

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

## **MINUTES OF MEETING HELD**

**January 18, 2007**

Lew Steinberg called the meeting to order at 8:40 AM in the Council Chambers 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  
Henry Maki  
Scott Freseman  
Salvatore Mattino

### **TRUSTEES ABSENT**

None

### **OTHERS PRESENT**

Bonni Jensen, Hanson, Perry & Jensen;  
Fund Counsel  
Denise McNeill, Pension Resource Center  
Steve Palmquist  
Various members of the public

### **ITEMS FROM THE PUBLIC**

No items from the public at this time.

### **MINUTES**

- Henry Maki made a motion to approve the minutes of November 28, 2006. The motion received a second from Robert DiGloria and was approved by the Trustees 5-0.

### **PAYROLL DATA AND LUMP SUM DISTRIBUTIONS**

Denise McNeill advised the Board of a current issue relating to payroll data explaining that the information has been reported to the actuary for calculation in the same summary manner for several years. With changes in payroll technology and the accessibility to detail, most pension plan calculations are currently processed from detailed payroll, not summaries. Without detailed payroll files, the administrator is not capable of reviewing any potential anomalies in the data and is unable to determine if items such as a member's cash out of sick and vacation time is being inadvertently included in the calculation. Mr. Palmquist explained that in the past, the summary information had been utilized for calculations as it was the only way for the information to be provided by the Village. Mr. Palmquist further explained that, utilizing the detailed information provides a more accurate benefit to the member and as technology has evolved, the process of calculating from detailed payroll has become the normal process for most pension plans. Discussion followed regarding the impact of potential overpayments if the payroll being reported by the Village is being overstated. If a

member is underpaid and it is later determined that the calculation should have been higher, an additional payment can be made to that participant; however in the event that a member is overpaid, there would be no recourse for the pension plan to collect the funds back from a member. Mr. Palmquist advised that in relation to a lump sum distribution, instead of having the entire amount paid to the member, the board could process a percentage of the payment until such time that the detailed payroll information may be obtained and if necessary, the lump sum amount revised accordingly.

Mrs. Jensen advised that she had discussed the data and lump sum issue at length with Mr. Palmquist in an attempt to determine a payment manner that would avoid an adverse impact to the pension plan as it relates to the lump sum policy. Mr. Palmquist explained that the interest calculation used in the lump sum calculation is important and has a significant impact on the plan. He further explained that by utilizing the PBGC interest rate, the distribution is higher than if using a more appropriate interest rate such as the assumed rate of return for the pension plan. Mrs. Jensen presented a revised lump sum policy. Mr. Palmquist advised that as of October 1, 2005, the plan's funded ratio was approximately 87% and lump sum distributions can have a significant impact on the funded ratio of the plan. The lower a plan's funded ratio, the more the employer will be required to fund. Mr. Palmquist advised that another alternative to allowing lump sum payments would be to deny any lump sum distribution that would place the plan below a funded ratio of 85%. Mr. Steinberg expressed his concern with the immediate effect to the funded value of the pension plan if all pending lump sum distributions are paid in a single sum amount and inquired as to the effect of five annual installments of the lump sum amount versus one single sum payment. Discussion followed regarding any way to reduce or eliminate such a payout would be in the best interest of the plan. The Trustees inquired into the funded ratio of the General Employee pension fund and Mr. Palmquist advised that the General Fund was down to approximately 40% due to lump sum distributions made from that plan. Discussion turned to the calculation used in the lump sum process. Mr. Steinberg inquired if a 3% multiplier and a 75% rate cap could be utilized in an offset manner allowing the monthly benefit to be higher in an effort to alleviate the desire for a lump sum withdrawal. Mrs. Jensen advised that she would need to research that issue to be certain. Robert DiGloria inquired into the number of plan members and if the plan's \$9 Million would be sufficient to cover all potential retirees. Mr. Palmquist explained that initiating a revised lump sum distribution policy is a step in the right direction, but feels the lump sum should be changed, if not removed entirely. Mr. Palmquist advised that a five-year payout rule could apply to all members or the board could select a specific amount and state all lump sum distributions over that amount would be paid in five annual installments. The Trustees expressed concern with having a threshold for the single sum payment and feel that treating all members alike may be the most effective and efficient manner. Mr. Palmquist reported that it is possible and estimated \$4 Million would be paid over the next three years with a single lump sum payment process. Lengthy discussion followed regarding what modifications could be made in an effort to keep the Fund sound. A plan to pay lump sum amounts in five annual installments would relate to allowable terms under IRS rules and could give the Plan more time to prepare for the loss of the funds, but that process is still a 'band-aid' and more significant changes are needed. Mrs. Jensen feels five annual installments would be reasonable and prudent for the board to initiate.

Discussion turned back to the draft revision of the lump sum policy. The requirement of a written statement relating to evidence of good health is a broad statement. Mrs. McNeill explained that medical providers have expressed their concern to the members requesting such documentation due to issues relating to mal-practice.

Henry Maki recommended having the attorney write a notice to all members explaining the current situation and the need for changes to the policy.

- Robert DiGloria made a motion to approve the lump sum distribution policy as amended. The motion received a second from Henry Maki and was approved by the Trustees 5-0.

Mrs. Jensen explained a recent article distributed to the board relating to lump sum distributions; although part of the article does not relate specifically to public pension plans, the article is a strong example of the effect lump sum distributions had to the Delta Airline pilot's pension plan. Upon reference to the Lake Park Fire Pension Fund, Mrs. Jensen explained that only one member was paid in full, three members received partial payment and all other members did not even receive a refund of their contributions to the pension fund.

Discussion followed regarding further clarification to item one on the policy.

- Salvatore Mattino made a motion to approve the revision to the lump sum distribution policy. The motion received a second from Henry Maki and was approved by the Trustees 5-0.

### **LUMP SUM BENEFIT APPROVALS**

The Trustees requested the benefit election form from the actuary be revised to reflect a disclaimer that the calculation is based upon the payroll as received from the Village.

Discussion followed regarding Tom Park's request and the date his application was received by the administrator. The application had been received on September 15, 2006 therefore his six month requirement would be met on March 15, 2007. Mr. Palmquist advised Mr. Park's benefit would need to be recalculated using the PBCG rate on 12/31/06. The first of five annual installments to Mr. Parks will be made on March 15, 2007.

- Robert DiGloria made a motion to approve the 'estimated' lump sum distribution to Tom Parks with the first payment to be made March 15, 2007. Upon receipt of detailed payroll data, a revised 'final' calculation will be processed. The motion received a second from Scott Freseman and was approved by the Trustees 5-0.

Denise McNeill presented a benefit approval for Robert Meldrum received on August 18, 2006. Discussion followed regarding the method in which his statement of good health had been provided. In an effort to clarify the information being requested by the board relating to the member's health, Mrs. Jensen will research and provide a form back to the Trustees for review to be used by the medical provider in the process.

- Salvatore Mattino made a motion to approve the 'estimated' lump sum distribution to Robert Meldrum with the first payment to be made February 18, 2007. Upon receipt of detailed payroll data, a revised 'final' calculation will be processed. The motion received a second from Henry Maki and was approved by the Trustees 5-0.

### **BENEFIT APPROVAL –RICHARD FEDAK**

Mrs. Jensen reported that upon prior direction from the Trustees, she had researched the allowable effective date for Richard Fedak. She reviewed the portion of the

ordinance relating to the issue and advised that the effective date is determined by the Board.

- Salvatore Mattino made a motion to approve the benefit payment for Richard Fedak retroactive to September 1, 2006. The motion received a second from Scott Freseman and was approved by the Trustees 5-0.

### **DISBURSEMENTS**

- Robert DiGloria made a motion to approve the disbursements as presented. The motion received a second from Henry Maki and was approved by the Trustees 5-0.

### **ATTORNEY REPORT**

Bonni Jensen advised that a revision to the Pension Protection Act will be provided to the Trustees at their next regularly scheduled meeting.

### **ADMINISTRATIVE REPORT**

Denise McNeill reviewed the prior fiscal year financial statement explaining that an amount listed under October 2005 as a refund was actually a lump sum distribution. She further explained that the amount listed as employer contribution may be overstated by \$261,000; however the detail of the employer contribution is expected to be carefully reviewed in the audit process.

Mr. Maki requested authorization to attend the FPPTA Trustee School in October that is being held locally at PGA National. Mrs. Jensen explained the plan currently allows for Trustees to attend up to two educational conferences annually.

There being no further business:

- Robert DiGloria made a motion to adjourn at 10:30 A.M. The motion received a second by Scott Freseman and was approved by the Trustees 5-0.

Respectfully submitted,