Pension Deficit Committee Minutes – August 9, 2023

Attending: Alderman Larry Cupoli and Alex Adams. Absent: Alderman Carrie Savage

Others Attending: Alderman, Anna Tadio, John McCann and Joe Barbagallo; School Commissioners: Heather Hauke, Stephanie Stoodley, and Cathy Solsaa; City Treasurer, Mary Markowski, School CFO Ted Plemenos, Erik Schait of Newport Group and Fire Chief Bill Lovett.

The meeting was held at City Hall in the upstairs chambers. Chair Larry Cupoli opened the meeting at 6:32 pm.

Larry discussed the information provided by Erik Schait regarding the City Pension Deficit. The pension deficit calculations included 3 different cash flow scenarios, the current schedule, as well as, two schedules with increased funding of $50K quarterly and $125K quarterly. The increases were presented to show the impact of increased contributions with possible funding from the local option tax revenue.

Erik presented the three cash flow proposals and noted that the current asset value is projected out by taking into account the future plan benefits going out of the plan and projected contributions. The three cash flow scenarios were as follows:

- **Original Plan** – If the City stays with this plan in the year 2048, the plan will run out of money and all funding would have to be from budget or other sources.
- **Modified + $50K per Quarter** – The City contributions would stop in 2051 and the remaining plan assets would be enough to cover the future benefits. The plan would be 86% funded.
- **Modified + $125K per Quarter** – The City contributions would stop in 2049 and the remaining plan assets would be enough to cover the future benefits. The plan would be 87% funded.

Erik noted that these are long-term projections that would vary year to year but provides a snapshot of what the increased contributions could do for the plan

After discussion of the cash flows, Alderman McCann asked about a scenario on the current schedule where the plan would not run out of money. Erik will review and run an additional scenario for the committee to review.

There was additional discussion about use of local option tax. Cathy Soulsaa asked about how the additional contributions would be funded. The local option tax was approved by the voters in March and included use for pension debt obligations. The Board of Alderman would ultimately be making the decisions regarding the use of the local option tax. The local options tax would only be used for the City portion of the pension not the School.

Ted Plemenos pointed out that the scenarios show the impact of the additional funding whether it's $25K or $100K it is meaningful and would be positive from a labor relations point view. Anna asked about how the extra funding would be invested. Erik responded that the funds would be invested into the plan with the regular contributions. There was some discussion of how much of the local option tax could be allocated to pension deficit, either a flat amount or based on a percentage.

Larry noted that this information was presented for discussion only and the Committee agreed it would be helpful to have an additional scenario where the plan would not run out of money.

I would entertain a motion to reserve $75,000.00 per quarter from the Local Option Tax Fund to cover future benefits to the Pension Fund to the Finance Committee.

The meeting adjourned at 6:55pm.