Village of North Palm Beach Police and Fire Pension Fund

MINUTES OF MEETING HELD

January 26, 2007

Lew Steinberg called the meeting to order at 2:38 PM 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 Scott Freseman
TRUSTEES ABSENT	Henry Maki Salvatore Mattino
OTHERS PRESENT	Bonni Jensen, Hanson, Perry & Jensen; Fund Counsel Denise McNeill, Pension Resource Center Various members of the public

REQUEST FOR ADJUSTMENT TO LUMP SUM PAYMENT

Denise McNeill presented a request received from plan member, Thomas Parks, requesting a partial monthly payment for January, February and March, until such time that the six month lump sum distribution requirement has been met and the normal lump sum distribution can be made. Mr. Park's initial lump sum paperwork was not received until September therefore the six-month notice requirement would not be met until March 15, 2007 while Mr. Parks had been expecting payment for his effective date of January 1, 2007. Bonni Jensen explained that the IRS has a rule relating to a 90-day window which could allow for such a payment in this particular circumstance, however she cautioned that all actions be carefully considered to ensure that appropriate IRS guidelines are being followed. If such action is taken, the Board would need to clarify that the monthly payments would be a reduction from the member's initial lump sum distribution payment. Mrs. Jensen further advised that considering the 90-day IRS allowance and having the three monthly payments deducted from the first annual lump sum installment payment would be a legally sufficient action by the board.

- Robert DiGloria made a motion to pay Thomas Parks three initial monthly amounts equivalent to a monthly distribution of $3,219.33 (equal to the 10 yr certain monthly payment) for January, February and March, 2007 and for the total of the three payments to be deducted from the first annual distribution scheduled to be issued on 3/15/07. The motion received a second from Scott Freseman and was approved by the Trustees 3-0.

ATTORNEY REPORT

Bonni Jensen presented a revised lump sum distribution policy. Discussion followed regarding the changes presented. Members present expressed their concern of changes being made to the lump sum policy prior to details being distributed to the membership. Additionally, members expressed their concern that the lump sum benefit was considered part of their employment package and therefore employee longevity may be partly due to the expectation of the lump sum benefit. Mr. Steinberg explained that the board has attempted to improve pension benefits overall for the past several years, however enhancements were tabled prior to the second reading in 2004 at the recommendation of Mr. Bates and no further progress has been made. Mr. Steinberg further explained that the actual formula being used in the calculation is not appropriate and even if the lump sum benefit is to remain, the actuary's recommendation to change the formula should be considered. The calculation, although reduced for early retirement, instead results in a higher than expected benefit when applied to a younger person due to an increase in life expectancy. Additionally the lump sum interest is being calculated using the PBGC rate but should be changed to utilize the assumed investment rate of return for the plan. Mr. Steinberg further advised that the board has a responsibility to all plan members to keep the plan solvent and although it has always been the board's policy to allow lump sum distributions, continuing to pay lump sum distributions in the current manner will not protect the solvency of the plan. He explained that altering the lump sum distribution payout spreads the "loss" of the distribution allowing more funds to be gained by investment versus losing 50% of total plan assets over the next few years. Mrs. Jensen explained that the overall loss is the "ability" of future earnings to the plan. Mrs. Jensen explained that one recommendation by the actuary was for each lump sum request to be weighed individually and deny payment of any lump sum distribution that would bring the plan below an 85% funded ratio; however the Trustees felt it would be in the best interest of all members to create a consistent policy to be utilized for all members. It was further discussed that allowing lump sum distributions to continue in the previous manner creates additional issues for Union negotiations and future benefits as over time, it will require significant increases to the Village's employer contributions to the plan. Mrs. Jensen reviewed the various options available in the plan explaining there is no actual lump sum distribution provision, but instead an "actuarial equivalent". The actuarial equivalent then became known as a lump sum and past practice has been for the plan to allow lump sum distributions. In September 2001, the lump sum policy was created requiring a six month notice in an effort to allow the plan time to raise cash without creating a detriment to investments; allowing members time to receive spouse confirmations and allowing for members to provide evidence of good health in order to avoid an adverse selection to the plan. The members requested the Board consider an allowance for the existing few members who have already terminated their employment with the expectation of receiving a single lump sum distribution. Mrs. Jensen explained that there has been a concern of the detriment of lump sum distributions to the plan for many years and considering what has happened to the General Employee Plan is an example of why the Trustees felt changes should be made sooner rather than later. The members expressed their concern that the lump sum policy was not properly distributed to all members in 2001. It was further mentioned that although the Trustee's actions may be correct and legal, it is not believed to be the right decision since many employees have labored under false assumptions relating to their retirement benefits. It was requested that the Trustees consider allowing a single lump sum payment for all vested termed employees as well as any employee who is currently in the process of retiring and has already submitted their paperwork.

Members also inquired into why a preliminary calculation (including lump sum) cannot be easily provided to all plan participants. The Board explained that the current lump sum calculation includes variables relating to the PBGC rate that is subject to change monthly. Lew Steinberg explained that the Administrator is attempting to acquire payroll data electronically. Once the historical payroll information is received, the administrator has the capability of providing preliminary calculations based upon monthly disbursements, however any lump sum distributions can only be issued as an estimate and would need to be provided by the actuary. Final calculations on lump sum benefit payments can be given within 60 days of the actual pay date.

A final request was made for the Board to consider allowing a two or three-year annual payout for the current retirement requests being processed instead of the five-year payout as stated in the policy.

There being no further business:

- Scott Freseman made a motion to adjourn at 3:40 P.M. The motion received a second by Robert DiGloria and was approved by the Trustees 3-0.

Respectfully submitted,