

West Palm Beach Firefighters Pension Fund

Summary Plan Description

June 2021

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Introduction

As a participant in the West Palm Beach Firefighters Pension Fund, you are included in a program of benefits to help you meet your financial needs in retirement, or in the event of disability or death. The purpose of this booklet is to give you a brief description of benefits available to you under your Pension Fund. This booklet is called a Summary Plan Description. It presents the basic elements of the Pension Fund to you and answers frequently asked questions about the Pension Fund. If you have questions, if you want to verify your understanding of how the Pension Fund's provisions apply to you, if you want to confirm your understanding of the Summary Plan Description, or if you want to determine if the Pension Fund has been amended, please contact the Pension Fund Administrator.

The Pension Fund is designed to provide a measure of economic security for retirement beyond that provided by the VEBA Retiree Benefit Fund and your own personal savings. Of course, you are encouraged to establish and consistently maintain your own retirement savings program since your employment as a West Palm Beach firefighter is not covered by Social Security and employer provided retirement benefits. To assist in your personal savings, you may wish to take advantage of deferred compensation plans sponsored by the City.

Planning for retirement begins now. This booklet can be a valuable tool in preparing for your retirement and financial future. If you need any further information on any of the topics presented in this booklet, please contact The Resource Centers which is the Fund Administrator, or Board of Trustees. They will answer any questions to help you better understand your benefits, but neither is authorized to give advice concerning your participation or benefits in the Fund. Your interests are usually best served by submitting your questions in writing.

The Pension Fund is a defined benefit plan, and is a qualified plan with the meaning of Section 401(a) of the Internal Revenue Code. Because the Pension Fund is tax-qualified, generally neither you nor the Pension Fund will pay any income tax on the contributions that you and the City make to the Pension Fund on your behalf. Instead, you will be taxed when you begin receiving benefits under the Pension Fund, at which time you may be in a lower tax bracket than during your peak working years. Because the Pension Fund is a defined benefit plan, the amount of your monthly benefit depends upon factors such as your salary level, your years of credited service, and the form in which your benefits are paid.

The information presented is a summary of the Pension Fund as provided in the Special Act which governs your Pension Fund. The legal citation for that Act is S17 of Chapter 24981, Laws of Florida, 1947 (as amended most recently by Chapter 2019-174). Any discrepancies between information in this booklet and the Special Act will be governed by the Special Act. The Special Act should be consulted before you take any action concerning your participation or benefits in the Fund. A copy of the Special Act can be obtained from the Fund Administrator, Resource Centers, LLC, or their website at www.ResourceCenters.com, which also contains additional information on your Pension Fund by following the "Pension Funds"



hyperlink on the left side of the home page. Their address is:

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Board of Trustees
West Palm Beach
Firefighters Pension Fund

David Merrell, Chair
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1. PARTICIPATION IN THE PENSION FUND

Each firefighter employed in the City of West Palm Beach Fire Department is a Pension Fund participant. A participant is required to contribute 13.1% of salary excluding overtime and lump sum payments for accumulated leave. A firefighter is an employee who is trained and certified as a firefighter as a condition of employment in accordance with the provisions of s. 633.35, Florida Statutes. The Fire Chief may elect not to become a participant in the Pension Fund.

2. ELIGIBILITY FOR NORMAL RETIREMENT

A firefighter who is age 50 or older and has 15 or more years of credited service or who is age 55 or older and has 10 or more years of credited service or 26 years of service regardless of age is eligible for normal retirement. An application for normal retirement must be filed with the Fund Administrator and approved by the Board of Trustees.

3. AMOUNT OF A NORMAL RETIREMENT PENSION

The amount of a normal retirement pension is based on a participant's credited service, final average salary, and the pension multiplier.

Credited service is generally a participant's period of employment as a firefighter in the Fire Department of the City of West Palm Beach, measured in years and fraction of a year. Special conditions apply if a participant has a break in service as a firefighter and withdraws their accumulated contributions. In certain circumstances, limited periods of military service may be recognized as credited service. Additionally, credited service may be purchased for prior firefighter service with the City or any other municipal, county, district or state fire department. Promptly contact the Fund Administrator if any of these situations apply, and a determination has not been rendered.

Final average salary means:

- The average of the monthly salary paid to a participant in the three best years of employment preceding retirement for all active participants. If a participant enters into the BackDROP (see item 11 on page F-14), the final average salary will be calculated using the three best years of employment preceding the BackDROP period, i.e., the salary paid to a participant during the number of months elected for the BackDROP period will be excluded from the determination of final average salary. A special case exists for participants who have purchased service. In this case, for the purposes of determining final average salary only, the BackDROP period will be reduced by the number of months purchased. For example, if a participant elects to BackDROP 60 months and has purchased 15 months of credited service, then the final average salary will be calculated using the three best years of employment excluding only the last 45 months (60 months minus 15 months) prior to retirement. The cost of purchased service is increased to account for this.

The following example illustrates the calculation of final average salary for a **participant without BackDROP**:

| Year of Employment | Year Ended September 30, | Sample Salary for Year |
|--------------------|--------------------------|------------------------|
| 19th | 2020 | \$ 90,000 |
| 20th | 2021 | 94,000 |
| 21st | 2022 | 102,000 |
| 22nd | 2023 | 106,000 |
| 23rd | 2024 | 110,000 |
| 24th | 2025 | 115,000 |
| 25th | 2026 | 120,000 |
| 26th | 2027 | 125,000 * |
| 27th | 2028 | 130,000 * |
| 28th | 2029 | 135,000 * |

* Earnings for these years produce the highest average.

To calculate monthly final average salary, total the highest three year's salary and divide by 36:

$$\frac{\$125,000 + \$130,000 + \$135,000}{36} = \$10,833.33$$

The monthly normal retirement pension is calculated based upon the sum of amount (a) and amount (b) below to a maximum of 92% of final average salary. However, in all cases, a participant will be entitled to at least 2.75% per year of credited service to a maximum of 100%.

Amount (a) equals:

Effective on and after May 13, 2012, the benefit is equal to 3% of final average salary times credited service for all years of credited service earned on and after May 13, 2012; and

Amount (b) equals:

Effective before May 13, 2012, the benefit is equal to 4% of final average salary times credited service earned before May 13, 2012.

The following example illustrates a monthly normal retirement pension (no BackDROP) calculation at retirement on September 30, 2029:

| | |
|---|-------------|
| (1) Credited service before 5/13/12 | 10.62 yrs. |
| (2) Credited service on and after 5/13/12 | 17.38 yrs. |
| (3) Final Average Salary (FAS) | \$10,833.33 |

Benefit calculation (if total credited service < 33.5 yrs.)

| | | |
|--|-----------------------------|-------------|
| (4) 4.0% of FAS times service before 5/13/12 | $.04 \times (1) \times (3)$ | \$ 4,602.00 |
| (5) 3.0% of FAS times service on and after 5/13/12 | $.03 \times (2) \times (3)$ | \$ 5,648.50 |
| (6) Maximum monthly pension, 92.0% of FAS | $.92 \times (3)$ | \$ 9,966.66 |
| (7) Lesser of [(4) plus (5)] and (6) | | \$ 9,966.66 |

The following example illustrates the calculation of monthly final average salary for a **participant with BackDROP**:

| Year of Employment | Year Ended September 30, | Sample Salary for Year |
|--------------------|--------------------------|------------------------|
| 19th | 2020 | \$ 90,000 |
| 20th | 2021 | 94,000 |
| 21st | 2022 | 102,000 * |
| 22nd | 2023 | 106,000 * |
| 23rd | 2024 | 110,000 * |
| 24th | 2025 | 115,000 |
| 25th | 2026 | 120,000 |
| 26th | 2027 | 125,000 |
| 27th | 2028 | 130,000 |
| 28th | 2029 | 135,000 |

* Earnings for these years produce the highest average.

To calculate final average salary, total the highest three years salary and divide by 36:

$$\frac{\$110,000 + \$106,000 + \$102,000}{36} = \$8,833.33$$

The monthly normal retirement pension is calculated based upon the sum of amount (a) and amount (b) below to a maximum of 92% of salary. However, in all cases, a participant will be entitled to at least 2.75% per year of credited service.

Amount (a) equals:

Effective on and after May 13, 2012, the benefit is equal to 3% of final average salary times credited service for all years of credited service earned on and after May 13, 2012; and

Amount (b) equals:

Effective before May 13, 2012, the benefit is equal to 4% of final average salary times credited service earned before May 13, 2012.

The following example illustrates a five-Year BackDROP retirement pension calculation at BackDROP on September 30, 2024 (Retirement on September 30, 2029):

| | | |
|-----|---------------------------------------|-------------|
| (1) | Credited service before 5/13/12 | 10.62 yrs. |
| (2) | Credited service on and after 5/13/12 | 12.38 yrs. |
| (3) | Final Average Salary (FAS) | \$ 8,833.33 |

Benefit calculation

| | | | |
|-----|---|-----------------------------|--------------|
| (4) | 4.0% of FAS times service before 5/13/12 | $.04 \times (1) \times (3)$ | \$ 3,752.40 |
| (5) | 3.0% of FAS times service on and after 5/13/12 | $.03 \times (2) \times (3)$ | \$ 3,280.70 |
| (6) | Maximum monthly pension, 92.0% of FAS | $.92 \times (3)$ | \$ 8,126.66 |
| (7) | Lesser of [(4) plus (5)] and (6) | | \$ 7,033.10 |
| (8) | BackDROP Lump Sum (further description on page F-7) | | \$459,983.54 |

Retirement Pension Computation Form



This form can be used to calculate an estimated monthly normal retirement pension.

| | Example from p. F-4 | Example from p. F-5 | Estimate |
|--|------------------------|------------------------|----------|
| Final Average Salary Estimate | | | |
| Compensation for the highest 3 years credited service | (a) \$ 125,000 | \$ 102,000 | |
| | (b) \$ 130,000 | \$ 106,000 | |
| | (c) \$ 135,000 | \$ 110,000 | |
| Final average salary: ((a) + (b) + (c)) divided by 36 | \$10,833.33 | \$ 8,833.33 | |
| Credited Service and Final Monthly Average Salary | | | |
| (1) Total credited service (years) | 28.00 | 23.00 | |
| (2) Credited service before 5/13/12 (years) | 10.62 | 10.62 | |
| (3) Credited service on and after 5/13/12 (years) | 17.38 | 12.38 | |
| (4) Final average salary | \$10,833.33 | \$ 8,833.33 | |
| Pension Estimate under Standard Form | | | |
| (5) 4.0% x (4) x (2) | \$ 4,601.76 | \$ 3,752.20 | |
| (6) 3.0% x (4) x (3) | \$ 5,648.68 | \$ 3,280.85 | |
| (7) Preliminary monthly pension (5) + (6) | \$10,250.44 | \$ 7,033.05 | |
| (8) Maximum monthly pension, 92.0% times (4), unless credited service used exceeds 33.5 years. | \$9,966.66 | \$ 8,126.66 | |
| <i>Amount of monthly pension to participant</i> | | | |
| (9) The lesser of (7) and (8): | \$9,966.66 | \$ 7,033.05 | |
| <i>Amount of monthly pension potential to Surviving Spouse under Standard Form described in more detail on page F-7, item 4a.</i> | | | |
| (9) The lesser of (7) and (8): | \$9,966.66 | \$ 7,033.05 | |
| 5-Year BackDROP | | | |
| (10) BackDROP account creation uses 4% interest less expenses (lump sum shown is based on expenses of 0.6%, so the effective annual interest rate is 3.4%) | | \$459,983.54 | |



4. a. STANDARD FORM OF PENSION PAYMENT

The standard form of payment for the pension described in this subsection is minimally payable for the lifetime of the retired participant (including vested deferred retirees).

If the retired participant is either married at the time of retirement or has unmarried children under age 18, or has dependent parents, a pension may be payable to one or more of such beneficiaries upon the death of the retired participant.

A surviving spouse is normally paid 75% of the retired participant's monthly pension for life.

When there is no surviving spouse, each unmarried child under the age of 18 is paid an equal share of 75% of the retired participant's pension, as long as that child has not been adopted by someone else. A child's pension terminates if the child is adopted, marries, reaches age 18 or dies. If there is more than one child under 18, each child's pension is recomputed when any surviving child's pension payments stop.

If the retired participant does not leave a surviving spouse or eligible child, each dependent parent (dependent upon the participant for at least 50% of his/her financial support) can be paid an equal share of 75% of the retired participant's pension for life or until remarriage.

If the retired participant is not married at the time of retirement, does not leave an eligible child or dependent parent, and dies before 120 monthly pension payments have been made, pension payments will continue to the retired participant's designated beneficiary or to the participant's estate if there is no designated beneficiary until a total of 120 payments have been made.

It is important to keep your beneficiary designation up to date.

4. b. OPTIONAL FORMS OF PENSION PAYMENT

Optional forms of payment are available in lieu of the applicable standard form described in this Section 4a. The amount of pension under each optional form has the same actuarial value as an unmarried retired participant's standard form of payment (lifetime payments with 120 payments guaranteed). Therefore, great care should be exercised by married participants who are considering an optional form of pension payment.

- **Option I - Straight Life** - The straight life form of payment pays the retired participant an increased monthly pension for life. No monthly pension is ever paid a spouse, child, dependent parent or other beneficiary under this form of payment.
- **Option II - Joint and 100% Survivor** - The joint and 100% survivor form of payment pays the retired participant a reduced monthly pension for life. Upon the retired participant's death, the beneficiary designated when the form of payment was elected will be paid 100% of the reduced monthly pension for life.
- **Option III - Joint and 75% Survivor** - The joint and 75% survivor form of payment pays the retired participant a reduced monthly pension while both the retired participant and the beneficiary are alive. The reduction is not as great as under Option II. Upon the beneficiary's death, the retired participant is paid 75% of the reduced pension for life. Upon the retired participant's death, the beneficiary will be paid 75% of the reduced monthly pension for life.
- **Option IV - Joint and 66-2/3% Survivor** - The joint and 66-2/3% survivor form of payment pays the retired participant a reduced monthly pension while both the retired participant and the beneficiary are alive. The reduction is not as great as under Option III. Upon the beneficiary's death, the retired participant is paid 66-2/3% of the reduced pension for life. Upon the retired participant's death, the beneficiary will be paid 66-2/3% of the reduced monthly pension for life.
- **Option V - Joint and 50% Survivor** - The joint and 50% survivor form of payment pays the retired participant a reduced monthly pension while both the retired participant and beneficiary are alive. The reduction is not as great as under Option IV. Upon the beneficiary's death, the retired participant is paid 50% of the reduced pension for life. Upon the retired participant's death, the beneficiary will be paid 50% of the reduced monthly pension for life.

The Fund Administrator can give you an estimate of the amount of your pension under any of the optional forms of payment. A request for an optional form of payment must be submitted in writing to the Board before your effective date of retirement. An optional form of payment cannot be changed after the first pension check is cashed. A designated beneficiary may be changed twice after pension payments have started. A change in designated beneficiary will result in a change in the amount of pension if the age of the new beneficiary differs from that of the previous beneficiary.

5. TERMINATION BEFORE NORMAL RETIREMENT

A participant not eligible for normal retirement who terminates with 10 or more years of service may elect to receive benefits at any time after reaching age 50. The participant's early retirement benefit would be calculated in the same manner as a normal retirement benefit, actuarially reduced to take into account the earlier commencement. The reduction shall not exceed 3% for each year the participant's age precedes their normal retirement age.

A participant terminating before completing 10 years of service will receive a refund of his or her participant contributions and forfeit his or her Share Account. No further benefit will be payable from the Fund.

6. SURVIVOR BENEFITS - DEATH BEFORE RETIREMENT

Duty Related Deaths

The surviving spouse, or in certain circumstances surviving children or financially dependent parents, of a participant who dies while employed in the Fire Department as a firefighter will be paid a duty death pension if the Board finds the death to be the natural and proximate result of causes arising out of and in the course of the participant's employment.

A surviving spouse is paid a monthly pension for life of 2/3 of the participant's highest 12 consecutive months salary or current top step firefighter pay in effect at the time of death, whichever is greater. Payment terminates when the surviving spouse dies.

An unmarried child under the age of 18 is paid a monthly pension for periods a surviving spouse is not being paid a pension. The amount of a child's pension is an equal share of a surviving spouse's pension. Payment terminates upon adoption, marriage, attainment of age 18 or death.

A financially dependent parent is paid a monthly pension if the participant leaves neither a surviving spouse nor an eligible surviving child. The amount of pension is an equal share of a surviving spouse's pension. Payment terminates upon remarriage or death.

In the case where the participant does not leave a surviving spouse, children, or parents, the benefit will be paid to the designated beneficiary or to the participants' estate if there is no designated beneficiary for 120 monthly pension payments.

Non-Duty Related Deaths

If a participant who has five or more years of credited service dies while employed in the Fire Department as a firefighter and the death is not in the line of duty, the surviving spouse is paid a pension. If there is no surviving spouse, children, parents, or an estate may be eligible for benefits.

The amount of a surviving spouse's pension is 2/3 of the participant's accrued normal retirement pension. Payment terminates when the surviving spouse dies.

A monthly pension is payable to each unmarried child under the age of 18 for periods a surviving spouse is not being paid a pension. The amount of pension paid each eligible child is an equal share of a surviving spouse's pension. Payment terminates upon adoption, marriage, attainment of age 18 or death.

A monthly pension is payable to each financially dependent parent if the participant does not leave a surviving spouse or an eligible surviving child. The amount of pension is an equal share of the amount of a surviving spouse's pension. Payment terminates upon remarriage or death.

In the case where the participant does not leave a surviving spouse, children, or parents, the benefit will be paid to the designated beneficiary or to the participants' estate if there is no designated beneficiary for 120 monthly pension payments.

If a participant who has less than five years of credited service dies while employed in the Fire Department as a firefighter and the death is not in the line of duty, the designated beneficiary or estate will receive a refund of his or her participant contributions. Under these circumstances, the participant's individual Share Account balance, if any, shall be forfeited.

7. DISABILITY RETIREMENT

A pension may be payable to a participant who becomes disabled while employed in the Fire Department. Eligibility for and the amount of the pension are dependent on whether the disability occurs in the line of duty. Optional forms of pension payments are available in lieu of the applicable standard form as described in Section 4.

The disability must arise from a mental or physical illness, disease or injury which totally and permanently prevents the participant from performing the duties of a firefighter in the West Palm Beach Fire Department. A medical committee will direct a medical examination of the participant and make a report to the Board. The final determination is made by the Board. The medical committee is made up of qualified health professionals, one appointed by the participant, one appointed by the Board, and one appointed by the other medical committee members should the first two disagree with respect to the finding of a disability. The participant is responsible for costs incurred by his/her appointee.

If disability results from excessive and habitual use of drugs, intoxicants or narcotics, willful and illegal participation in fights, riots or civil insurrection, or arises in connection with the commission of a crime or while serving in any nation's armed forces, no disability pension will be awarded.

A participant who is retired for disability and is under age 50 will be required to undergo periodic medical examinations by a physician selected by the Board for purposes of verifying ongoing disability. If the physician and the Board determine that the participant is capable of resuming employment as a firefighter in the rank held at time of retirement, the retired participant, upon the approval of the Fire Chief, will be returned to active service at a salary at least equal to the salary held at time of retirement, and the disability pension will terminate. Upon return to work, credited service at time of disability retirement is reinstated. If the Board determines that the disability resulted from performance of duty as a firefighter, the participant is granted credited service for the period on disability retirement.

Duty Disability Retirement

If the Board finds the disability to have arisen out of and in the course of the participant's performance of duty as a West Palm Beach firefighter, the amount of pension is equal to the larger of (a) and (b):

- (a) 65% of the participant's final average salary.
- (b) Accrued normal retirement pension.

A condition or impairment of health caused by tuberculosis, hypertension, meningococcal meningitis, hepatitis or heart disease resulting in total disability is presumed to be duty-related unless shown otherwise by competent evidence. Duty-relatedness requires, however, that a pre-employment physical examination not reveal any evidence of the condition. Furthermore, the presumption of duty-relatedness will not apply to participants whose outside activities subject them to risks as detailed in Florida Statutes Ch. 112.181.

Non-Duty Disability Retirement

There is a five-year credited service requirement for disability retirement if the disability is not the result of employment as a West Palm Beach firefighter.

The amount of pension is calculated the same as the accrued normal retirement pension based on final average salary and credited service at the time of disability. The minimum pension in the Special Act for this Pension Fund is 25% of final average salary if the participant has at least 10 years of credited service. Under the current circumstances, the minimum pension would be 30% of final average salary if the participant has 10 years of credited service (3% times 10 times final average salary).

There is no non-duty disability pension if a firefighter's credited service is less than five years. In this case, the participant's contributions are refunded.

8. SUPPLEMENTAL DISTRIBUTIONS AFTER RETIREMENT (13th or 14th Check) (Currently Unavailable)

Retired participants and beneficiaries who have been retired for at least one year as of the April 1 distribution date are eligible and *may* be paid a supplemental pension distribution *if both of the following conditions have been met*:

- 1) During the preceding fiscal year, the assets of the Pension Fund earned more than: 7% for participants who retired before October 1, 1998 and 8.25% for participants who retired on or after October 1, 1998; and
- 2) The experience is favorable on a cumulative basis since the 13th check was established. (The experience of the Pension Fund in aggregate has been unfavorable, on a cumulative basis, since October 1, 1984 after deducting all prior supplemental distributions and favorable experience in the aggregate should not be considered imminent.)

Because the second condition has unfavorable experience, supplemental distributions are highly unlikely and should not be expected anytime in the near future.

The payments are made according to which provisions the recipient retired under. The pre-10/1/1998 (plan B) may receive investment earnings in excess of 7% (up to a 2%), and then half of all earnings in excess of 9%, if any. The post-10/1/1998 (plan A) may receive investment earnings in excess of 8.25% (up to .75%), and then half of all earnings in excess of 9%, if any. Essentially, assets are held in reserve to pay the pensions of the current recipients. These assets are invested along with all the other Pension Fund assets. When investment return exceeds what is specified in the Pension Fund document, this satisfies the first condition above and some of the excess is shared with the eligible pension recipients.

Each eligible pension recipient's share of the total is based on the ratio of the recipient's points to the total points of all eligible recipients. An eligible pension recipient receives 3.85 points for each year of service credit, to a maximum of 26 years. All in-line-of-duty pension recipients receive the maximum number of points without regard to their service credit. Surviving spouses and surviving dependent children who are eligible to receive distributions receive 75% of the points earned by the deceased pension recipient.

9. ENDING EMPLOYMENT BEFORE RETIREMENT

If a participant with less than 10 years of credited service quits or is fired from employment as a West Palm Beach firefighter, future rights to a pension are forfeited. Participant contributions are refundable, however.

Credited service will be reinstated if re-employment as a West Palm Beach firefighter occurs within five years of termination, continues for at least three years, and any withdrawn accumulated contributions are repaid within five years of re-employment. The repayment must include interest from the date of withdrawal to the date of repayment.



If a participant has at least 10 years of credited service when employment as a firefighter terminates, the right to a deferred normal retirement is retained. The participant may request a refund of contributions without interest instead of receiving any future benefits, including the share account benefit.

Chapter 175 funds used to reduce participant contributions are not considered participant contributions for refund purposes.

The amount of deferred normal retirement pension is calculated using final average salary and credited service at the time of termination of employment as a firefighter. The amount of pension may be subject to early retirement reduction of 3% per year if credited service is less than 15 years. Retirement and payment of a pension is available upon application on or after age 50.

10. FILING FOR RETIREMENT

In order to ensure that you receive your pension on time, you should file your application with the Fund Administrator at least 30 days before retirement. All forms can be obtained from the Fund Administrator at the address on the Introduction page. Penalties will be imposed for making a false or misleading statement to obtain a pension benefit. It can take up to 60 days after your date of retirement to receive your first pension check.

11. BACKWARDS DEFERRED RETIREMENT OPTION PLAN (BackDROP)

A participant may elect BackDROP if the participant is at least age 53 with 18 or more years of service, age 58 with 13 or more years of service, or 26 years of service regardless of age.

The BackDROP is computed as if the participant had chosen to terminate between one month to five years prior, using credited service and final average salary (see definition on page F-21) at the prior date chosen. In addition to the pension, there will be a lump sum payment. The creation of the BackDROP account will be determined based on the number of months chosen prior to retirement accumulated with interest at 4% annually less expenses. If the BackDROP account is left on deposit with the Pension Fund, there will be an annual election to choose between interest credits based on the performance of Pension Fund assets or interest at a variable rate between 0% and 2% quarterly (March 31, June 30, September 30, or December 31) linked to plan performance during the most recent quarter, posted retroactively after the quarterly performance has been reported by the Fund's Investment Consultant (usually about 6 weeks after a quarter's end). The application and receipt of interest may require administrative delays. Participant contributions continue throughout entire period of employment regardless of whether a participant elects BackDROP.

12. LOANS FROM BackDROP

Loans are available to a participant who reached normal retirement age on or before May 13, 2012, or participants who have a calculated BackDROP date of October 1, 2011, or earlier. To be eligible, a participant has to have terminated employment and have participated in the BackDROP for at least 12 months.



Up to 50% of a participant's account balance, to a maximum of \$50,000, is available for borrowing. A participant may not borrow less than \$5,000. Loans are to be repaid over a one to five-year period at an interest rate equal to the prime rate on the last day of the calendar quarter preceding the date of loan application. Participants may have consecutive loans; however, the amount of the second loan will be reduced by the highest outstanding loan balance during the previous 12 months. If there was no balance outstanding during the last 12 months, then there is no reduction.

A loan in default becomes due and payable immediately. If not repaid in full immediately, the loan may be canceled and the outstanding balance treated as a distribution subject to any tax consequences such treatment brings. This will reduce the participant's account balance and make them ineligible for future loans.

13. SHARE ACCOUNTS

Share Accounts are established and maintained for each participant in the Pension Fund including DROP participants. The accounts are funded by Chapter 175 casualty insurance premium tax monies. Once vested, each member will make an annual election to choose between interest credits based on the performance of Pension Fund assets or interest at a variable rate between 0% and 2% quarterly linked to plan performance. Chapter 175 receipts are allocated every October 1 in proportion to each participant's number of pay periods during the preceding calendar year.

EXCEPTIONS: The Chapter 175 funds received in calendar years 2012, 2013, and 2014 will be utilized to reduce participant contributions. 15% of the Chapter 175 funds received in calendar year 2015 will be allocated to the Share Accounts. 35% of the Chapter 175 funds received in calendar year 2016 will be allocated to the Share Accounts. 65% of the Chapter 175 funds received in calendar year 2017 will be allocated to the Share Accounts, after which there are no exceptions.

A participant may elect payment of the Share Account at any time following termination of employment. Payment is available under several options. Detailed information is available from the administrator.

Eligibility for payments occurs upon:

- (a) The participant is eligible to receive and is receiving a service pension; or
- (b) The participant has five or more years of credited service and is eligible to receive and is receiving a non-duty disability pension; or
- (c) The participant is eligible to receive and is receiving a duty disability pension; or
- (d) The participant had five or more years of credited service and has an eligible beneficiary or estate to receive and is receiving a non-duty death pension; or
- (e) The participant has an eligible beneficiary or estate to receive and is receiving a duty death pension.

The standard form of payment of a Share Account is a lump sum, subject to the limitations of Section 415 of the Internal Revenue Code (which stipulates a \$230,000 maximum employer provided annuity equivalent annual pension for public safety participants retiring during 2021). Alternatively, upon the participant's written application to the Board of Trustees, payment may be made in three equal annual installments or in monthly installments as described in item number 15.

Subject to Section 415 of the Internal Revenue Code, survivor benefits are paid in a lump sum to the participant's designated beneficiaries on file with the Board. If there is no living designated beneficiary on file, payment will be made in a lump sum in the following order:

- (a) The participant's spouse; or
- (b) The participant's surviving children, in equal shares; or
- (c) The participant's surviving parents, in equal shares; or
- (d) The participant's estate.

Any participant who has less than 10 years of credited service and who is not eligible for payment of benefits after termination of employment with the city shall forfeit his or her individual participant Share Account. The amounts credited to said individual participant Share Account shall be redistributed to the remaining individual participant Share Accounts in the same manner as Chapter 175, Florida Statutes, tax revenues are credited to individual participant Share Accounts (i.e., based on pay periods).

14. OPTIONAL FORM OF PAYMENT FOR BackDROP OR SHARE ACCOUNT

An eligible participant or beneficiary may elect, on application to the Board of Trustees, to receive his or her BackDROP or Share Account balance in monthly installments. This will be calculated and has tax consequences that only you and your tax professional can determine.

While this option is designed to generate income for you over your expected lifetime, it does *not* provide for a guaranteed lifetime benefit. You will not receive payments from your BackDROP or Share Account once it is exhausted. However, your beneficiary or estate will receive your BackDROP or Share Account balances if you die before exhausting them.

If your BackDROP or Share Account has less than 15 times the monthly installment at the start of the fiscal year, you will receive the balance as a lump sum. The final interest credit on the balance will be paid when the previous quarter's net rate of return is available.

15. TRUSTEE TO TRUSTEE TRANSFERS

To minimize the tax consequences of rolling DROP, BackDROP, or Share account balances over to an IRA or another qualified plan, direct trustee-to-trustee transfers are available. While actively employed, you may also rollover funds from another qualified plan to the Pension Fund, including §457 Deferred Compensation plans, provided you meet certain requirements. Any amount which

the trustees accept as a rollover to this Fund will be fully vested at all times. Please see your administrator for further information and appropriate forms.

16. REQUIRED MINIMUM DISTRIBUTIONS (RMDs) AT AGE 72

You cannot keep your Share, DROP or BackDROP accounts in the Pension Fund indefinitely. You must start taking withdrawals when you reach age 72.

Your **required minimum distribution** (RMD) is the minimum amount you must withdraw from your account each year.

- You can withdraw more than the minimum required amount.
- Your withdrawals will be included in your taxable income.

The required minimum distribution for any year is the account balance as of the end of the immediately preceding calendar year divided by a distribution period from the IRS's "Uniform Lifetime Table." A separate table is used if the sole beneficiary is the owner's spouse who is ten or more years younger than the owner.

Example Amount for 1st RMD where the spouse is less than 10 or more years younger:

| | |
|----------------------------------|-----------|
| Year-End Account Balance | \$100,000 |
| Life Expectancy | 27.4 |
| 1st RMD Amount | \$3,650 |

Your RMD from the Pension Fund will begin April 1 following the later of the calendar year in which you:

- reach age 72, or
- retire.

Example: You are retired and your 72nd birthday was June 30, 2021. You reached age 72 on June 30, 2021. You must take your first RMD (for 2021) by April 1, 2022.

The first year following the year you reach age 72 you will generally have two required distribution dates: an April 1 withdrawal (for the year you turn 72), and an additional withdrawal by December 31 (for the year following the year you turn 72). To avoid having both of these amounts included in your income for the same year, you can make your first withdrawal by December 31 of the year you turn 72 instead of waiting until April 1 of the following year.

Example: You reached age 72 on June 30, 2021. You must receive your 2021 required minimum distribution by April 1, 2022, based on your 2020 year-end balance. You must receive your 2022 required minimum distribution by December 31, 2022, based on your 2021 year-end balance.

If you received your first required minimum distribution for 2021 on April 1, 2022, then both your 2021 and 2022 distributions will be included in income on your 2022 income tax return.



For each subsequent year after your required beginning date, you must withdraw your RMD by December 31.

If you do not take any distributions, or if the distributions are not large enough, you may have to pay a 50% excise tax on the amount not distributed as required.

For the year of the retired participant's death, the beneficiary receives a minimum of the RMD the retired participant would have received. For the years following the retired participant's death, the RMD will be determined using the *different* Uniform Lifetime Table based on the beneficiary's age. If there is no named beneficiary or the benefactor is an estate, special rules apply.

17. FORFEITURE OF BENEFITS

FORFEITURE OF PENSION FOR SPECIFIED CRIMINAL OFFENSES under Section 112.3173, Florida Statutes, any public officer or employee who is convicted of a specified offense committed prior to retirement, or whose office or employment is terminated by reason of his or her admitted commission, aid, or abetment of a specified offense, shall forfeit all rights and benefits under any public retirement system of which he or she is a member, except for the return of his or her accumulated contributions as of the date of termination. The crimes that constitute specified offenses are listed in Section 112.3173, Florida Statutes. Examples are as follows:

- (1) Committing, aiding or abetting of an embezzlement of public funds;
- (2) Committing, aiding or abetting of any theft by a public officer or employee from employer;
- (3) Bribery in connection with the employment of a public officer or employee;
- (4) Any felony specified in Chapter 838, Florida Statutes;
- (5) The committing of impeachable offense;
- (6) The committing of any felony by a public officer or employee who, willfully and with intent to defraud the public or the public agency for which the public officer or employee acts or in which he or she is employed of the right to receive the faithful performance of his or her duty as a public officer or employee, realizes or obtains, or attempts to realize or obtain, a profit, gain, or advantage for himself or herself or for some other person through the use or attempted use of the power, rights, privileges, duties, or position of his or her public office or employment position; and
- (7) The committing on or after October 1, 2008, of any felony defined in §800.04, Florida Statutes, against a victim younger than 16 years of age, or any felony defined in Chapter 794, Florida Statutes against a victim younger than 18 years of age, by a public officer or employee through the use or attempted use of power, rights, privileges, duties, or position of his or her public office or employment position.

Any participant who has received benefits from the Fund in excess of his or her accumulated contributions shall be required to repay the Fund. The Board may implement legal action necessary to recover such funds.

Additionally, a participant who makes a false or misleading statement to obtain retirement benefits shall commit a misdemeanor of the first degree and if convicted, the participant shall forfeit his/her benefit.

18. TRANSFER OF ACCUMULATED LEAVE

If you are eligible to receive a payout for your accumulated sick and vacation leave upon your termination of employment, then this leave may be transferred to the Pension Fund, but only at the City's discretion. These transferred amounts will be added to the DROP, BackDROP or Share account balances and must remain in the Pension Fund for at least one year after the transfer.

19. COST OF THE PENSION FUND

Participants are required to make contributions that are deducted from each paycheck and credited to the participant's contribution balance. As of May 13, 2012, the participant contribution rate is 25%, however, the full amount of Chapter 175 funds received in calendar years 2012, 2013, and 2014 shall be used to reduce participant contributions to 13.1%. If Chapter 175 funds are insufficient to reduce the participant's contributions to 13.1%, the City shall make up the difference. Effective October 1, 2014, the participant contribution rate is 13.1%.

Interest is not credited to participant contributions. A participant or their estate is guaranteed to receive benefits from the Pension Fund that are at least equal to their participant contribution balance.

The City of West Palm Beach also contributes to the Pension Fund. The amount of City contribution is mathematically determined in accordance with State statute to finance Pension Fund benefits as they are earned, as well as to finance any difference between liabilities for service already rendered and Pension Fund assets.

20. ADMINISTRATION OF THE PENSION FUND

The Pension Fund is administered by a Board of Trustees which is responsible for overseeing the investment of Pension Fund assets and application of the provisions of the Special Act. The Board has authority over distribution of all pensions and makes final decisions on claims and appeals. Five trustees comprise the Board: two legal residents of the City appointed by the Mayor, two full-time firefighters elected by actively employed participants and a trustee chosen by a majority of these four trustees.

Pension Fund assets are maintained and invested entirely separate from City assets and cannot be used for any purpose other than those specified in the Special Act.

21. RELEVANT PROVISIONS OF COLLECTIVE BARGAINING AGREEMENTS

Certain employees covered by the Pension Fund are members of the International Association of Firefighters Local 727. The current collective bargaining agreement between the Employer and the Union expires in 2024. Article 29 refers to pension matters.

22. Review Procedures

Regarding review procedures:

- A recording of a hearing is to be taken and maintained as part of the official files of the Board of Trustees by the pension's secretary or plan's Administrator.
- Within a reasonable period after the hearing, the Board shall either grant the pension benefits by overturning the proposed order by a majority vote, or deny the benefits and approve the proposed order as a final order after making any changes in the order the Board feels is necessary.
- In reviewing the Board's decision, the court or administrative agency shall defer to the Board's interpretation of this Special Act.

23. Miscellaneous

Effective January 1, 2019, changes in the federal tax laws have eliminated tax deductions for alimony if a marriage was dissolved or a property settlement agreement was made on or after January 1, 2019.

Modifications to existing orders or agreements on or after January 1, 2019, may be tax deductible if both parties agree.

Effective October 1, 2018, the assumed investment rate of return for the Pension Fund shall be 7.5 percent.

Definitions

Accumulated Contributions - The total of all amounts contributed by a participant to the West Palm Beach Firefighters Pension Fund.

Beneficiary - An individual, such as a spouse, child or dependent parent, who is receiving or has been chosen by a participant (in writing) potentially to receive a survivor benefit from the Pension Fund in the event of a participant's death.

Board - The Board of Trustees, which administers, manages and operates the Pension Fund.

Credited Service - Years and fractional parts of years of service in the employ of the City of West Palm Beach Fire Department, to the extent such service is not forfeited by a break in employment, which may include purchased prior military or firefighter service.

Final Average Salary - The average of the monthly salary paid to a participant in the three best years of employment preceding retirement for all active participants. If a participant enters into the BackDROP (see item 11 on page F-14), the final average salary will be calculated using the three best years of employment preceding the BackDROP period, i.e., the salary paid to a participant during the number of months elected for the BackDROP period will be excluded from the determination of final average salary. A special case exists for participants who have purchased service. In this case, for the purposes of determining final average salary only, the BackDROP period will be reduced by the number of months purchased. For example, if a participant elects to BackDROP 60 months and has purchased 15 months of credited service, then the final average salary will be calculated using the three best years of employment excluding only the last 45 months (60 months minus 15 months) prior to retirement. The cost of purchased service is increased to account for this.

Participant - A West Palm Beach firefighter participating in the Pension Fund.

Salary - A participant's total cash remuneration paid by the City to a firefighter for services rendered, excluding payments for overtime and any lump sum payments for accumulated leave such as that received upon final payoff.



June 2, 2021

Ms. Bonni S. Jensen, Esq.
Klausner, Kaufman, Jensen & Levinson
7080 NW 4th Street
Plantation, Florida 33317

Re: Summary Plan Description - West Palm Beach Firefighters Pension Fund

Dear Bonni:

Enclosed is a final copy of the Summary Plan Description for the West Palm Beach Firefighters Pension Fund as of June 2021.

Please contact us with any questions or comments.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brad Lee Armstrong". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Brad Lee Armstrong, ASA, EA, FCA, MAAA

BLA:dj
Enclosure