

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
October 6, 2006

James Shook called the meeting to order at 9:03 A.M. in the Conference Room at Station 1, Lake Worth, Florida. Those persons present were:

TRUSTEES

James Shook
Rich Seamon
Pat Highland

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Steve Palmquist, Actuary

ADDITIONS AND DELETIONS

Ms. Adcock provided the Board with a final copy of Ordinance 2006-23. Mr. Seamon inquired if someone could roll their sick and vacation time into the DROP. Mr. Levinson stated that it would have to be a non-elective decision. That is, the employee could not be given the change to either take the cash or roll it over. It has to apply to everyone in a uniform manner. It was determined that this would be a matter for discussion at another time.

ACTUARIAL REPORT

Steve Palmquist appeared before the Board to present the Actuarial Valuation as of October 1, 2005. He stated that the employer contribution was \$942,443 in October 1, 2004. With the changes recently passed, the employer contribution for October 1, 2005 is \$1,656,146. He noted that with the Division II money to be transferred to this Fund pursuant to the Ordinance, the employer contribution will be \$1,234,374. He stated that the bad news was that they were originally focusing on the amount of \$343,882 that would be needed from Division II to cover the difference. However, that amount increased to \$421,772. He stated that the increase was partly due to continuing to recognize part of the investment losses from 2001 and 2002. Additionally, the pay increases were higher than expected – 8% versus the assumed rate of 6.5%.

Mr. Palmquist stated that he wanted to discuss a possible change of funding method like the Police Plan did. He noted that the Police cost went down 10% of payroll. He stated that if the Board was inclined to do that, he would strongly recommend not applying all of it to reducing contribution but to use part of it to reduce the actuarial assumed investment return as he thinks an assumed rate of 8.5% is rather high. He also noted that it would raise the probability of meeting the investment expectation. Mr. Palmquist stated that he thought it was a golden opportunity to make the change. It would get the Fund a little more realistic on the long term investment philosophy and save some money at the same time. It was noted that the GE and Police Plans have made the change but have kept the 8.5% assumed rate.

Mr. Levinson stated that the new Ordinance is costing more than was thought for the first and possibly the second year. He noted that the Finance Director has asked if the increase in employee contributions should be retroactive to April 1, 2006 or when the Ordinance was passed. Mr. Levinson stated that he is of the opinion that the Board has some flexibility as the Ordinance is a little vague. He stated that he is comfortable if the Board decided to make only the benefit retroactive and not the contribution. Mr. Seamon

stated that he was under the assumption that he benefit would take place on April 1 but the contribution would take place after the Ordinance was passed.

Mr. Palmquist stated that the expectations of the experts are lower now than what it has been in the past. If the Board is not inclined to change the funding method, he would not recommend changing the investment return. Mr. Seamon stated that he would like a full Board to be present to have a discussion on the funding method. Mr. Palmquist stated that he could provide information on the numbers for the different scenarios.

Mr. Palmquist continued on with the Actuarial Valuation. He noted that the funded ratio was 71.4% as of October 1, 2005. He stated that it went down from last year because of Ordinance change. He noted that changing the funding method will not change the funded ratio but changing the interest rate assumption will change the funded ratio. He stated that currently the funding method is frozen entry age normal and he would be recommending a change to entry age normal.

Mr. Palmquist stated that he also needs to address the retained and sick leave issue. They are paid out and included in pensionable pay. He stated that he needs to take a closer look at that. There was a lengthy discussion.

The Board discussed the increased contribution back to April 1 and the retroactive check that members are going to be getting for a salary increase. The Board directed Mr. Levinson to correspond to the Finance Director that for the time being they do not think there needs to be a member contribution back to April but that verification should be provided that the City is taking the increased contribution on the retroactive check for salary increases. There was further discussion on the issue of retained and sick leave and the huge cost this could be. Mr. Levinson stated that it is a reasonable interpretation to include them but now there are unanticipated cost consequences due to the new Ordinance that the Board can consider. He stated that he would not recommend taking it away from any retiree already being paid but the Board could change for the future. Mr. Palmquist stated that he never received official notification of the change so his interpretation is not in this Valuation. However, he cannot ignore it in the future. A motion was made, seconded, and carried 3-0 to accept the Actuarial Valuation as of October 1, 2005.

OTHER BUSINESS

There being no further business, the Trustees adjourned the meeting.

Respectfully submitted,

Mark Lamb, Secretary