

LAKE WORTH FIREFIGHTERS' PENSION TRUST FUND
MINUTES OF MEETING HELD
June 28, 2012

The meeting was called to order at 10:30 A.M. in the Conference Room at City Hall, Lake Worth, Florida. Those persons present were:

TRUSTEES

Jimmy Shook
Rich Seamon (10:38 A.M.)
Pat Highland
Mark Lamb

OTHERS

Margie Adcock, Administrator
Adam Levinson, Attorney
Steve Palmquist and Pete Strong, Actuary
Steve Carr, Participant

ADDITIONS AND DELETIONS

Mr. Shook stated that he was made aware of the passage of HB 401 concerning beneficiary designations when he attended the FPPTA Conference earlier this week. He stated that he understands the changes are effective July 1 and he would like the Attorney to discuss it further under the Attorney's Report.

MINUTES

The Trustees reviewed the minutes of the meeting of May 24, 2012. A motion was made, seconded, and carried 3-0 to accept the minutes of the meeting of May 24, 2012.

ATTORNEY REPORT

Request Regarding Conversion From Disability Retirement to Normal Retirement

Mr. Levinson discussed a request from Stephen Carr regarding converting his disability retirement to a normal retirement. He stated that Mr. Carr was granted a duty disability in 1987. He reviewed Ordinance Section 16-77(a) for the Board. It was noted that the Actuary calculated a conversion benefit back to a normal retirement date of May 1, 2007. Another conversion benefit was calculated effective April 1, 2012, which was when Mr. Carr made the request for a conversion. Mr. Levinson stated that the issue before the Board was what the effective date of the conversion should be.

Rich Seamon entered the meeting.

Mr. Palmquist explained the conversion calculations. He stated that the first calculation used a conversion date of May 1, 2007, which was based on the Rule of 75 (age plus service). The second calculation used a conversion date of April 1, 2012, which was based on the date of Mr. Carr's request. This calculation added 5 more years of service from 2007 to 2012. Mr. Palmquist stated that he thought the first calculation was the one to use because the Ordinance stated that a disability benefit "shall" convert upon the attainment of normal retirement age. Mr. Levinson stated that he did not think there was any harm in giving a disability retiree the option of converting. Mr. Palmquist noted that the multiplier was 2.5% when Mr. Carr separated service so his benefit would only be

50% at his normal retirement date (2.5% for 20 years). However, he noted that the multiplier now is higher and will make more of a difference for a disability retiree, as they would get a much higher benefit upon a conversion. There was a lengthy discussion. It was noted that the Board had a discussion many years ago about possibly making a conversion an option versus a requirement, but nothing ever materialized at that time. Mr. Levinson stated that if the Board requires a conversion, there is a very slight potential liability that someone could claim Age Discrimination, so that might be a reason to provide it as an option to a disability retiree. Mr. Palmquist stated that there was not much of an impact from the City one way or the other. He stated that if the Plan was amended to allow an option, he thinks the vast majority would have their disability benefit last for life and not convert. There was discussion on allowing Mr. Carr to convert back to May 1, 2007 and possible tax implications given that he has been paid a disability benefit all this time. Mr. Levinson stated that there should be no concern on how his benefit was already paid out. The Board did not have to go back and revisit history. A motion was made, seconded and carried 4-0 to grant Mr. Carr's conversion as requested retroactive to May 1, 2007. It was noted that if Mr. Carr elected benefit Option 1 or 6, he would receive a retroactive payment back to May 1, 2007, as the amounts were greater than what he currently receives as a disability benefit. However, if Mr. Carr elected benefit Option 3, he would not receive a retroactive payment, as the amount is less than what he currently receives as a disability benefit. Mr. Levinson stated that if Mr. Carr elected benefit Option 3, that the Fund would not seek reimbursement because he did not have the protection of the survivor benefit during that period. There was discussion on how to handle this situation in the future. It was noted that a conversion calculation would be done when the initial disability calculation is done. The Board also asked the Actuary to review those that are currently receiving a disability benefit to determine when a conversion will occur for each disability retiree.

Discussion on Projection Study Regarding the Actuarial Cost Method

Mr. Levinson stated that he had a meeting with the City representatives and the Actuary regarding the Actuarial Valuation. It was noted that the County only has to pay the FRS rate, but the FRS rate is decreasing. Mr. Seamon reminded that the City is getting money from DROP Participants which payments were never made prior to the merger. It was noted that the actuarial cost method is a concern. The Actuary did a projection study regarding the actuarial cost method for the GE and Police Pension Plans. They City would like a similar study to be done for this Plan as well. There was a lengthy discussion. A motion was made, seconded and carried 4-0 to authorize the Actuary to do an actuarial cost method study not to exceed \$5,000. The Board directed the Administrator to invite the Finance Director to the next meeting.

Discussion on the Interest Rate Credited to the DROP

It was noted that part of the increase in the City's contribution amount from the amount last year was due to the interest rate for the DROP accounts, as the interest earned on the DROP accounts was more than what the Fund actually earned. The interest rate credited to the fixed option of the DROP accounts was initially set at 7% and has remained at that rate ever since. It was set to be 1.5% below the assumed rate when it was first established, which investment assumption rate then was 8.5%. There was discussion on possibly changing the DROP fixed interest rate prospectively so that it would always be

1.5% lower than the assumed investment rate. There was a lengthy discussion. Mr. Palmquist stated that over half of the other DROP plans he works with do not have guaranteed interest rates. Additionally, a lot of those with guaranteed interest rates have ratcheted down the rate to between 1.3% and 6.5%. Mr. Levinson stated that the Plan does not guarantee the rate remain the same so he has no objection to the Board changing the rate. However, some degree of notice should be made to the Participants. There was discussion on lowering the interest rate to always be 1.5% lower than the assumed investment rate. Mr. Strong stated that the City would like it to be lowered further than that. Ms. Highland agreed with the City and stated that the rate needs to go down faster and further. There was further discussion. A motion was made, seconded and carried 3-1 to direct the Attorney to amend the DROP Plan to change the DROP interest rate to be 1.5% below the assumed investment rate effective October 1, 2012. The motion was opposed by Ms. Highland.

Legal Update on Lawsuits

Mr. Levinson reported on the status of the lawsuits. He discussed the status of the Merrill Lynch class action. He noted that the Board needed to complete and file a Claim Form and Release. The Board has already approved this being done. The Form just needs to be signed and filed. A motion was made, seconded and carried 4-0 to authorize the Chair to execute the Claim Form and Release.

HB 401

Mr. Levinson discussed HB 401 regarding the automatic revocation of certain beneficiary designations upon divorce. He stated that the law takes effect July 1, 2012. The new law will automatically revoke a beneficiary designation upon divorce for those who elect joint and survivor options. Unless the retiree reaffirms the beneficiary designation after divorce, the joint and survivor benefit will go away. He stated that his firm is sending a request for an Attorney General Opinion in the next couple of weeks. He advised the Board to wait to do anything further on this issue until he receives the Attorney General Opinion.

OTHER BUSINESS

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

Respectfully submitted,

Mark Lamb, Secretary