A Work Session of the Town Board of the Town of Clarence was held on Wednesday, April 3, 2013, at Clarence Town Hall, One Town Place, Clarence, New York.

Supervisor David Hartzell called the meeting to order at 9:00 A.M. Members of the Town Board present were Councilmember's Bernard Kolber and Robert Geiger. Councilman Casilio and Councilman DiCostanzo were absent. Other Town Officials present were Town Attorney Lawrence Meckler, Town Engineer Timothy Lavocat and Director of Administration and Finance Pam Cuviello.

Floss Agency – Joseph Floss/NYMIR Representative Karen Buckley

Mr. Floss prepared a binder for each of the councilmember's however; it is not complete because it is prepared almost two months in advance of renewal. The rates are down almost three percent and valuation is up over one million dollars. Mr. Floss is recommending another meeting with the Town Board on June 5th to go over the report in detail. The In-land Marine equipment list is not included other than that, all the renewal pricing is included in the report along with a five year history of what the premiums have been. The premiums have been going down consecutively. NYMIR has paid for an appraisal of every town building over $50,000 in value; they discovered that the town was slightly underinsured and increased coverage by one million dollars.

Mr. Floss asked that the Town Board review the report and schedule a meeting for June 5th to go over the report in detail. He further asked that if any Board member has any questions, concerns or suggestions, they e-mail them to Mr. Floss in advance so he can be prepared to explain at the meeting.

Mr. Floss has met with Councilman Geiger and Pam Cuviello numerous times to review the insurance and the claims but feels it is wise to meet with the Town Board once a year to review it as well.

Karen Buckley thanked the Town Board for being a NYMIR subscriber since 2006 and presented an American Flag.

NYMIR was upgraded by AM Best from an A- Excellent to an A; they have also returned over eight million dollars to their subscribers who have been with them five years or longer. The Town of Clarence received their final installment of repayment of a capitalization charge last year. They have enhanced many of their coverage forms including Failure to Supply Water, the restrictions were removed. They added pesticide spraying to their Pollution endorsement; they have added Fidelity and Public Sector Fraud to their on-line courses. Training on recommendations and suggestions on internal controls to protect the town against any internal embezzlement. They also have Employee and Officers Liability including suggestions on hiring, handling of complaints and termination of employee to protect the town from lawsuits (you cannot prevent a lawsuit but hopefully with good employee practices in place, losses can be minimal). NYMIR is sponsoring an Employee Practices Seminar in Buffalo.

In the past NYMIR did appraisals on buildings that were $100,000 and over, that threshold has been lowered to $50,000.

NYMIR is in the process of celebrating its 20th Anniversary and in honor of that Karen Buckley presented the Town Board with an American flag.

Employee and Officers Liability include all volunteers working in the scope of the town. Volunteers must be appointed by the Town.

Councilman Kolber asked about protocol relative to youth volunteers riding in town vehicles with town employees. Mr. Floss will forward the information to Councilman Kolber.

Joseph Floss stated that currently the town has a liability limit of twenty-one million dollars riding on every vehicle; it covers over and above General Liability and Land Use Liability etc. He will discuss this further at the June 5th meeting. Mr. Floss encouraged the Board to be very diligent in obtaining a Certificate of Insurance listing the Town as additional insured from anyone the town hires to work on any municipal building.

Councilman Geiger asked if the town had to notify all contractors to call 811-Dig-Safely relative to underground utilities. Ms. Buckley stated that they are hosting several Dig Safely seminars, she will see if one is scheduled for this area. Councilman Geiger is exploring the possibility of including this on some of the town's contracts. Town Engineer Lavocat stated that the town does require this in all our Capital Improvement Projects and construction projects; he would like to review this further with Town Attorney Meckler and Mr. Floss to make sure the town is adequately covered.

LOSAP – Floss Insurance Agency Joseph Floss/VFIS Kathleen Sibol

East Amherst VFC and Swormville VFC both service the Town of Amherst as well as the Town of Clarence so Amherst Supervisor Barry Weinstein was invited to attend this meeting as well as the presentation at 6PM with the local fire departments.

VFIS representative, Kathleen Sibol gave a status update of the LOSAP program. Annually an actuarial report is prepared.

Funding ratio is a calculation that looks at your asset to present value of accrued benefits. The ratios are determined by each Plan's set of actuarial assumptions, benefit specifications and roster of liabilities as of the 2012 actuarial valuation. All the years of service and the liability associated to that would be the present value of accrued benefits. The asset to that present value is the funding ratio typically referred to.

Funding ratios are very much relative to the underlying assumptions that are being used. When present values are calculated funding, for that matter any actuarial method will use roster and liabilities, plan specifications, years of service, length of time benefits will be drawn and actuarial assumptions. A grouping of assumptions is used, putting that together with the plan specifications and your roster of liabilities to come up with present values and funding recommendations for the plan. Funding ratios can be skewed by changing something as simple as a mortality table or an assumed rate of return. Currently the assumed rate of return being used on the town plans is 4.75%. Groupings of assumptions are used when actuaries look at them for reasonability, not individually necessarily but as a group of assumptions and furthermore over the long term as to what have been earned, what is anticipated to be earned as far as investment mortality.

The grouping of assumptions that a third party independent actuary (not a VFIS actuary) is recommending for the grouping of assumptions that would be reasonable for a plan such as the town's and using the investment approach that we are using is a 4.75% assumed rate of return which is where each of the town's plans is currently but moving that to a 1994 mortality table (currently the plan is using a 1984 mortality table). The next step would be to move from the 1984 mortality table to a 1994 mortality table – this could be done immediately or implemented gradually by using a four year setback method.

Currently the town is earning 3.5% which is the lowest ever earned, the floor on the investment is 3%. The mortality table if adjusted will change the rate of contribution, assuming people will live longer, payouts would last longer therefore the recommended deposit to properly fund will increase.

Group Annuities are an investment vehicle; this is the product that is earning 100% principal guarantee. There is a separate product called an Individual Annuity that is not required. Individual Annuities can be purchased for people who reach entitlement age or terminate their vested status and are due benefits when they reach entitlement age. By purchasing an Individual Annuity, you pay an insurance carrier a premium. They take the responsibility of making those benefit distributions and the risk of how long those benefit distributions are going to last. They will also track the individuals down when they reach entitlement age so they can pay these benefits for the duration of life for these individuals once the benefits commence which is a minimum of ten years. With individual annuities, there are policy expenses which are a higher cost than if you were going to maintain that liability of making those benefit distributions straight from the investment account. The Group Annuity Contract "is like check book money in – money out." You can deposit money in whenever money is available or pull money out whenever you need to do that for benefit distribution whether it is death, disability or entitlement age. Issuing benefits from the Group Annuity Contract does come with some responsibility, the liability of making those benefit distributions when they come due and for as long as the person lives, minimum of ten years. The trade-off is shifting that risk of longevity payment and eliminating the responsibility of the sponsor to fund and meet investment objectives by purchasing individual annuities.

East Amherst VFC has an entitlement age of 55 vs. 62 for Swormville, Harris Hill and Clarence Center. There is a life insurance benefit that is part of each of the individual plans; Permanent Universal Life Insurance guaranteed issue on each volunteer at $25,000 except for Clarence Center which is $10,000. Clarence Center was taken over later in 1996.

January 1992 there was a Shared Service Agreement with former Amherst Supervisor Ward and former Supervisor Grenzebach allowing the Town of Clarence to be the governing body on Swormville and East Amherst. NYS General Municipal Law allows up to forty years of service to accrue, the volunteer has to make a certain number of calls and hit at least 50 points. By state law, the volunteer firemen would have to serve up to forty years however the town capped it at 30 years of service. New York State Law allows a maximum of thirty dollars per month for every year of service at entitlement age; the town opted to cap that at twenty.

The recommendation of the actuaries is to move to a 1994 mortality table. Doing so will have a direct effect on the funding ratios. The Plans use a Projected Benefit Funding Method, under this method calculations are done each year which are reviewed by an independent actuary and then they recommend deposit. There is a range of deposit that is reasonable. Anything over and above the recommended deposit that is deposited by the town would be to our advantage to more quickly fund the plan. The Town Board makes this decision; it is a recommended deposit using a grouping of assumptions and a funding method. It is not like insurance that will disappear or you won't have coverage if you do not do this, what you risk is actuarial certification if you do not meet year after year recommended deposit.

Mr. Floss stated that if the Town Board gave him a directive to fund the plan to a level whereby every plan is at least 75% funded by 2016, they could give the Board an annualized recommendation. The actuary is recommending that the town move from a 1984 mortality

table to a 1994 assumed mortality table that in and of itself will increase your recommended deposit.

VFIS charges and administrative fee for each plan totaling approximately $10,000 which covers the actuarial services as well.

Once the town finishes making the EEOC payments, beginning in 2014 VFIS is recommending the town implement the 1994 mortality table. They will submit proposals to incremental change over a number of years or immediately change to a 1994 table.

The annual amortization payment will be paid up in the next two to three years for each plan with the 2013 or 2015 deposit. If the mortality table is changed, the amortization payment will go down but the normal costs will go up.

Funding ratios – present values change if you change actuarial assumptions or you change plan specifications. For example, you pay somebody at age 55 instead of age 60 your present value calculation would go up. These are things that change present values and then have an effect on funding ratios.

All plans have the same specifications: $20 per year of service, 30 year maximum years, $600 maximum benefit. East Amherst does have an age 55 entitlement all the others – the payout will be longer than the other three plans (Harris Hill, Swormville and Clarence Center the entitlement age is 62). All the plans have a $25,000 Life Insurance policy with the exception of Clarence Center; they have a $10,000 life insurance policy. After entitlement age, the member looses life insurance. The member is offered the opportunity to retain the life insurance by paying the premium.

The Actuarial Valuation report was mailed October 5, 2012 to Director of Administration Pam Cuviello, the report is done for each of the plans. Mr. Floss asked that Ms. Cuviello forward a copy of East Amherst and Swormville actuarial report to the Town of Amherst. The report contains years of service as of date of valuation, rosters, plan specifications, asset report, financial statement – it is a snapshot of your plans. It prints everyone's years of service, your active roster and your inactive roster that the town is still liable for. The report shows years of service as of date of evaluation, your accrued benefit liability for each person etc.

A Group Annuity Contract is the sole investment vehicle for the town, VFIS has previously offered Equity Indexed Investment options but the Board has chosen not to do that. The Group Annuity Contract is held with Hartford, now Mass Mutual. The best possibility of long term growth is in equities but there are risks. Prior Town Board's have felt it was important to have a guaranteed account and not to take any risks hence the fixed annuity contract.

Mr. Floss said that a lot of work goes into LOSAP each year with new participants, people that are terminated or hitting entitlement age. He takes a lot of pride in servicing the firemen directly he asked that if the Board hears of any complaints regarding his service commitment, he would like to know about it.

Motion by Supervisor Hartzell, seconded by Councilman Geiger to adjourn the Work Session at 10:35 AM. Upon roll call – Ayes: Councilman Geiger, Councilman Kolber, and Supervisor Hartzell: Noes: None. Absent: Councilman Casilio and Councilman DiCostanzo.

The Work Session adjourned at 10:35 AM. Darcy A. Snyder, Deputy Town Clerk