

Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

September 26, 2005

Henry Maki called the meeting to order at 8:34 AM in the Conference Room of the North Palm Beach Village Hall located at 501 US Highway One, North Palm Beach, FL. Those persons present were:

TRUSTEES PRESENT

Henry Maki
Lew Steinberg
Robert DiGloria
Tom Fitzpatrick

OTHERS PRESENT

Bonni Jensen, Hanson, Perry & Jensen;
Fund Counsel
Denise McNeill; Pension Resource Center
Chief Knight
Manny Grinn

PROPOSED PLAN CHANGES

As per instruction from the Board of Trustees, Chief Knight had been invited to this meeting in an effort to communicate the current status of the requested benefit changes. Chief Knight explained that the Village Administration feels any pension changes should be negotiated through the Union, however recent Union negotiations are now closed.

At a prior meeting, Chief Knight had requested the Board provide an explanation of the actual cost of the benefits being requested. Mrs. Jensen reviewed the updated actuarial cost study reflecting the information requested by Chief Knight, noting that the calculations include an employee contribution of 2%. Discussion followed regarding expected investment returns. Chief Knight explained that the Village believes the current 20% contribution is not normal and feels the cost will decrease as the investment results improve for the plan. The Trustees explained the Board was expecting a response from Chief Knight upon the close of the budget. Chief Knight explained he is concerned with the full cost of all benefit changes requested. Lew Steinberg explained that the Board had previously recommended making additional changes to help offset the cost (i.e. Fresh Start and increased employee contributions).

Further discussion followed regarding each item listed on the updated summary, noting that two of the items must be changed in order to meet the State's minimum requirements. Mrs. Jensen explained the Board is not certain if there

is enough money in the Chapter 175 and 185 contributions to cover the cost of the minimum mandated benefits and an actuarial cost study would be required to determine such information. Chief Knight explained that he believed the actuarial numbers would change each quarter. The Trustees explained that the actuarial valuation is completed annually and therefore those calculations would only change once a year after the fiscal year end close and a new annual actuarial valuation is completed. In summary, a valuation of the current plan year ending 9/30/05 is not expected to be complete until April 2006.

Discussion then followed regarding a Fresh Start and EAN (entry age normal) changes. The Board noted that most pension plans, including the Florida Retirement System, are utilizing an EAN method. Chief Knight inquired into the plan multiplier and percentage cap. Mrs. Jensen explained the multiplier and cap is intended to be the same for all employees and although the cap would immediately affect a few employees, the Village would still recognize savings due to a change in payroll with a higher wage employee retiring. The Board noted that due to the current structure of the plan, there is no incentive encouraging higher paid employees to leave the plan, resulting in a higher salary cost to the Village.

Mrs. Jensen reminded Chief Knight that any changes passed during the current fiscal year would be funded by the Village in the 2006/2007 plan year.

Mrs. Jensen summarized her understanding of what Chief Knight has described to the Board during this meeting: The Village has an interest to bargain all benefit enhancement changes through the collective bargaining process with the Unions and since the bargaining cycle has just closed, there is no possibility of initiating the changes proposed by the Board. Chief Knight encouraged the Board to propose changes to the Village for the items the pension plan is able to fund (if the plan is able to fund the minimum mandated benefits on their own utilizing funds received from the State of Florida for Chapter 175 and 185 contributions). Chief Knight then acknowledged that he believes it is the intent of the Village Manager not to bargain with pension boards.

Chief Knight offered to help the pension plan resolve the pending payroll issues. Additionally he encouraged the board to seek an avenue of working with the Unions for benefit changes.

The Trustees inquired if Chief Knight believes there is any chance of the Village approving benefit enhancements that could not be funded solely by the pension plan and would require the Village help fund, however they did not receive a direct response to that inquiry.

Mrs. Jensen explained that traditionally this pension Board had been utilized as the vehicle of which benefit enhancements were made. The Trustees expressed concern, noting the Village has had the same labor attorney for a few years, and this is the first time the pension board is being told items must be negotiated. The Trustees also expressed concern that the most recent cost study requested from actuary appears to have been a waste of time if the Village Administration is requiring all future changes be negotiated. Chief Knight reminded the Board that

any council member may bring forth an item for council review which would not need to come from the Village Administration directly.

Lengthy discussion followed regarding the fact that the Trustees had been led to believe that the Board could continue to enhance benefits, however now that bargaining has closed, that does not appear to be the case.

Chief Knight explained that he feels the Village Manager and a few of the council members are in agreement with enhancing the pension benefit, however the enhancements will need to be negotiated.

Mr. Grinn stated that the Trustees may wish to propose a 401A plan. As the attorney has previously stated, the Trustees, as fiduciaries to this pension plan, are required by law to discharge their duties with respect to THIS plan solely in the interest of the participants and beneficiaries. Creating a completely separate pension/benefit plan is not an allowable or viable option within the scope of this Board.

BENEFIT APPROVALS

Denise McNeill presented the Trustees with the details of the Lump Sum distribution scheduled to be made on October 14, 2005.

- Lew Steinberg made a motion to approve the disbursement, seconded by Robert DiGloria and approved by the Trustees 4-0.

ATTORNEY REPORT

Bonni Jensen informed the Trustees of the upcoming conferences noting that she is scheduled to speak on specific topics at both conferences.

Mrs. Jensen informed the Trustees that the updated Summary Plan Description is expected to be ready at the next meeting scheduled for November.

Mrs. Jensen explained that the actuary will need to cost whether or not the pension plan can afford to fund the minimum benefits by utilizing the 175 and 185 Chapter money.

Lew Steinberg noted that although Union negotiations have “closed”, they have not been ratified and he feels the Union, as well as the membership, should be informed of the present pension situation as soon as possible.

- Lew Steinberg made a motion instructing Mrs. Jensen to send a letter to the plan participants, seconded by Tom Fitzpatrick and approved by the Trustees 4-0.

ADMINISTRATIVE REPORT

- Lew Steinberg made a motion to accept the minutes of August 2005, seconded by Tom Fitzpatrick and approved by the Trustees 4-0.

Denise McNeill presented the Board with an updated disbursement list.

- Lew Steinberg made a motion to approve all listed disbursements as presented by the Administrator, seconded by Tom Fitzpatrick and approved by the Trustees 4-0.

Mrs. McNeill reminded the Trustees that discussion of hiring an independent auditor had been previously tabled. The Trustees decided to table the issue to be addressed by the board in 2006 for the plan year end 9/30/06 as the current year ending 9/30/05 will be included in the Village's annual audit process.

Mrs. McNeill then informed the Trustees of a notice submitted to Smith Barney and ICC Capital instructing \$150,000 be transferred to the Pension Plan's checking account which are the remaining funds needed to fund the Lump Sum distribution scheduled for October.

Discussion to select a new Chairman was tabled until the next meeting.

There being no further business,

- Lew Steinberg made a motion to adjourn the meeting at 10:50 A.M., seconded by Tom Fitzpatrick and approved by the Trustees 4-0.

Respectfully submitted,

Henry Maki, Secretary