. Senator Clark stated that the opportunity to file legislation is open today for the House and will open next Wednesday for the Senate so the bill can be filed anytime and the language will be worked on. She stated that the Delegation will keep the City of Portsmouth posted on any changes.

Councilor Dwyer stated that there is a history of Legislature passing things they do not intend with regard to retirement. She asked if there is any type of safe guard that can be initiated to prevent this, such as a different kind of legislative process on retirement legislation. Senator Clark stated that the House and Senate had hours and hours of Public Hearings and many changes were made. She stated that it was important to put something together that could be passed. She said that if they didn't pass something, the impact on local communities would be enormous. She said that they went out of their way to provide numerous hearings to have input from all the different entities and we will continue to do that. She said no one can guarantee what will happen in committee conference. She stated that fortunately, we have the capacity to amend unintended consequences and if the Council reviews the bill that was passed they will see that they have put many more safeguards in place in terms of monitoring the retirement system as we go forward. She stated that if there are other ways that the Council wishes the process to be addressed, she is willing to sit down to look at what else we might be able to craft. Speaker of the House Norelli stated that there was plenty of blame by all to the breaking down of this system. She informed the Council that the State does pick up 35% of the retirement costs for all the communities. State Representative McEachern stated that the timing is good, but we should also involve the Governor.

Mayor Ferrini thanked the Delegation for meeting with the Council.

#### **IV. Adjournment**

At 6:30 p.m. Mayor Ferrini closed the meeting.

Respectfully submitted by:

Dianne M. Kirby, Deputy City Clerk