

***LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND***  
**MINUTES OF SPECIAL MEETING HELD**  
**November 23, 2004**

James Shook called the meeting to order at 8:44 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

**TRUSTEES**

James Shook  
Rich Seamon  
Jennifer Vaughn

**OTHERS**

Scott Baur, Administrator  
Adam Levinson, Attorney

**ADDITIONS AND DELETIONS TO AGENDA**

The Trustees requested the administrator to provide an update on the pending benefit survey ballot of the members regarding proposed benefit changes.

**REPORTING OF PLAN FINANCIALS**

The Board asked the administrator to provide details of bank charges on the monthly financial statement for February and March. They also asked for the names of former non-vested members receiving refunds of contributions in those months. The Board requested an explanation of the decrease in benefit payment amounts from January to February as well.

A motion was made, seconded, and approved 3-0 to approve the disbursements. The administrator will also provide a more detailed explanation of Check No. 1040, issued to the IRS.

**DATA CONVERSION**

Scott Baur reported that the administrator completed the conversion of historical payroll information from the City. He then reviewed the benefit calculations for the six most recently retired members of the plan. He reported that the City had a written procedure for completing calculations of benefits. Based on the procedure, the Finance Department completed the calculations in line with the City interpretation of the Ordinance. He noted some inconsistencies in some of the calculations for further discussion.

Included in the discussion presented by the Administrator, Scott Baur explained the difference between material and non-material differences in the benefit calculations. The material changes to methodology have a significant impact on the benefit amounts, while the non-material recommendations simply provide for alternative calculation procedures. The issue of the payout of retained sick and vacation time has the most significant potential impact on the calculation of benefits.

Scott Baur reviewed the calculation method in detail for David Batignani, Randall Craig, Dennis Fick, Roger Forrest, Ronald McIntyre, and Richard Sweeney. The benefit calculation for David Batignani substantially complied with the written procedure

provided by the City. Scott Baur reported that the City partially excluded Payroll Code 300 (Regular Vacation) and Code 400 (Regular Sick Time) from the calculation of the final average salary, with no explanation provided regarding the partial use of these amounts in the calculation.

Scott Baur then reported that the calculation for Randall Craig substantially complied with the written procedure as well, although the City excluded Code 221 (Step-Up Overtime) and Code 222 (ALS Overtime) from the final average salary calculation on the payroll for January 3, 2004.

Dennis Fick was hired prior to 1979. His calculation complied with the City procedure, except that the City was not consistent in the pro-ratio of payroll periods at the beginning and the end of the two-year final average salary calculation period used for other retired members. The City mysteriously excluded \$6.65 from the September 13, 2003 payroll for Dennis Fick, although the payroll detail had no matching entry for this amount.

Scott Baur reported that the calculation for Roger Forrest complied with the City procedure, except that the pro-ratio of the August 19, 2003 payroll period did not appear consistent. The Finance Department excluded Code 300 (Regular Vacation), Code 400 (Regular Sick Time), and Code 550 (Comp Time Used) from final payroll period used in the calculation of the final average salary. He recommended a possible further review of the calculation for Roger Forrest.

The calculation for Ronald McIntyre did not comply with the City procedure, with material differences. The City excluded Code 610 (Longevity Pay), Code 727 (EMT Pay), and Code 550 (Comp Time Used) from the final average salary calculation. Also excluded were Code 300 (Regular Vacation), Code 400 (Regular Sick Time), and Code 550 (Comp Time Used). Scott Baur commented that Ronald McIntyre retired right after the City modified the pension contributions for many categories of payroll that had been improperly excluded, but the City did not include the changes in the calculation for Mr. McIntyre. He suggested that a recalculation of his benefit would be appropriate, since he received a different calculation and a different benefit from other members who retired later but under similar circumstances.

Finally, Mr. Baur noted apparent irregularities and errors in the calculation for Richard Sweeney. The Finance Department excluded Code 300 (Regular Vacation), Code 400 (Regular Sick Time), and Code 550 (Comp Time Used) from final payroll period used in the calculation of the final average salary. Due to the other inconsistencies and irregularities in the calculation, Scott Baur recommended a possible recalculation of his pension benefit.

Scott Baur then presented his recommendations to the Board regarding the calculation procedure used by the City Finance Department. The City steadfastly interpreted the final average salary to include the two highest consecutive years, even though the ordinance does not use the word "consecutive". Mr. Baur therefore recommended that the Pension Fund consider basing the final average salary calculation on the two highest non-overlapping 12 month periods consisting of 26 payrolls.

Mr. Baur then noted that the method used for pro-rating payroll periods led to some inconsistencies in the resulting calculations. A period of 26 payrolls comes one day short of a full 365-day year. He recommended that the Pension Fund change the method for pro-rating the last payroll period, to make up two full years. After determining the two highest non-overlapping periods consisting of 26 payrolls, the Pension Fund would prorate the highest adjacent 27<sup>th</sup> payroll period by the ratio of 6/14.

Mr. Baur recommended that the Pension Fund clarify the definition of service, to provide greater consistency in rounding of total service for the final benefit calculation. He suggested that the ordinance could allow the Board to determine service to the day, or alternatively, the Pension Fund could round service up to complete whole months.

Finally, the Trustees considered the matter of the final payment of retained sick leave and retained vacation time. Inclusion of these payroll items would have a more significant impact on the calculation. The ordinance does not specifically exclude retained sick leave and retained vacation time from the calculation, while the ordinance does exclude accumulated sick leave and accumulated vacation time.

Scott Baur then reviewed the update to the DROP Account balances for members with balances in the plan. He reported that he received a letter signed by all the DROP members, requesting immediate release of statements without further delay. While the delays were regrettable, Mr. Baur noted that the Pension Fund does not have any members eligible to withdraw funds from the DROP at this time. In the mean time, he needed to obtain updated information from the City regarding the balances that he could match in the systems used by the administrator. He initially experienced considerable delays in receiving the requested information, and then he had issues with changes contemplated by the City regarding the interest credit rate.

Mr. Baur reported that the City used a correct procedure to determine the DROP Account balances and post earnings and administrative expenses to the accounts. The City reduced the cost of administration charged to the accounts from 75 bp per year to 50 bp. The City also contemplated a retroactive change to the interest credit rate for a time, although the current quarterly credit rate of 1.71% used by the City was in fact the correct rate. Since these items affected the balances and statements issued to members in the DROP, Mr. Baur resolved these issues with the City. He had updated DROP Account statements for the members of the plan, and Mr. Baur recommended no additional changes to the policy used to update the DROP Accounts.

A motion was made, seconded, and approved 3-0 for the administrator to consult with the actuary and the auditor regarding the recommendations to the Board.

Adam Levinson reviewed the DROP Withdrawal Policy created for the Lake Worth Firefighters Pension Fund. The Policy incorporated provisions similar to those in effect for the West Palm Beach Firefighters Pension Fund. The Board stipulated that members should be able to take partial distributions from accounts at any time, without further limitation by policy. The Trustees also recommended that the Policy should include a recommendation that members seek that advice of their own qualified tax counsel when taking distributions. The administrator should pay any large lump-sum distributions as

soon as administratively feasible. Final distributions should include a 10% holdback for earnings, unless the member elects the fixed credit rate to the DROP Account.

Some questions remained with the auditor regarding the status of distributions prior to age 59 ½ for members separating from service prior to age 55. The administrator will code the 1099R for all such distributions as “TND” pending further clarification of the matter by qualified tax professionals.

The Trustees reported that four retired members, Mr. Mertes, Mr. Howden, Mr. Tillery, and Mr. Marshall may have selected an optional form of benefit payment that includes a social security offset. The Pension Resource Center will further investigate the optional forms of benefit selected by these members, since the City did not report any benefits with a Social Security offset during the data conversion.

There being no further business and the next regular meeting having previously been scheduled for December 15 at 8 AM, the Trustees adjourned the meeting at 1:45 P.M.

Respectfully submitted,

Mark Lamb, Secretary