

# **Village of North Palm Beach Police and Fire Pension Fund**

## **MINUTES OF MEETING HELD**

**October 6, 2006**

Lew Steinberg called the meeting to order at 2:08 PM 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**

Lew Steinberg  
Robert DiGloria (2:15 to 3:20)  
Salvatore Mattino  
Henry Maki

### **TRUSTEES ABSENT**

Scott Freseman

### **OTHERS PRESENT**

Bonni Jensen, Hanson, Perry & Jensen;  
Fund Counsel  
Denise McNeill, Pension Resource Center  
Stephen Palmquist, Gabriel Roeder Smith & Co  
George Warren  
Bill Smith

### **ITEMS FROM THE PUBLIC**

No items from the public at this time.

### **ACTUARIAL VALUATION REPORT**

Steve Palmquist presented the revised valuation report for the fiscal year ending 9/30/05. He explained that it was necessary to revise the report from August as he had initially utilized financial balances provided to him directly from the Village. He then realized these numbers to be inaccurate at the August meeting when the auditor began to review the audit report information. Mr. Palmquist went on to review the report in detail noting the employer contribution had reduced from the current 20.2% down to 16.05%. He explained that the reduction resulted from more employment terminations than anticipated (expected one, lost six employees) and lower salaries. He noted the lower salaries were basically due to less overtime from hurricanes in the prior years which resulted in an average salary decrease of 7%. Lew Steinberg inquired as to the employment turnover and Mr. Palmquist confirmed that employee attrition would have caused part of the employer over contribution to the plan. Mr. Palmquist reviewed the State Chapter Money noting a current amount of \$161,780 being held aside until such time that the State's minimum benefits are met. Mr. Palmquist advised that the Village had paid approximately \$100,000 more than required for employer contributions. As such, he had inquired with Mr. Bates if the Village Council preferred for funds to be recognized as an overage for 2005 or advance for 2006 contributions. Mr. Palmquist advised that he still has not received direction from the Village relating to the matter. Mr.

Palmquist advised that the five year smoothing method kept the overall returns of the fund positive and after the 2006 valuation, all investment losses from 2001 and 2002 will have been recognized. He explained that this plan's funded ratio has improved faster than the average plan due to the gain recognized in this reporting period.

Bonni Jensen inquired into the future impact of lump sum distributions to the plan and lengthy discussion followed. Steve Palmquist recommended that the Board stop lump sum distributions for all newly hired employees and that the interest rate for the calculation be changed. Discussion followed regarding other options such as changing the lump sum payout to be paid over three or five years and changing the plan so that prior time could be paid in lump sum however future accumulations would be paid in a normal manner.

- Henry Maki made a motion to accept the revised 2005 Actuarial Valuation. The motion received a second by Robert DiGloria and was approved by the Trustees 4-0.

Bonni Jensen will draft an ordinance change for the Board's review to be presented to the Village Council.

Lew Steinberg advised he had spoken with Steve Palmquist in July requesting an actuarial study of benefit improvements. The initial cost results were higher than expected therefore Mr. Palmquist was requested to revalue the cost study inclusive of additional employee contributions. Mr. Palmquist presented the updated study in detail noting that the State's minimum mandated benefits have been included due to the fact that no other improvements may be made to the plan until all minimum benefits are in place.

### **ATTORNEY REPORT**

Bonni Jensen presented the Trustees with a summary of recent changes relating to the Pension Protection Act. She advised that while most of the changes relate to private sector pension plans, a few changes will affect the public pension plans. Mrs. Jensen reviewed the changes relating to Public Safety Officers (police officers and firefighters) in detail.

- 1) Effective January 1, 2007, the retired member may elect to exclude up to the first \$3,000 annually from their pension income as non-taxable if the funds are used to pay for qualified health insurance premiums. She further explained that only members retired under normal retirement and disability retirement would qualify for the benefit therefore vested terminated members of the plan or lump sum recipients would not qualify for the benefit. Mrs. Jensen reviewed the details of what is considered to be qualified health insurance premiums noting that only premiums paid to the municipality's insurance carrier would qualify. Mrs. Jensen recommended that an election form be created for eligible participants and that the limit be coordinated along with the City's 457 plan to ensure the maximum limitation is not exceeded. She further advised that if a member should die prior to making an election, the law does not appear to continue to the spouse/beneficiary. She explained that, as details are still unclear, she recommends the Board interpret the law conservatively.

- 2) Mrs. Jensen reviewed the second part of the law relating to members who separate service after age 50. Effective August 17, 2006, members may take distributions from government pension plans without being subject to the 10% penalty tax. (Previous tax requirement was for age 55.)

Mrs. Jensen advised that another provision allows 457 money to be used to purchase "airtime"; however Chapter 175 & 185 State Law does not allow for such a purchase. Mrs. Jensen will create the necessary election form relating to the health insurance premium.

## **DISBURSEMENTS**

Mrs. McNeill presented the pending list of Disbursements to the Board.

- Henry Maki made a motion to approve the disbursements as presented. The motion received a second by Lew Steinberg and was approved by the Trustees 3-0.

## **ADMINISTRATIVE REPORT**

Denise McNeill reviewed options for the Board relating to selecting a Medical Advisor to be utilized in the review of disability applications.

- Henry Maki made a motion to utilize Dr. Robert Greer as the pension fund's Medical Advisor. The motion received a second by Sal Mattino and was approved by the Trustees 3-0.

Mrs. McNeill advised that she is currently awaiting payroll information for four members (two refund of contribution requests and two retirement requests).

Discussion returned to the lump sum distributions. Mrs. Jensen advised that all current members are entitled to take a lump sum distribution, however the number of payments utilized to distribute the funds and the rate at which the lump sum is calculated may be changed should the Board determine the changes to be in the best interest of the plan. Lengthy discussion followed regarding the issue. Mr. Maki advised that for several years, the Board's service professionals have been recommending that the lump sum be removed from the plan to ensure future stability to the pension fund. Mrs. Jensen and Mrs. McNeill advised that their firms have no other pension clients currently allowing such a benefit. Mrs. Jensen advised that she believes it is in the best interest of the member to receive the COLA benefit and to utilize the \$3,000 annual tax free savings of the plan. Lew Steinberg passed the gavel to Sal Mattino.

- Henry Maki made a motion to change the rate at which the lump sum is calculated from the current PBGC rate to the Fund's assumed rate of return (8%), for all future service to be no longer eligible to receive a lump sum benefit and for the lump sum to be paid out over a five year period in annual increments equal to one-fifth of the total benefit. The motion received a second by Lew Steinberg and was approved by the Trustees 3-0.

Mrs. McNeill requested Lew Steinberg sign a form allowing for the Trustee signatures be changed for all payments issued by the Administrator on behalf of the plan.

The gavel was returned to Mr. Steinberg.

- Henry Maki made a motion instructing Bonni Jensen to draft an amendment to the plan effective January 1, 2007. The motion received a second by Sal Mattino and was approved by the Trustees 3-0.

The Trustees addressed an outstanding issue with the Finance Department relating to the Administrators request to receive payroll data files. Denise McNeill explained a process being used by another pension fund which allows for a generic calculator to be utilized for member access on the Administrator's website until such time that the payroll data can be received from the Village electronically.

There being no further business:

- Sal Mattino made a motion to adjourn at 4:28 P.M. The motion received a second by Henry Maki and was approved by the Trustees 3-0.

Respectfully submitted,

Henry Maki, Secretary