

**TOWN OF FRANCONIA
BOARD OF SELECTMEN'S REGULAR MEETING
TUESDAY, JANUARY 19, 2021 AT 3PM VIA ZOOM**

BOARD MEMBERS PRESENT: Eric Meth, Jill Brewer, Jeff Blodgett.

OTHERS PRESENT: Kim Cowles, Jenny Monahan, various online attendees.

The meeting was called to order at 3:02pm.

APPOINTMENTS:

3:00pm – Employee Benefits Research Reporting: Several residents that volunteered to research the proposed 11% town match contribution for employee's retirement plans reported their findings to the Selectmen. In brief, their recommendation is that the NHRS would not be a good investment for the town due to unfunded liability of the fund and predicted future increases that are passed onto municipalities because of the fund's deficit. Regarding the proposed 11% town match, they did not feel it was a good comparison to NHRS which is a defined benefit plan. Contributions to the NHRS are used to fund current and future liabilities of the plan, they do not go into an individual's account. There is also a ten year vesting requirement. (Report attached.)

3:30pm – CIP Recommendations for 2021 Presentation: CIP Chairman Karen Foss reviewed the 2021 plan with the Selectmen. The following are their recommendations:

- The town should develop a five year plan for roads to assist with financial planning. Road Improvement Funding will be continued at \$75,000 in addition to annual Highway Block Grant funding.
- Town Buildings Maintenance will continue to be funded at \$30,000. Corey Rush has developed a spreadsheet of town buildings and their components that is still in progress. The CIP expects that this will be helpful when fully complete.
- The committee would like the Life Squad surplus to at least partially be put towards the Life Squad's equipment funding.
- Regarding Bridges, the Planning Board recommended that \$200,000 be raised at \$40,000 per year for the next five years. This will be a warrant article this year.
- Karen said the infrastructure for the Water Dept. does not have a Capital Improvement Plan and recommended that a plan be developed.
- The committee recommends a Cost/Benefit Analysis be completed for the previously proposed (and recommended by the town's auditors) purchase of a scale for the Transfer Station.
- Steve Plante let the selectmen know that the Fire Department is considering trading in the Sutphen Pumper and Rescue Truck towards the purchase of a multi use truck that would be more efficient for the department.

TO SIGN/APPROVE:

The January 19, 2021 transaction list was reviewed and signed by the Selectmen remotely.

The January 11, 2021 meeting minutes were approved as amended.

TO DISCUSS/REVIEW

Town Meeting Plans: Town Moderator Jim Walker said we can postpone town meeting but would need to choose a second Tuesday in April, May, June or July. He suggested waiting for Senate Bill 2 to (relative to town and school

meeting postponements) be finalized before setting a date. Chairman Brewer said the board is leaning towards postponing and that she agreed with waiting to see the final version of SB2 before deciding on a plan.

Covid-19 Local Update: Chairman Brewer said there are 13 new cases of the virus in Franconia over the past two weeks making a total of 14 active cases. It is known that some of the cases are at the Lafayette Center but it is not known how many of the new cases are in the facility.

CORRESPONDENCE: None.

COMMITTEE REPORTS:

Cable Consortium: Selectman Meth said he has been in conversation with Zak Mei (Easton Selectman) about getting people together on a broadband committee. The Grafton County Broadband Committee will Zoom meet on January 27th at 7:00pm.

Chamber of Commerce: Selectman Blodgett said the next meeting is January 20th via Zoom.

Conservation Commission: Chairman Brewer said the CC is working on finalizing the \$5,000 payment towards the Van Pelt property purchase.

Energy Commission: The next meeting is today at 4:30pm via Zoom.

Planning Board: Selectman Meth said the Planning Board meets the 26th at 7pm via Zoom and plans to begin working on updating the Master Plan.

PUBLIC INPUT:

Dawn Steele asked about a recent burglary and stabbing at Cannon Mountain and pondered whether the police department could be reimbursed for their services as this was a state owned property.

Karen Foss thanked Jenny Monahan for her assistance with CIP this year.

Jayne O'Connor commented that at some point in the past only State Police used to patrol Franconia Notch and not town's officers.

With no further discussion, the meeting was adjourned at 4:08pm.

Respectfully Submitted,

Jenny Monahan
Administrative Secretary

MEMO TO THE BOARD OF SELECTMEN, FRANCONIA

January 19, 2021

A. PROS & CONS OF JOINING THE NEW HAMPSHIRE RETIREMENT SYSTEM

B. PROS & CONS OF REMAINING IN THE PRESENT SYSTEM

A. Pros of Joining the NHRS

1. It appears to be a good benefit for Town employees; the benefit is determined at retirement with a formula prescribed by law; includes a post retirement medical subsidy.
2. Pension benefit is NOT calculated based on investment returns or contributions.
3. The NHRS system is unlikely to fail (because of low returns or excessive risks) because the Towns (i.e. taxpayers) will buttress the system with higher contributions.

A. Cons of Joining the NHRS

1. A decision to join the NHRS exposes the Town to significant future liabilities. The BOS have a fiduciary duty to taxpayers to minimize future liabilities.

2. The NHRS program had an unfunded liability of \$6.4 billion in the actuarial valuation at the end of fiscal year 2020 . The State Legislature has enacted legislation that requires the unfunded liability to be paid off by 2039. This liability is being solely borne by the employers participating in the plan. This means higher employer (i.e. taxpayers) contributions over the period.

3. In June 2020 the NHRS Board adopted revised actuarial assumptions based on a recent study and reduced its investment assumption from a rate of return of 7.25% to 6.75%. While this makes sense based on historical returns, it will also increase the employer contributions.

Note: 75% of the bond portfolio was invested in BBB or lower (not investment grade), and 11% of the total portfolio was invested in “alternative investments” (i.e. junk, very risky). The Board is chasing return and incurring higher risk.

4. Employer contributions are revised every two years.

For 2020 & 2021 the employer contributions were:

Employee (Group 1)	11.7%
Teacher (Group 1)	17.8%
Police (Group 2)	28.48%
Fire (Group 2)	30.09%

For 2022 & 2023:

Employee (Group 1)	14.53%
Teacher (Group 1)	21.02%
Police (Group 2)	33.88%
Fire (Group 2)	32.99%

Note: These rates do NOT accrue to the employee; it is a rate that contributes to the general payment of immediate and near term plan liabilities for pensions.

Note: For 2019 NH employer contributions were below the national average of more than 200 state pensions as a percentage of payrolls (15.4% vs. 18.2%).

Note: Employer contributions have risen 6.2% on average each year for the past 10 years.

5. Member contributions are set by statute and currently are as follows:

Employee (Group 1)	7%
Teacher (Group 1)	7%
Police (Group 2)	11.55%

Fire (Group 2)

11.8%

There is no flexibility in the employee contribution. All full time permanent employees are mandated by law to participate.

6. An employee is not fully vested for retirement benefits until completion of 10 years of NHRS creditable service or reaching normal retirement age. If an employee terminates service, he/she can withdraw or rollover only his/her contributions and interest. Employer accumulated contributions remain in the plan for the payment of future benefits to others.

Note: The interest rate applied to employee contributions in 2021 is 0%.

7. The plan is a defined benefit plan. The employer takes full responsibility for funding the plan. NHRS takes responsibility for investing the contributions.

8. These plans are becoming increasingly rare because they are not financially sustainable. The State of NH has investigated converting to a defined contribution plan in the past few years as a way to better manage its future liabilities. Underfunded liabilities need to be fulfilled - by the Towns. Last year the unfunded liability grew by \$1 billion from \$4.95 to \$6.04.

9. Paperwork can be a nightmare. Towns need to keep very good records and stay up to date on changes. No flexibility on contributions.

B. Pros of remaining in the existing Valic Plan

1. The Town has flexibility with its matching contribution rates.
2. The employee has flexibility in joining or not joining and with her/his percent of participation.
3. If the employee leaves employment, he/she can take or roll over the entire package of contributions and accumulated earnings.
4. The plan offers options for investing depending on the employee's risk tolerance and retirement horizon.

B. Cons of remaining in the existing Valic Plan

1. There are no guarantees.

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Valic 457(b) Deferred Compensation Plan
MyUbiqity.com: How Much Do Companies Typically Match?
Phone interviews with Towns who offer NHRS plan.
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