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MINUTES OF THE SPECIAL RETIREMENT BOARD MEETING
TUESDAY, APRIL 4, 1995

I. CALL TO ORDER

The special meeting of the Retirement Board of Trustees was called to order by Chairman Robert D. Harvey at 9:05 a.m. on Tuesday, April 4, 1995, in the Town Hall Council Chambers. Attending were: Vice-Chairman James McCartney Wearn, Trustees Mayor Paul R. Ilyinsky, Town Council President Lesly Smith, Deborah Kelly, Karen Lane, John DeIorio, George Frick and Robert J. Doney. Also in attendance were Personnel Director William C. Crouse, Finance Director Marie A. Crozier, Attorney John McCracken, Carla Kneipp, and Actuary Ron J.W. Smith.

II. APPROVAL OF AGENDA

Mr. Harvey asked for any changes to the agenda.

Lt. DeIorio asked to add to Item IV, Any Other Matters, a request to apply for disability pension from a member of the Fire-Rescue Department.

Mrs. Kelly asked to add to Item IV, Any Other Matters, discussion regarding American National Bank.

III. REPORT OF THE AD HOC COMMITTEE

Mr. Harvey reported that Karen Lane would be present at 9:30, and since she would be discussing Item III A, he suggested that Mr. Smith address Item III B, Survivor Benefits for all employees.

Mr. Smith addressed the Board explaining that Item III B had been discussed by the Retirement Ad Hoc Committee, and discussed the survivor benefits provided by the Retirement System. He stated that these were two major areas, explaining that there is a Survivor Benefit that takes place if an

individual dies after retirement, and two types of survivor benefits that are available when there is a death before retirement, with one being for non-duty deaths and the other being for deaths incurred in the line of duty. Mr. Smith stated that over the years it became apparent that there were some discontinuities in those death benefits, and it made a significant difference as to when an individual died, whether it was one day before retirement or one day after. He explained that some of the provisions were difficult to administer, with a financial dependency clause in one, which the Board had wrestled with a few years ago. Mr. Smith stated that the committee had looked at all of the death benefits, and tried to come up with a package that was much more coherent from one type of death benefit to the other. He further explained that they changed the focus, with the focus previously being on providing a survivor benefit to the surviving spouse, and perhaps in certain circumstances, to minor children. He stated that after discussing this, the Committee came to the
conclusion that in the 1990's, it would probably be more appropriate to focus the death benefit on the minor children, and then if there was any margin left over in the overall formula, to provide the benefit to the surviving spouse at that point.

Mr. Smith stated that the recommendation of the committee was first, to shift the primary focus to minor children, and secondarily to the surviving spouse; second, to change the calculation of the optional forms of payment after retirement, explaining that somebody could elect a simple formula as opposed to a rather complex actuarial type calculation that had been in place ever since the plan started in the 1940's; and finally, to increase the death in line of duty benefit to 75% of the deceased member’s earnings from the State minimum of 35%. Mr. Smith explained that in order to pay for some of the changes, as in the event of a non-duty death before retirement, the benefit would become payable when the member would have been eligible to retire, rather than immediately upon the death. Mr. Smith reiterated that this was only for the pension to the spouse, explaining that if there were minor children, that pension would be payable immediately upon the death of the member. He explained that the overall result of this was a wash in terms of cost and it should not increase the Town’s contribution by any measurable amount, and for purposes of filing with the State, they would be prepared to file on a diminimus type basis, i.e., less than .10 of 1% of payroll. Mr. Smith explained that this item would streamline the Survivor Benefits and would get them more in tune with the family situations that are present today, and should be no cost to the Town.

Mr. Harvey asked Mr. Smith to go over what exactly would be changing. Mr. Smith explained that the first change would be that the benefit would be payable to minor children, and if that did not absorb the whole benefit, then secondarily to the surviving spouse. He explained that if the death occurred before retirement, and was not in line of duty, and there were no minor children, then the spouse would not be paid until the member would have been eligible to retire.

Mr. Smith then explained that the second item regarded increasing the death in the line of duty benefit from the State minimum of 35% of the deceased member’s earnings rated at the time of death to 75%. He stated that this would be for an employee who was killed performing their job for the Town, not for non-duty type deaths. Mr. Harvey asked if those changes resulted in no cost to the Town. Mr. Smith stated that when the whole package was looked at, there was no measurable cost to the Town.

He stated that coincidentally, it did get rid of some of those administrative problems that were associated with the old benefits.

Mr. Smith called to the Board's attention an attachment to the Ad Hoc Committee's report that contained some preliminary draft wording for the provisions of the retirement ordinance incorporating the death benefit changes. He explained that this would need to be reviewed by the Town Attorney in order to ensure that they complied with the structure of the Town's ordinances and any other requirements.

Mr. Harvey asked if there were any other items that the Ad Hoc Committee wished to discuss at this time. Mr. Smith replied that there were other items, such as early retirement for General employees, which was item III A on the Agenda, and which generated a lot of discussion because earlier retirement is expensive. He explained that after looking at some unreduced types of early retirements, the Committee decided that it would look at some reduced early retirements, where if an employee really wanted to retire early, they could, but in effect they would pay for all or part of the cost of the earlier retirement by taking a reduced monthly pension. He explained that the Committee had looked at reductions that eliminated substantially all of the costs of the early retirement, and they also looked at some reductions that removed about one half of the cost of the early retirement. Mr. Smith stated that the Committee recommended that two options be presented to the General employees, the first of which would permit early retirement after age 50 with 10 or more years of service, with a reduction of .3 of 1% for every month retirement preceded the date the individual would have been able to retire. Mr. Smith explained that this would increase the employee's contribution by 1.25% of their pay, or $1.25 for every $100.00 of earnings. He explained that there would be no cost to the Town because the employees would be picking up that cost.

Mr. Smith reported on the second option discussed by the Committee, explaining that it required 20 years of service to have the same .3 of 1% per month reduction, which reduced the cost down to .65% of pay, with no cost to the Town.

Mr. Smith stated that these were the two options that the Committee had come up with to present to the General employees to see if they were interested in paying that kind of money for those particular benefits.

Mr. Harvey asked that Item II C, the report of the Ad Hoc Committee on F.S. Chapter 175 and F.S. Chapter 185 issues, be explained, and stated that the Board could then consider all of the recommendations.

Mr. Smith reported on the F.S. Chapter 175 and F.S. Chapter 185 Monies and extra benefits. He explained that this item consumed a large part of the Committee's time and had been thoroughly discussed, with all viewpoints presented several times. He stated that it became apparent early on that it would not be an easy issue to resolve because there were differences of opinion and also because the wording in these Chapters left a lot to be desired in terms of really defining what agencies were supposed to do.

Mr. Smith explained that State law does require that a referendum of the Police Officers and Firefighters be held as to the use of the Chapter money, and Mr. McCracken had written a letter confirming that this was the legal requirement. Mr. Smith further explained that a number of calculations had been performed in order to find out whether the Police Officers and Firefighters indeed did have benefits in excess of those provided the other Town employees over the years. He stated that this had been the case, and through September, 1990, which was the date of the last major amendment to the Retirement System, there were extra benefits provided to Police Officers and Firefighters in excess of those provided the other Town employees. He stated that these did, in the Committee's opinion, absorb the Chapter money that came in during the period prior to 1990. Mr. Smith explained that Chapter money originally started in 1939 for Firefighters, so it had been coming in for a long time and predated this Retirement System in the case of Firefighters. He explained that since 1990, when the last major amendments were made, all of the Chapter money had not been used to provide benefits in excess of those provided to the other Town employees, and there was a shortfall of approximately 1% of payroll throughout that period.

Mr. Smith explained that one of the problems that the Committee had considered was that there was no legal definition of "extra benefits", and what that really meant, so the Committee had discussed extensively whether that meant benefits over and above those provided to the General employees of the Town, or whether it meant benefits over and above those required as a minimum by the State, or exactly what it did mean. Mr. Smith stated that the Committee had come to the consensus that there was no legal definition currently existing, and so the Committee, as a working measure and somewhat following precedent, decided to work off the basis of benefits provided over and above those provided to the General employees.

Mr. Smith explained that the Committee had also come to the conclusion that currently, when the benefits provided under the Florida Retirement System were looked at, and the benefits being provided Police Officers and Firefighters in some of the other municipalities in the area, the Town was at a competitive disadvantage in hiring Police Officers and Firefighters. He explained that as an example, the Florida Retirement System, which included Palm Beach County, currently credited a 3% of final average pay for each year of service rendered from about three years ago, and forward. He explained that it had varied in the past, but was currently a 3% rate, and it was also a non-contributory plan, explaining that these Police Officers and Firefighters did not contribute out of their pay. He explained that this was a significant amount because the amount contributed to the Town's plan was in the 8% area, and this was a significant factor in the competitiveness issue. Mr. Smith further explained that the Florida Retirement System has a 3% cost of living adjustment compared to the 2% being provided to Town of Palm Beach retiree's.

Mr. Smith stated that it was felt that the Town was at some competitive disadvantage in hiring new Police Officers and Firefighters, and as a result, the recommendations of the Committee boiled down to three: first, that a referendum be held among the Police Officers and Firefighters as to the use of the Chapter 175 and 185 money, which was a legal requirement; second, that if the Police Officers and Firefighters voted to have the monies from Chapters 175 and 185 deposited in the Retirement System, as has been the case in the past, then the benefit formula for the Police Officers and Firefighters be changed and that the accrual rate be changed from the current 2.5% of final average pay for each year of service to 2.75% for service rendered after September 30, 1992, and through September 30, 1995, for a three year period, and be changed to 3% for credited service after September 30, 1995. He further explained that the Committee also recommended that there be a provision in the Retirement ordinance governing the future review of the use of Chapter 175 and 185 monies, and explained that the conditions that would trigger a review would be: that 25% or more of the Police Officers and Firefighters ask for a review; if the Town's contribution rate increased by more than 1% of payroll because of benefit changes given the General employees; or if over a five year period, the average Chapter 175/185 revenues changed by more than 1% of Police/Fire payroll. He explained that under any of those circumstances there would be a review of how the money was being used. Mr. Smith stated that the Committee also recommended that there be no change in the chapter money factor tp be put into place in a way that would reduce an accrued benefit that somebody already earned because of the time they put in. He explained that this was a given in public and private employee pensions, explaining that the courts in the public side had consistently ruled that an accrued benefit cannot be reduced, and this had been a pattern throughout the country dating back 40 to 50 years.

Mr. Smith stated that this would increase the contribution rate of the Town for the Retirement System of 5.9% of the Police/Fire payroll, and looking at the 1995/96 Fiscal Year, that would translate to about $360,000 of additional contribution, but it did have the advantage of resolving the almost annuity like conflict over the use of the Chapter 175/Chapter 185 benefits, and it would make the future benefit accruals for Police Officers and Firefighters competitive with the County's.

Mr. Harvey opened discussion on Survivor Benefits for all employees. Mr. Frick explained that he and Mr. Crouse had been delegated to look into this. He explained that there was no cost to the Town, but his concerns had been the line of duty death, and other concerns dealt with the ease with which they could figure out the basis of the dependency. He stated that he believed this was a fair and adequate solution, and that the other Ad Hoc Committee members had agreed to it.

Mr. Doney stated that as a procedural issue, if this Board was going to recommend to the Town Council that they consider Ordinance amendments to implement these changes, then one of the ancillary recommendations would be that the Actuary prepare the necessary Actuarial Impact Statement. He stated that he had a question regarding when that should be authorized to make sure that it's timely and accompanies the action or consideration by the Mayor and Town Council. Mr. Smith explained that it had to be based on the September 30, 1994, Actuarial Report, and that would remain valid for another ten months, until the next report. He explained that there was plenty of time available on that basis. He explained that the other basis was that under State law, the Town must file the impact statement with the State prior to the final reading of the ordinance amendment. Mr. Doney indicated that it was important that the Finance and Taxation Committee be able to review these items at one of their meetings scheduled for June 7 and 8, so the information could be advanced in a timely manner to the Mayor and Town Council.

Mr. Harvey stated that he thought there was plenty of time to allow for the completion of these recommendations, and asked if there was any further discussion regarding this.

Mr. Crouse explained that the Retirement Board had requested the Ad Hoc Committee to look into these issues in detail, including the financial impact, and what was being presented at this time was the summary of approximately 50 hours of work done by the Ad Hoc Committee, not only in meetings but in preparation for those meetings, so these items were not just something that came to this Board with fleeting thought, but went through a great deal of consideration and a lot of homework. Mr. Crouse explained that relative to the Survivor Benefits for all employees, he would like to add that in addition to the recommendation of the Ad Hoc Committee, he felt it was important for the Board Members to realize that the many retirement systems in the State of Florida who all have survivor benefit segments to their retirement plans, range anywhere from the State minimum of 35%, up to and including 100%, with the proposed 75% being a not unusual benefit, explaining that if an average were to be run, it would be very close to 75%. He explained that the most common were 50% and 75%, with the 35% usually confined to the very small retirement systems.

Mr. Crouse further explained that there had been some concern with the definition of duty disability, and when Mr. Frick and he had discussed this issue, one of the stumbling blocks was the definition of disability by the State of Florida's Heart and Lung Bill, which meant that if a person died of a heart attack at home, under the State Heart and Lung Bill, it could be considered a duty disability. Mr. Crouse explained that in the Ad Hoc Committee's discussions, it was neither their intent nor the intent of the Police and Fire Departments to have these considered as part of the benefit. He further explained that while they couldn't divorce themselves from the State law, there was some discussion as to the benefit for the 75%, with that to be defined as death in the line of duty as a direct result of duty for the Town of Palm Beach. Mr. Crouse explained that this may take an attorney to make sure that the Town's benefit was defined as such, but he did not feel that going from 35% to 75% was a major issue when the systems and the types of survivor benefits in the marketplace were taken into consideration.

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Mr. Harvey asked if there was any further discussion regarding Survivor Benefits for all employees. There being none, Mr. Frick moved approval of the Survivor Benefit changes as outlined by Mr. Smith. Mrs. Kelly seconded the motion.

Mr. Doney explained that these items would have to be considered by the Mayor and Town Council as a part of the budget process. Mayor Ilyinsky asked at which meeting it would come to the Council. Mr. Doney replied that it would be the regular September 5:01 meeting, which would be the second and final reading of the resolution to adopt the FY96 budget, and the first public hearing would be about a week before at 5:01 p.m. He asked Mr. McCracken if the ordinance amendments could be included on the same agendas, or if the Town Council would have to adopt its FY96 general fund budget in its entirety first, and then adopt an ordinance on two readings. Mr. McCracken stated that he thought it could be done at the same meeting, as long as it was after the budget was adopted.

Mr. Wearn asked if the motion included the implementation of the comments that Mr. Crouse made, particularly with regard to the definition of the death while in the line of duty. Mr. Frick replied that his motion did include those comments.

Mr. Smith explained that the draft in front of the Board Members did not have that wording included. Mr. Doney stated that he felt it was very important to clarify that in the Ordinance. Mr. Harvey asked if an amended motion was needed. Mr. Frick explained that the death in the line of duty recommendation was included in his motion.

Mr. Harvey asked if there was any more discussion regarding this item. There being none, all voted aye, and the motion carried.

Mr. Harvey then opened discussion on Item III C, Chapter 175 and Chapter 185 issues. Lt. DeIorio explained that many hours had been spent in discussing this issue, and that it was apparent at the end of it all that the Statutes were poorly written, and there was really no definition of extra benefits or minimum benefits, and the Committee had to try to make that determination. Lt. DeIorio stated that the Committee felt that they had come up with a fair and equitable solution to the problem. He explained that it had been a problem for a very long time, and not just in the Town of Palm Beach. Lt. DeIorio stated that there had never been a referendum, and it was clear that this needed to be done in order to determine how to use the State monies. He explained that in the past when the Public Safety section benefits were compared to General Employee benefits, there were considered to be extra benefits for the Public Safety employees, however, after discussion, it was realized that it was no longer necessary to compare to General employees because there was nothing legally that required this comparison. Lt. DeIorio indicated that this probably had been done in the past, but there was nothing that said it had to be done, and there had always been a linkage problem where if the General employees had a benefit change, then Public Safety had to do the same thing, and vice versa. He stated that the Committee felt it would be better to be linked to competitive issues in the market place. He stated that there were many pension systems throughout the state and the country that had accrual rates at 3%, as well as Palm Beach County who had been on a 3% accrual rate for a number of years. He explained that Mr. Crouse had provided documentation regarding how long they had been above the 2.5% rate, which is where the Town was presently. Lt. DeIorio further explained that the Committee had felt that in order to make it fair and equitable, increasing the accrual rate to 2.75% starting from 10/1/92 up to this year, and going to a 3% accrual rate from here on out would be very competitive. Lt. DeIorio further explained that the Committee felt there should be some language in the ordinance as to when they may want to look at the use of the State monies again, and he believed that the language provided to the Board Members was more than adequate. Lt. DeIorio reiterated that the Committee was trying to make it a more competitive issue rather than comparing Public Safety employees to General employees.

Mr. Frick added that he felt they were fortunate to have been able to set up an Ad Hoc Committee and given a $10,000 budget. He explained that a lot of work went into these recommendations. Mr. Frick stated that even though the final figure may seem a little high, he felt it was important that all of the Ad Hoc Committee's work be taken into consideration, because this was a very fair and adequate solution to this and he would like to see it approved.

Mr. Harvey asked who had served on the Ad Hoc Committee. Lt. DeIorio explained that Ron Smith had served as Chairman, and added that the other Committee Members were he, Mr. Frick, Mr. Doney, Mrs. Kelly, Miss Lane, and that Mr. Crouse and Mrs. Crozier had also attended the meetings.

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Mr. Doney indicated that this issue in particular had a long history. He stated that as Town Manager, he had a responsibility to work with the Town Department Heads and staff to prepare the Town's budget to submit to the Mayor and Town Council. He stated that after much discussion, he believed that this was an issue of competitiveness in being able to attract and retain quality employees. He explained that the $360,000 for the 1995/96 fiscal year was going to be frightening at first, but it needed to be broken down into its component parts, and it was also necessary to recognize that this was a correction that was being made, and it put the Town in a positive position in working with the Fire-Rescue and Police Departments. He further stated that this would also enable the Town to continue to attract and retain quality employees.

Mr. Doney stated that there was still a perception from some individuals that an inequity exists, but the problems experienced with the Chapter 175 and 185 monies should be resolved by the measures being recommended by the Ad Hoc Committee. He recommended that Mr. Smith and Mr. McCracken attend a meeting of the Finance and Taxation Committee in order to provide further information, explaining that the $360,000 was going to be one of the largest lump sum increases in the fiscal year 1996 budget. Mr. Doney commented that the Ad Hoc Committee was fortunate that the Chairman of the Finance and Taxation Committee was Mrs. Smith, as she would have some knowledge of the recommendations made by the Ad Hoc Committee. He stated that it was very important that the Ad Hoc Committee provide the Finance and Taxation Committee and the Town Council with complete information on these issues in order for them to be fully aware of what recommendations were being made, and that they were fair and equitable solutions.

Mr. Wearn asked how the General employees felt about leaving the standard, and therefore having a significant difference now developing in the treatment from a retirement standpoint.

Mr. Harvey asked Mr. Crouse if there were positions now open in the Police and Fire-Rescue Departments, or if there were any measure of turnover ratios of Town staff versus other agencies. He asked what the Town's competitive positioning from a Personnel standpoint was, and asked if the Town was having difficulty filling positions, and was there abnormal high turnover relative to the Town's competitors.

Mr. Crouse explained that the simple response to Mr. Wearn's question regarding the General and Public Safety employees was eloquently responded to by Lt. DeIorio when he said that this committee came to the conclusion that there is no comparison between the two groups, and that they are two separate entities. Mr. Crouse explained that the General employees were in a very competitive position, and could stand on their own merits as far as the Retirement system and competitiveness were concerned. He went on to explain that as far as the Public Safety group was concerned, they were slightly on the weak side of average, and as for the competitive nature, there were a lot of issues that had to be considered. Mr. Crouse stated that there was a time when the Town could not hire paramedics, explaining that a lot of that was the market. He explained that right now the marketplace had a lot of certified, qualified people looking for jobs, and in the Town's recruitment for the past four years, there had not been a problem bringing in "bodies". He explained that the problem was that the Town would not want 90% of the individuals who came in from the standpoint of what they could bring in to this organization. Mr. Crouse stated that the caliber of the people that the Town hires in the Police and Fire Departments are second to none, so from a competitive standpoint, the Town has a line going around the block, but as far as the caliber and talent of these individuals, there wasn't very much of it. Mr. Crouse stated that the Board Members would be shocked at what the State of Florida certified for Police Officers. He explained that the State of Florida was aware of the problems, and were working on changing them, but the point was, there were vacancies and the Personnel Department consistently screened 15 candidates to get one. Mr. Crouse stated that the Town always gets the one, but this issue also involved employee relations with the current employees. He explained that this was not a legal issue, and the Town was not being unfair to General or Public Safety employees. Mr. Crouse stated that this point had been argued for hours, but the Town's position was that it was not necessarily a legal issue, but the issue was competitiveness.

Mr. Crouse reported on a study published by the State in December of 1993, which did a complete review of all the Retirement Systems in the State of Florida. He explained that using the Town's Public Safety retirement system as an example, and comparing the March, 1995, statistics of Police Officers working in Police Departments in Palm Beach and Broward Counties, there were a total of 1,938, and of these, 1,577 worked for agencies providing a 3% multiplier. He explained that this was 81% of the employees. Mr. Crouse went on to state that in Fire-Rescue, out of a total of 1,358 firefighters, 1,136, or 84%, work for agencies providing a 3% multiplier. Mr. Crouse stated that the issue of retirement was not just the multiplier, but that to be competitive, this Board had to decide the issue of benefits, and what they felt was proper to pass on to the Town Council to see if the Council felt it was feasible and right to pay the money. Mr. Crouse explained that in his opinion, it was right from an employee relations and competitive standpoint. He stated that it wasn't because the Town didn't have a number of people applying for jobs with the Town, or because the Town couldn't hire sufficient people, but because of the employee relations. Mr. Crouse stated that it was one thing when an individual does not have a job but is certified, because they will go to work just to have a job, but that once they become employees, then it becomes an employee relations issue. Mr. Crouse stated that realistically, looking at this issue from a standpoint of competitiveness and the right thing to do, he thought that this Ad Hoc Committee brought to the Retirement Board a recommendation that was reasonable.

Mr. Harvey stated that what this Board had to understand, as well as the individuals of the Ad Hoc Committee, was that part of this process was documenting the case, which had been done. He stated that if it was to go forward, the Committee needed the support of the Town Council Members. He further stated that there were individuals who served on the Retirement Board as well as the Finance and Taxation Committee and Town Council, so if they had an understanding of these issues and agreed with the proposed recommendations, they would be in a position to lend support. He explained that part of the Ad Hoc Committee's process was to provide the documentation and to provide a level of satisfaction that everything was in order so it could proceed to another level, and if necessary document it one more time. He explained that if it became necessary, some of the Town Council Members could read the transcripts of this meeting to have a better understanding of why they should propose a $360,000 increase.

Mr. Harvey asked if there was any other discussion on item II C, F.S. Chapter 175 and F.S. Chapter 185 issues. Lt DeIorio stated that he had been with the Town for eleven years, and he knew a number of people who worked for other organizations in the Fire-Rescue industry, so he knew that the Town was a fantastic organization to work for. He stated that he believed the level of service that is provided by all employees was second to none, and he would hate to see that erode in the future due to competitive issues. He explained that he believed this solution was fair and equitable, and that it would keep the quality of employees needed in order to provide the level of service to which the citizens of Palm Beach were accustomed.

Mr. Harvey asked if there were any further questions or comments. There being none, Mr. Frick moved approval of the recommendations of the Ad Hoc Committee's memorandum dated February 16, 1995 regarding F.S. Chapter 175 and F.S. Chapter 185 monies. Lt. DeIorio seconded the motion.

Mayor Ilyinsky asked who approved this issue after the Retirement Board made their recommendation. Mr. Frick explained that the Retirement Board was the first step before it went on to the Town Council. Mrs. Smith stated that this motion was taking the issue to the Town Council via the Finance and Taxation Committee, and she hoped that everyone would be ready to make a very concise and clear presentation to the Finance and Taxation Committee as to why this was necessary. She stated that if it was clear, it would be passed very easily, but if it was unclear, it would never be approved and would create unnecessary publicity and interest in the media. Mrs. Smith explained that the Finance and Taxation Committee's meetings were on June 7 and 8, 1995, and she hoped that the Police and Fire Representatives would be there to speak, as well as Mr. Crouse and Mr. McCracken, in order to make the presentations as a part of the budget hearing.

Mr. Doney stated that he thought it would also be helpful to have the $360,000 be broken down into component parts to give it perspective, as it included both the catch up portion and the adjustment. He asked if Mr. Frick's motion included the information on page 3 of the memorandum dated February 16, 1995. Mr. Frick indicated that his motion included items one two and three of the recommendations of the Ad Hoc Committee on the memorandum dated February 16, 1995. Mr. Doney stated that he wanted to make sure that any pending legal details were addressed.

Mr. McCracken asked if the referendum of the Public Safety personnel would be held prior to the Finance and Taxation Committee's meeting. Mr. Frick explained that after the Retirement Board approved the request, the referendum could be held.

Mr. Wearn indicated that he was not sure whether the Retirement Board was automatically approving the conduct of the referendum, and the content of the referendum, and whether the referendum was really a ratification of the implied approval that the Board had been working under for a number of years, or whether it was merely formal. He stated that he was concerned about the liabilities, and that he would like to hear about the legal issues.

Mr. McCracken explained that if the issue was a contingent budget allocation by the Town Council, the Retirement Board could recommend approval to the Council, although he wasn't sure that the Town Council was in a position to create its budget in that manner. He indicated that he was unsure of any problems that may arise if the Board presented this to the Public Safety Officers.

Mr. Frick stated that the votes that he had seen were signature votes, with the employees writing down their name with a yes/no approval. He explained that the top part of that vote would stipulate that they were voting to return the 185 money to the Town as previously used, pending the approval of the Retirement Board and of the Town Council. He further explained that should it not be approved by the Town Council, then the representatives would have to backtrack. Mr. Frick stated that he thought this would solve the problem, and with the Finance and Taxation Committee meeting the 7th and 8th of June, the vote would be held long before that. He further explained that employees would understand that what they were voting for was the change in the ordinance pending the approval of the Town for the disbursement of $360,000.

Mayor Ilyinski asked if that should be part of the motion. Mr. Wearn indicated that he would like to see it as part of the motion. Mr. Doney stated that he thought along with that, a process and procedure was going to be very important in implementing this issue and also the General employees issue, as far as making sure that what was before the Finance and Taxation Committee and the Mayor and Town Council was correctly worded from a legal perspective. He suggested that Mr. Crouse develop the proper form of the question with the input and approval of Mr. McCracken and Mr. Smith to make sure that what was being advanced to the Fire and Police employees accurately detailed what needed to be done. He further indicated that the document should also contain a statement or cover letter to indicate that this vote was in anticipation of the matter being presented to Finance and Taxation Committee and the Mayor and Town Council. He stated that it was no assurance one way or another regarding the funding issues, and that they would have to stand on their own merits and ultimately be decided by the Town Council. Mrs. Smith asked what that would do to Mr. Frick's motion. Mr. Doney explained that he was commenting on the mechanics of the vote to make sure it advanced in a proper manner.

Mr. McCracken stated that what should be included before the matter went to the Finance and Taxation Committee, was that it shall have been approved by a majority of the Firefighters and Police Officers.

Mr. Frick amended his motion to stipulate that the Retirement Board approve the Chapters 175 and 185 issues as written in the February 16, 1995 memorandum from Mr. Smith concerning the Ad Hoc Committee, and that the approval of these issues include that the Police and Fire-Rescue employees will vote to return their monies to the Town with the stipulation that the vote be done prior to going to Finance and Taxation, however should the Town not approve this, the vote would not be binding. Mr. Wearn asked if the vote was to be a signature vote and to have a form of the question and the information disseminated as expressed by Mr. Doney, Mr. Crouse, and legal Council. Mr. Frick so added this to the motion. Lt. DeIorio asked if it was important to put the referencing part of the Statute about the vote in there, so the vote would be done in accordance with F.S. 175.351(13) and F.S. 185.35(2). He asked Mr. Frick to restate his motion. Mr. Frick explained that he was moving that this Board approve the items in the packet, and that a signature vote would be obtained from the Police and Fire-Rescue employees, that would stipulate that the F.S. 175.351(13) and F.S. 185.35(2) monies would be returned to the Town providing the Town approves all of this paperwork, however if the Town did not approve this, the vote would be null and void. The seconded agreed.

Mr. Harvey asked if there was any further discussion. Mr. Doney indicated that he was unsure as to what Mr. Frick meant by his amended motion by returning the money to the Town. Mr. Frick explained that he meant for the money to continue to go toward the Town as had previously been done. Mr. Doney stated that he wanted to make sure, and maybe Mr. McCracken could include information in the form of the question to Fire and Police Employees to make sure that this was a one time correction. He explained that he wanted to address this issue so there would not be an expectation or anticipation that this would be an annual event. Mr. Frick stated that item three addressed how changes could be made should the issue ever need to be looked at again.

Mr. Harvey stated the provisions were included in the terms of going forward, and that these terms allowed the issue to be reopened by both parties. Mr. McCracken stated that he thought the point Mr. Doney was making was well taken in the sense that the Board was really dealing with a release of any claim for improper allocation in the past, and he thought that everyone understood that, and the documentation would reflect that so there would be no question that the Firefighters and Police Officers understood this.

Mr. Wearn stated that this was why he had specifically mentioned that the vote be on a ratification and confirmation basis. Mr. Harvey stated that he thought the vote was putting into place these items of protection to the Town. Lt. DeIorio asked if this vote protected the Town from those people who were already retired out of the system. He asked if this would stop a claim from a retiree who might say that he did not think this was done right, and he was going to file suit. Mr. Frick stated that he did not think the Board had the power to do that.

Mr. Wearn asked if this, as a ratification/confirmation, put it in the best possible posture. Mr. Frick asked what this meant. Mr. Wearn explained that it was approval for both the future and for what has occurred in the past, and a confirmation of the tacit approval that was given for this process. Mr. McCracken explained that a majority of the current employees may well be a majority for several years going back as well. Lt. DeIorio asked if it did not take away the ability of the person who is out of the system. Mr. McCracken replied that it did not.

Mr. Wearn asked the maker and seconder of the motion if the motion included the concept of the ratification/confirmation vote. Mr. Frick and Lt. DeIorio replied that it did. There being no further discussion, all voted aye and the motion carried.

After a short break, the meeting was called back to order.

Mr. Harvey explained that Item III A of the Agenda, early retirement for General employees, had been skipped over in order to give Miss Lane an opportunity to participate in the discussion.

Miss Lane reported on early retirement for General employees, with the two recommended options being retirement at age 50 if the member had 10 or more years of service, and the second option being age 50 with 20 or more years of service. She stated that the employees had not as of yet taken any vote on these matters because the representatives were looking to the Board for direction, but the most logical conclusions that the Ad Hoc Committee could come to were these two options which had been brought up through Ron Smith's actuarial research and reports and discussed by the Ad Hoc Committee. Miss Lane explained that no matter what the conclusion would be, there would be no cost to the Town. She further stated that Mrs. Kelly had a further item she would like to present, stating that this had come up after the last Ad Hoc Committee meeting, and that she supported discussing this third option. She further explained that this also would be of no cost to the Town.

Mrs. Kelly explained that of the two early retirement options being discussed at this time, one would result in a 1.25% cost to employees, and the other would be a .65% cost to employees. She stated that because of the time frame over which the meetings were conducted, Miss Lane and she as the General Employee representatives were asked to wait until this Board approved their proposal before they actually talked with the employees. She stated that employees had the occasion to listen at the meetings and read the minutes, and Miss Lane and she had received a number of inquiries regarding these two options. Mrs. Kelly explained that several years ago, the 75 Point Plan had been presented to the employees, and she along with Miss Lane's predecessor, had an opportunity to talk to most of the General employees. She explained that part of the problem with that proposal had been the cost, which was an overriding factor because it resulted in over a 2% cost to the employees. Mrs. Kelly stated that one of the concerns that came out of that was there were so many employees who felt that they would pay for a benefit that they would never be able to utilize because they would not be in a position to retire after 25 years, or earlier than that, so the measure had been overwhelmingly voted down. Mrs. Kelly explained that she had spoken to several employees who would like an early retirement plan, but many didn't want to pay for it. She explained that these costs were minimal compared to those of the 75 Point Plan, but there were still those employees who said they would never be able to take advantage of it, and did not want to pay for it.

Mrs. Kelly stated that she and Miss Lane would like to bring the two proposed options to the General employees for consideration, but in addition to that, they would like to ask the Board to explore two other possibilities. She explained that one of early retirement options was age 50 with 10 years of service, with a reduction of .006% for each month of early retirement. She explained that the cost of that was .15% of payroll, and she would like to see that option explored so there would be no cost to the Town and no cost to the employee. She explained that the reduction in pension could be escalated so there would be no cost to either the Town or the employees as a whole, so that those individuals who chose to exercise that option of early retirement would pay for that benefit in its entirety. Mrs. Kelly explained that the other consideration was that at 25 years an employee be allowed to retire early and take a reduction, but when they obtained normal retirement age, retirement would then revert to a full pension, and during the five years that they receive the pension early, they would pay for it in whatever reduction that resulted in. Mrs. Kelly explained that there would then be options for early retirement in the ordinance that only those employees who wished to exercise them would pay for. She stated that the other two options could still be brought to the employees along with an explanation that the Town could offer these other things as part of the retirement ordinance's base benfit, so they now have the option to purchase and enhance those early retirement plans. Mr. Harvey asked if these would be paid for by the employees. Mrs. Kelly replied that this was correct. She explained that she was not sure of the cost, but the .006% reduction was a significant reduction in pension, so the situation could arise where a large majority of the employees would not take those options because the cost would be prohibitive, but there would be individuals who would exercise that option. Mrs. Kelly explained that there had been some discussion about employees leaving early to pursue other career opportunities, but the feedback she had gotten indicated that people were simply burned out after 20 or 25 years. She stated that she believed it was in the best interests of the employees and the organization as a whole to let those people go, especially if they would be paying for that privilege.

Mr. Harvey asked Mr. Smith if there was any cost to the Town with the other options that Mrs. Kelly was proposing. Mr. Smith indicated that he understood there was to be no cost to the Town. Mrs. Kelly stated that they were proposing that whatever costs were involved would be borne by the employee. Mr. Smith stated that he did not think that the option where the employee would have a reduction in pension until they reached retirement age would be possible because the period before they were eligible to retire, they would be entitled to nothing, and if they were given something during that period, those individuals would have to pay back everything they had received. He explained that if their pension wasn't affected by the time they reached normal retirement age, there would be no way for the Town to get it back. Lt. DeIorio asked what would happen if their pension were to be actuarially reduced over a life expectancy period of time. Mr. Smith replied that over a lifetime, yes, but the problem would be how to recover the money. Mrs. Kelly stated that this may not be a viable option. Mr. Harvey asked for clarification on the option that looked viable. Mrs. Kelly explained that it was retirement at age 50 with 10 or more years of credited service, and under that early retirement, the reduction was .006%. She explained that this information was in the memorandum dated January 17, 1995, page 3, Early Retirement Possibility 2ii. Mr. Smith explained that this proposal did have a small cost to the Town, explaining that the .006% could be increased a little bit in order to zero out that cost. Mrs. Kelly stated that she thought perhaps age 50 with 20 years service rather than age 50 with 10 years of service would reduce the cost. Mr. Smith explained that the practical problem with the reduction factor was that most employees couldn't relate to a reduction like .00627, rather than .006.

Mr. Doney explained that the information that Miss Lane and Mrs. Kelly were referring to had not been part of the original discussion with the Ad Hoc Committee, nor were these items part of Mr. Smith's February 16, 1995, report. Mr. Harvey asked for further explanation on the different options. Mrs. Kelly explained that perhaps the option she was discussing could be considered separate from the other issues. She stated that the third option would have to be adjusted, by either adjusting the reduction or the years of service, or a combination of both, in order to bring that cost down to zero, and then incorporated as part of the Retirement Ordinance, as there would be no cost either to the Town or the General employees as a whole, unless they chose to exercise the option. Mrs. Kelly explained that this could simply be an ordinance change. She went on to explain that the other two options would enhance that benefit at a cost to the employees, and they could enhance it in two ways: either early retirement at age 50 with 10 years of service with a reduction of .003%, with employee contributions increased by 1.25% of pay; or early retirement at age 50 with 20 years of service with a reduction of .003%, with employee contributions increased by .65% of pay. She explained that it would be necessary for Miss Lane and her to meet with all the General employees, then take a signature vote to see if they would consider either one of those options. Mrs. Kelly explained that there were many employees who felt they could not afford to pay for an enhancement of benefits, which was why this third alternative could be a solution.

Mr. Harvey stated that if all three options were given to the General employees, there was the possibility of a split vote, and perhaps giving them more options would give them a better menu to choose from.

Mr. Frick asked if one option was presented to employees to choose from , could they then on a one time basis choose whether they wanted it or not. Mr. Smith replied that it was possible, but it was not very practical, as peoples' circumstances changed. He explained that any time there was an employee-paid benefit enhancement that didn't necessarily apply to all employees, there could be problems getting a favorable vote, and that was the problem with these two options. He explained that there were people hired at different ages, and some would never be able to use the benefit and would feel they were being penalized. Mr. Smith explained that an accrual factor was a different situation, because all employees received that, so everybody was willing to pay for it.

Mrs. Kelly explained that in the General employees group, there was a large number of different pay scales and ranges, and the group included administrative employees as well as Public Works laborers. She explained that there were some factions that would have paid for the 75 Point Plan, but there were those who felt they couldn't pay the .65%. Mrs. Kelly explained that she was trying to find something that would allow all employees to consider an option without additional costs. She stated that if this option was brought to them, and they decided it was affordable, it would only enhance the benefit that exists in the ordinance.

Miss Lane explained that since there was a vast spectrum of employees involved in the General Employee group, where there were administrative and non-administrative employees, she stated that there were two different levels of goals and lifestyles, and the Board may possibly consider at some point dividing the two categories into administrative and non-administrative. She explained that the Board Members may want to entertain that idea for future discussion. She stated that this could make the proposed options more viable. Miss Lane explained that most of the people Mrs. Kelly was referring to were mostly administrative, and they were the ones who had the ability to pay for a benefit enhancement. Mrs. Kelly explained that she had spoken to administrative employees who were in support of the 75 Point Plan, but she had spoken to many people in all of the departments who were interested in some kind of early retirement option. Miss Lane explained that there was a division of schools of thought, and she didn't see how any other options could be explored at this point.

Lt. DeIorio asked if Mrs. Kelly's suggestion had been brought to the General employees. Mrs. Kelly replied that nothing had been taken to them.

Mr. Doney asked Mrs. Kelly how many of the Public Works employees she had spoken to. Mrs. Kelly responded that she had had the opportunity to speak to all employees during consideration of the 75 Point Plan. Mr. Doney asked how many General employees there were. Mrs. Kelly stated that there were approximately 204 General employees. Mr. Doney indicated that anything the General employees voted on would have to be presented to the Finance and Taxation Committee as well as the Mayor and Town Council, and he wanted to be sure that not only were all the legalities of the issues addressed, but that everything was done in a timely manner.

Mrs. Kelly explained that what she envisioned, regardless of the early reduction plans proposed,was that the base retirement package would not change, and that normal retirement would still be 30 years of service, or 10 and age 60. She explained that if the employees would be bearing the cost of this early retirement option, she did not see any need to bring it to the Finance and Taxation committee, explaining that it could simply be an Ordinance change with the approval of the Retirement Board, and approval of the Town Council. Mrs. Kelly stated that the early retirement benefit at age 50 with 10 or more years of credited service with a reduction of .006% for each month that early retirement precedes normal retirement, with a cost of zero to the Town, would not even have to be taken to General employees. She explained that this was something the Town could do as an Ordinance change, and it would not change the benefits that the employees currently had. Mrs. Kelly explained that she thought it would confuse the issue to bring this new option to the employees, when this was something that could be done by the Retirement Board and the Mayor and Town Council.

Mr. Doney asked if this could be an optional selection process that the General employees would pay for.

Mr. Smith explained that Mrs. Kelly's proposed third option, with a reduction sufficient to pay the total cost so that neither the Town nor the members would have to contribute more, would be on an individual election basis at the time the employee chose to retire, so he did not see any particular need for a referendum for this option. He explained that if this benefit was one that someone wanted to use, they would use it, and if they didn't want to use it, they wouldn't have to.

Mr. Harvey stated that the point the Retirement Board may be reaching was the employees approving the menu approach, where there were three options to choose for retirement, versus approving each one in itself. He explained that there were individuals who would say that one of the options may not apply to them, so they would vote it down, but if the three options were packaged together, perhaps this menu of options would contain one they could live with.

Mrs. Kelly explained that her concern regarding this approach went back to consideration of the 75 Point Plan. She explained that it was overwhelmingly voted down, and if these three items were presented together, there was a cost to the employee with two of them, and the third one did not have a cost. She stated that even if the employees decided that they did not want to purchase an early retirement, she would still like to see this third option become part of the ordinance, and she was afraid that if the three were packaged together, they would be voting on something that did not even require a vote. She stated that the third option could still become a part of the retirement ordinance, separate and apart from employees' willingness to purchase an enhancement to that benefit. Mrs. Kelly stated that she believed that it would confuse the issue to include this option with the original two options, because they were dealing with a cost for two of them versus an option with no cost at all.

Mr. Harvey stated that what had to be established was how the Retirement Board should proceed from this point. Mr. Doney asked Mr. Crouse to respond.

Mr. Crouse stated that these were very simple matters, explaining that the General employees were not asking for a benefit change that would cost the Town of Palm Beach any money. He explained that they were asking for some options, and if their membership chose to, they would fund in total. He stated that those options may include one that wouldn't cost anything to anybody except the person who took the option. Mr. Crouse stated that he agreed with Mr. Smith in that there needn't be a referendum for such option since it could simply be included in the ordinance, and if an employee chose to use it, they could choose to have a reduced pension that would actuarially cost the system zero. Mr. Crouse stated that the advantages to the Town for such an option were significant, especially considering the fact that it would cost the Town nothing. He explained that there were employers throughout the country who were spending a great deal of money to encourage people to take early outs because of the significant savings. Mr. Crouse stated that when the Drop Plan was considered, he had shown the Board that a new employee as opposed to a long service employee was cost savings of literally over 100% in some cases, so it would not be in the Town's best interests to turn its back on an option if there was one that could encourage people to use it, such as the one that Mrs. Kelly was proposing. He stated that as long as it was not a cost to the tax payers, and as long as the representatives of the General employees felt it was something that their constituents wanted, he did not see this as a big issue, but more as an issue that this Board should consider, especially if it could encourage some people to leave early, because this benefitted the Town. Mr. Crouse reiterated that the only disadvantage would be the fact that in any early out, the talents and expertise could be lost, but both ways could be argued, because he wasn't so sure there was a disadvantage. He explained that he thought it was fully an advantage if people could be encouraged to take an option that would cost the Town no money.

Mr. Wearn stated that his concern was that while there may not appear to be a cost to the Town or to the taxpayer, some of the experience would be lost with an entry level person, and there was also a detriment in that the person wasn't as attuned to the high level of service which the taxpayer wanted to receive. He stated that there was a commensurate detriment that travels with any benefit. He wondered if there was any way that the option could also be placed at the level of the Town Management, as to whether or not it was exercised. He stated that Mr. Crouse had mentioned that some employers nationally give the option periodically, and he wondered if there was any way that the option could be made conditioned upon both the employer and the employee approving the option. Mr. Crouse responded that the Town had looked at an early out program some years ago, and it was determined not to be feasible. He explained that this only worked if the position that was encouraged to go vacant either remained vacant for a fairly significant period of time, or was in fact abolished. He stated that early out programs are not free, as there was a fairly nice reward to encourage the person to leave early. Mr. Crouse explained that the other issue brought up by Mr. Wearn was in reference to the expertise that was lost. He stated that an argument could easily be made that some of the best employees were in fact some of the younger, more creative, more energetic individuals, and in fact sometimes, the long service employee gets very comfortable and may simply "float". Mr. Crouse explained that while it may encourage the retirement of an individual whose loss would be felt, he did not think that was the common occurrence.

Mr. Doney stated that the Town was fortunate to have certain advantages and certain disadvantages to an early retirement option. He explained that he liked Mr. Wearn's suggestion, but that in terms of application, it could be very difficult to administer.

Mr. Harvey asked how the Retirement Board wished to deal with these issues, and how they would like to proceed from this point. Mrs. Kelly stated that she had hoped that she and Miss Lane could meet with the General employees and bring the original two options to their attention, as from a budgetary standpoint, they were running out of time. She further asked that the third early retirement option be further discussed with Mr. Smith from the standpoint of designing it with the appropriate years of service and reduction percent, and then brought back to the Retirement Board. She explained that this could be done separate and apart from consideration of the other two options. Mr. Wearn asked if this meant that she and Miss Lane would have to go back to the employees twice for their approval. Mrs. Kelly replied that she did not believe that the third option had to go to the employees, as there was no cost to them or to the Town, but rather it would simply be an additional option for them.

Mr. Doney stated that from an employee relations perspective, it was perhaps better to advance this as a package with alternatives, and to educate the employees He explained that it was also necessary to make sure that the ballot had the legal particulars but also had the information well explained so the individuals would know what they were voting on. He further stated that this also had to be a very tight process so that every individual who was eligible received a ballot and had an opportunity to make sure it was received. Mr. Doney stated that this could be coordinated through Mr. Crouse in order to ensure it was a complete process. He explained to Mrs. Kelly that he thought while there was a variety of General employees, it would still be best to advance the alternatives with the costs, and with the understanding and explanation of what it was all about.

Mrs. Kelly explained that she did not understand why the third option would require a vote of the employees, because it was taking nothing away from them yet was providing them with an option. She further explained that there would be no cost to them or to the Town. Mrs. Kelly expressed her concern with presenting it as one package, explaining that it would confuse people. She indicated that if Mr. Doney would feel more comfortable with having this option voted on, it should simply be a vote on whether employees wanted it to be a part of the Ordinance or not, because there were no costs associated. Mrs. Kelly explained that it would be clearer and easier for people to understand if they were simply two separate votes, because the third option had no cost and did not take anything away from the existing Retirement ordinance, but simply added to it. She stated that she was afraid if all three were presented together, the perception would be that employees had to vote for all or nothing, and that was not what they were trying to accomplish here. She explained that what she was trying to accomplish was simply the inclusion of an early reduction plan that employees could take advantage of if they chose to do so.

Mr. Doney asked Mr. Crouse how he felt this could best be explained to employees and implemented. Mr. Crouse stated that he felt the best way was for two different motions to be made; one motion changing the Retirement ordinance to allow an option for general employees to select an early out that would be actuarially determined such that it would not cost the Plan any money at all, and that the specifications meet whatever the Retirement Board chose, such as age 50 with a minimum of ten years. He explained that as an example, if he were to select that option, and waited to age 60, he would have a $2,500 per month pension, but if he left at age 50, he would have $1,100 per month. He explained that the cost to the system would be the same. Mr. Crouse stated that the other motion could be the options put forth in Mr. Smith's summary, which would in fact cost the General employees something, and this was what they should vote on. Mr. Crouse explained that these were two separate issues.

Mr. Doney asked if this could easily be implemented. Mr. Crouse replied that it could, and stated that he felt the first two options would be voted down. Mayor Ilyinsky asked if this was true, why it was being brought before the Retirement Board. Mr. Crouse explained that the General employees had indicated to their representatives that they would like consideration of an early retirement option. He stated that if the representatives felt that their constituents wanted to consider other options, it was their responsibility to bring the request to the Retirement Board.

Mr. Wearn asked if it would be contemplated to be a signature vote. Mr. Crouse replied that it would be. Mr. Wearn indicated that he was curious about the option that had no cost, explaining that Miss Lane had mentioned that there might be some division in the employee group at some time in the future. He stated that he would be interested in seeing what the response was on this vote, broken down from management to staff employees. Mr. Crouse stated that he thought this was a good idea, because in the past it had always been an anonymous vote, and it would be interesting to see a signature vote so that the representatives would know where people stood on the issue.

Mrs. Kelly stated that she had all of the documentation from the vote on the 75 Point Plan, and that it was broken down by Department, so it was known how the vote occurred by department from Public Works to administrative. Mr. Crouse explained that there were different types of position in the same department, such as administrative and laborer employees in the Public Works Department, so a signature vote would break it down by specific positions. Mr. Harvey asked what significance this had, and if different plans were going to be devised for each employee group.

Mr. Crouse explained that if the Board approved these options that were being taken to the General members, and the General members did pass either one or both of these options, then that option would be written into the Retirement ordinance. He asked the Board Members to please understand that under this condition, the options would be at the total expense of the employees, so what this Board would really approve was the ordinance change should the employees choose to accept those options.

Mr. Harvey asked if Mr. Crouse's assumption was that it would be turned down by the employees, which could result in two sets of data showing how each group of employees voted, and asked what would be done with this information. He asked if an attempt would be made to design something that would please both groups. Mr. Crouse explained that the information would be of value to the representatives to know in the future how the various people stand, but he thought that it would be a big mistake to try to develop a plan within the plan for General employees, one that would set up some options for administrative/technical people and one for other groups. He stated that the results of the signature vote would merely be information that the representatives could use to simply get a picture of where the votes were coming from. Mr. Harvey asked if they would then run the risk of having this data available and then designing plans for the benefit of one group versus the other. Mr. Crouse explained that while the risk existed, he thought this Board could debate and discuss those issues should they ever come before the Board, however, he thought this would be an area that would not be found in the market, and that it would divide the employees. He indicated that he would have significant concerns with dividing the General employee retirement system.

Mr. Doney stated that his concern was that they were intentionally creating an expectation that there might be something else happening. He explained that there were some real unintended results that occur from something like this, and it could create misunderstandings. He asked Mr. Crouse if he saw a way of preventing this from happening. Mr. Crouse replied that the core of this problem was the fact that the Town of Palm Beach spends millions in benefits for its employees, and spends nothing in producing information to those employees to let them know how fortunate they are. He stated that there were companies in the private sector that brought in specialty firms that do nothing but put together beautiful brochures to tout what a wonderful benefit package and employer the employee's have, and that these companies succeed to such an extent that their employees say they're lucky to be working for that company. Mr. Crouse stated that the Town spends millions in benefits, but did not really spend the kind of time, money and effort in getting the publications out to the employees to let them know how wonderful the benefit package was. He explained that part of this was really getting the information out to these people to let them know the good benefits they have, and to keep them more aware of how well off they are with their benefits. Mr. Crouse stated that the Town may then get less of these requests to provide other options. He explained that employees approach benefits in a piecemeal fashion, and don't attack them as a whole, although it may be important to consider some of these changes because of possible benefits to the Town.

Mr. Harvey stated that if the Retirement Board moved to approve this, and it then went to the employees, who would then turn it down, he didn't see that the Board was accomplishing anything. Mrs. Smith agreed. Mr. Harvey stated that if this was something that would be voted down, he didn't want it to be something that caused an irritation to the employees because they didn't like the options. He explained that he didn't think that would be creating any good will with the employees.

Mrs. Smith asked Mr. Crouse whose fault it was that the employees were not aware of the great benefits that they received from the Town of Palm Beach. Mr. Crouse replied that it was the fault of a lot of people, since the money was not spent to advertise it more. He explained that it was done internally at basically no cost to the employer, but to do it with a big splash would mean coming to the Council and asking for a large amount of money. Mr. Crouse stated that it was a lack on the part of administration by not making that a priority. He explained that maybe spending this large amount of money would pay back dividends in the form of employee good will. Mr. Crouse explained that his statement to the Board regarding how the employees would vote was merely his opinion. He stated that the Board should understand that the two representatives came to the Board with these recommendations not because they thought it up, but because their constituents, the General employees, asked them to, so there must be some interest. Mr. Crouse stated that they might very well vote 80% in favor of this, but the point was, the representatives brought their recommendations to the table because there was an underlying interest with at least a certain number of people who thought it was important, and for that reason, he thought this Board should address it.

Miss Lane explained that Mrs. Kelly and she had been heavily pressured by certain individuals to bring this to the Retirement Board. She indicated that she had to return to the employees with something that showed she had attempted to present them with some options. Miss Lane stated that they may not like the options, but they had asked to have some options presented. She further stated that the word was already out that there would be a possibility for an early out, but it would be at the cost of the employee, and this was not going to disgruntle people. She explained that the people who had put the pressure on to bring this to the Retirement Board wanted the option, and she and Mrs. Kelly as representatives, were doing just that. Miss Lane explained that their responsibility was to go back to those employees and present them with whatever options were approved. She further explained that they would educate the employees, but the final decision would be up to the employees.

Mr. Harvey indicated that he felt that if this was approved by the Retirement Board and then by the employees, then something had been gained, but if the employees voted it down, then nothing had been gained.

Mrs. Kelly explained that she felt this was what the Board could avoid by having the third option available to employees as a simple ordinance change. She explained that when the 75 Point Plan had first been discussed, there had been a great deal of excitement, however the costs appalled the employees. Mrs. Kelly stated that these options were steps down from the original 75 Point Plan, and there had always been strong interest in an early retirement option since that point. She explained that this had evolved over the years in an attempt to find possibilities that the employees could afford. Mrs. Kelly stated that this was probably as affordable as they could get, but if there was a basic retirement ordinance change, there would be an early retirement option available, whether the employees chose to take advantage of it or not. She explained that the Retirement Board would at least have accomplished that much.

Mr. Harvey asked Mrs. Kelly if what she was saying was that if the Retirement Board approved what was being recommended, the employees would at the very least have the third option available to them. Mrs. Kelly replied yes, and explained that she would like to have two different motions, addressing these options separately. Mr. Wearn asked if she was asking to address them separately in the manner which Mr. Crouse had suggested. Mrs. Kelly explained that she would like to have the option providing an early retirement at age 50 with 10 or more years of credited service, with a reduction of .006% for each month early retirement precedes normal retirement considered separately from the other options. Miss Lane explained that it was being suggested that this option not be brought to the employees for a vote, but rather that it simply be an amendment to the ordinance to include this option. Mrs. Kelly explained that the first two options had seemed to be the most viable to present to the employees, and that they might be willing to purchase these, but she would like to cost the third option down to zero, and have that be a part of the base Retirement ordinance. She stated that this may need to come back to the Board again because she did not know where the adjustments would be made. Mr. Smith explained that it would have to be made in the amount of reduction.

Lt. DeIorio asked if the other two options being discussed were those that the Ad Hoc Committee had recommended to bring to the Retirement Board. Mrs. Kelly replied yes, and explained that these were retirement at age 50 with 10 or more years of credited service, and a reduction of .003% for each month early retirement precedes normal retirement, with employee contributions increased by 1.25% of pay; and retirement at age 50 with 20 or more years of credited service and a reduction of .003 for each month early retirement precedes normal retirement, with employee contributions increased by .65% of pay. Lt. DeIorio asked if the Board could not at this time vote on the Ad Hoc Committee's recommendations, in order to get the options to the employees for their consideration, while at the same time, work with Mr. Smith in costing out the third option. He stated that he did not think these should be tied together, as one definitely needed a vote of the employees, and the other did not. Mrs. Kelly explained that the reason the third option was brought up at this meeting, was because it was felt that this would be a last ditch effort, and that whatever was decided at this meeting would be what was advanced to the Town Council. She explained that this third option could be considered at the next quarterly meeting, but she wanted to be able to bring it to the Board for consideration now, with the details to be worked out at a later meeting.

Mr. Harvey asked if the vote could be done in time for the next meeting of May 19, 1995. Mrs. Kelly and Miss Lane replied that it could. Mr. Frick stated that if either of the first two options passed in a vote, then the third option was moot, as the others were a better benefit.

Mr. Harvey asked if there was any further discussion. There being none, Mrs. Kelly moved that the Retirement Board authorize Miss Lane and her as General employee representatives, to bring early retirement possibility 2i, retirement at age 50 or older with 10 or more years of credited service, with early retirment reduction of .003% for each month early retirement precedes normal retirement with employee contributions increased by 1.25% of pay; and early retirement possibility 3, retirement at age 50 with 20 or more years of credited service, and early retirement reduction of .003% for each month early retirement precedes normal retirement with employee contributions increased by .65% of pay, to the General employees in formal presentations, and signature vote to be conducted after those presentations, as to whether or not General employees will approve either one of those options, or neither of those options. Lt. DeIorio seconded the motion.

Mr. Doney indicated that this needed to have the participation of Mr. Crouse and Mr. Smith to make sure that what was being advanced and how it was being explained was clearly laid out. He stated that he was still apprehensive about expectations that could arise from this, and he did not want to do more harm than good. Mr. Doney stated that he respectfully disagreed with Mr. Crouse, and explained that he thought there were certain people or groups of people who could never be satisfied. He indicated that it was important to understand that it could create employee relations problems. Mr. Doney further explained that there had been recent deaths that had created a concern with retirement issues.

There being no further discussion, all voted aye, except Mayor Ilyinski, who voted nay. The motion carried.

Mrs. Kelly moved that the Board explore the possibility of incorporating an early retirement plan for General employees at no cost to the Town or employees for further consideration at a later Retirement Board meeting. Lt. DeIorio seconded the motion, all voted aye, except Mayor Ilyinski, who voted nay. The motion carried.

Mr. Harvey explained that he did not have a problem with this, but he thought the General employees should first vote on the other options, then based upon that vote, the representatives could determine their next step, and could present this information to the Retirement Board at their next meeting of May 19, 1995. Mr. Doney stated that the reporting back of the results of the signature votes would bring a closure and focus to this issue.

Mr. Wearn commented on the education of employees about the retirement plan and the benefits that are given. He asked if it would be out of order to request the Plan Administrator to come forward at the next meeting with a specific recommendation that the Board could consider and pass to the Town Council for its consideration during the budget process, for the appropriate educational process on the benefits.

Mrs. Smith stated that she assumed that Mr. Crouse would make this a part of his request to the Finance and Taxation Committee in June, for an amount of money to be used for employee education regarding their benefit package. She explained that the Town Council could very well feel that this amount of money would be well spent in the education of the employee. Mr. Wearn explained that if the matter came from the Retirement Board to the Town Council, he thought it would come perhaps a little stronger to the Town Council, than if it were merely on the Personnel Department's recommendation. Mrs. Smith indicated that she was going on the basis that this was not a new idea, but had been discussed before at this Board. Mr. Wearn indicated that it had not been previously discussed. He explained that the representatives must take some action as a part of their responsibility, and present it to the Board for approval.

Mr. Crouse explained that a broad education of benefits was needed, and while retirement was one of those benefits, it was just one of the many benefits that he felt the employees needed to be educated on. He explained that he would like to have the opportunity to come before the Finance and Taxation Committee and present an employee education program regarding the benefit package. Mrs. Smith suggested that it be presented to the Retirement Board at the May 19th meeting before presenting it to the Finance and Taxation Committee. Mr. Wearn indicated that he would like to see that, adding that this Board may like to have some input and may have some helpful ideas.

Lt. DeIorio stated that he thought this was an excellent idea, and he thought it would open a lot of eyes, however, at the same time he thought they should keep in mind how many employees there were, and how many had appeared at the Retirement Board meetings. He stated that he knew personally how many times employees just wouldn't pay attention until there was a problem, or the perception of a problem. Lt. DeIorio stated that he did, however, feel that this was an excellent suggestion.

Mr. Harvey suggested that the education of the employees be done in a succinct manner, and stated that he would like to see the efforts of the Town go towards getting the benefits to the employees, and relay that information to the employees.

Mr. Frick asked if Mr. McCracken, Lt. DeIorio, Mr. Crouse and he could set a time to meet to discuss the ballot for the Public Service employee vote, as well as to discuss the process for the vote. Mr. Doney indicated that he thought Mr. Crouse and Mr. Smith should be involved in this process, and that the Board may want to authorize additional fees for Mr. Smith's participation in these activities, and in appearing at a meeting of the Finance and Taxation Committee.

Mr. Harvey asked if the original $10,000 allocation had been used. Mr. Smith indicated that it had. Mrs. Smith asked for an estimation of the amount that was needed. Mr. Smith indicated that it should not exceed $2,500.00 for the meeting in June as well as the additional preparation of the necessary material. Mr. Wearn indicated that this seemed to be a reasonable amount.

Mayor Ilyinsky moved that not more than $2,500 be allocated as payment to Mr. Smith for preparation of additional material regarding the Ad Hoc Committee's recommendations, and for his appearance before the Finance and Taxation Committee meeting in June. Mr. Wearn seconded the motion. There being no further discussion, all voted aye, and the motion carried.

IV. ANY OTHER MATTERS

A. Mr. Harvey opened discussion on a request of the Personnel Department to purchase a transcription machine. Mayor Ilyinsky asked what the cost would be. Mr. Crouse explained that the machine they were requesting was compatible to the system in the Council Chambers, and cost approximately $1,000. He explained that the Town Clerk was also looking into purchasing a new machine, so there was a possibility that there would be a discount if both machines were purchased at the same time. Mr. Crouse explained that the reason the Personnel Department needed this particular machine was that it worked with the present system and had the ability to focus in on individual microphones. Mr. Harvey asked if this should be an expense of this Board, or if it should be a Town expense. Mr. Crouse indicated that he thought it was an expense of this Board simply because it would be used specifically for the Retirement Board. Mr. Harvey asked if the machine would then sit idle the rest of the time. Mr. Crouse explained that the machine could be used by other departments for other meetings. Mr. Doney asked if Mr. Crouse was purchasing the same type of machine that was being used to record this meeting. Mr. Crouse explained that it would be compatible to that machine, but that it would not be capable of recording. He explained that it was simply a transcription machine. Mr. Doney explained that the present transcription system was in use by the Town Clerk's office almost constantly because of the number of different types of meetings that were being held. He explained that the Personnel Department had been unable to have access to the equipment in order to do what needed to be done for the Retirement Board. Mrs. Smith asked why the new machine couldn't be used for some of the other Committee meetings and used by other departments. She explained that it would then be an expense of the Town. She further stated that there would also be an additional machine for use by other Departments.

Mr. Wearn indicated that it sounded as if Mrs. Smith was suggesting that the Retirement Board ask the Town Council to acquire such an additional transcription machine. Mr. Harvey stated that he thought that it was more logical to do this, since the Town would buy the equipment, and the equipment would be used for multiple meetings. Mr. Harvey asked if the Personnel Department was asking the Retirement Board to purchase the equipment because they were involved in transcribing the Retirement Board meeting minutes. Mrs. Crozier explained that the Personnel Department was involved in taking and transcribing the minutes, and that she did not know if other Committees could rely on the availability of the machine to the extent that they would need it at any given time. Mr. Harvey explained that the Retirement Board was not in the position to purchase equipment for the Personnel Department to do the job for the Board. He explained that he felt it was the responsibility of the Town to provide the equipment to the people who ran the meetings. Mr. Crouse explained that the reason he had brought this matter to the Retirement Board was because he did not have a line item to purchase this equipment, and he brought it to the Board to see if they would provide the money for it. He further explained that the proposed machine did not tape record meetings, but that it simply was a transcription machine, so it had a limited use. Mr. Harvey stated that his general feeling was the this should be taken to the Town, and explained that in order to perform the functions necessary for the Department as it deals with the Retirement Board, it was necessary to purchase this equipment. He asked if this wasn't the normal approach. Mr. Crouse explained that it was, but that he would not be able to do this until October 1, 1995.

Mr. Wearn explained that there was another factor involved in this, in that he did not think that the Retirement Board was to have any tangible personal property that would be subject to audit and records.

Mr. Wearn asked if would be appropriate to make a motion for the Retirement Board to request the Town to acquire an additional machine in order for there to be a sufficient number of transcription machines available for the Retirement Board to use. He stated that if this would be in order, he would make such a motion. Mr. Frick seconded the motion, and all voting aye, the motion carried.

B. Mr. Harvey opened discussion on the request for a disability retirement. Lt. DeIorio explained that this request had just come in that day from one of the Firefighters who was applying for a duty-related disability. He explained that Mr. Roebuck had not made official application yet, but had simply provided a letter stating his intent in order to begin the process.

Mayor Ilyinsky asked what caused the disability. Lt. DeIorio indicated that he believed it was a back injury. Mr. Crouse explained that this had been an ongoing back problem, and that Mr. Roebuck had had surgery within the last year. Mrs. Smith asked if this was the same man who had been discussed at the last meeting. Mr. Crouse replied that it was not. Lt. DeIorio asked if the steps the Board would take would be to assign a medical committee or physician to review this request. Mr. Harvey indicated yes.

There being no further discussion, Lt. DeIorio moved to begin the process for a medical review by assigning a medical committee per the Retirement ordinance in order to review this case. Mayor Ilyinsky seconded the motion, and all voting aye, the motion carried.

C. Mr. Harvey opened discussion on American National Bank. Mr. Crouse explained that the reason the reports from American National Bank were being distributed was because it was a new fund, and these were the first two reports that had been received. He explained that he wanted to provide these first two reports to the Board Members in order to show them that this fund was in operation and to provide them with a general idea of this new fund.

Mr. Harvey indicated that the fund was presently $8,673,000, and asked when the disbursements of $4,000,000 had been made. Mrs. Kelly explained that they had occurred on January 3, February 1, and March 1, 1995. Mr. Harvey asked if they had received all of their allocations at this point. Mrs. Kelly replied yes. Mr. Harvey stated that it looked like it was doing quite well.

D. Mrs. Kelly reported that American National Bank did not operate as the Retirement Board's money managers did. She explained that there was a trust established for them, from which the funds flowed to the index at American National Bank. She stated that the Town had the occasion to place excess funds in there, and explained that the quarterly review of the benefit payment account was done and then the excess funds were distributed to the different trust accounts. Mrs. Kelly explained that there was no vehicle at this time to get those monies up to American National Bank, further explaining that they would not automatically request the withdrawal. She explained that the bank did not feel comfortable initiating that wire on their own. Mrs. Kelly explained that she was requesting authorization from the Retirement Board for the Finance Department to authorize deposits of monies from the trust account into American National Bank as needed.

There being no further discussion, Mayor Ilyinski moved approval for the Finance Department to authorize deposits of monies from the trust account into American National Bank as the need arose. Mr. Frick seconded the motion, and all voting aye, the motion carried.

E. Mrs. Crozier then explained that the Finance Department was in the process of drafting correspondence to the representative at First National Bank that was very specific with respect to the transfers that may be made to Town accounts, and very specific instructions with respect to monies that could be transferred out. She explained that they needed the Retirement Board's authority for the Finance Department to provide First National Bank with that correspondence, explaining that it was an added safeguard that the Bank and the Town should have.

Mrs. Smith asked how the wire transfer took place on the first of February if none of these actions had been in place. Mrs. Crozier explained that that had been coordinated by Callan, when they were going to coordinate all of the disbursements, which was why ANB couldn't do it now, explaining that the original initiation had been taken care of. She explained that the Finance Department would have to initiate that, but with respect to knowing that the Finance Department would become responsible for those kinds of initiated transfers, she thought it was incumbent upon them to make sure that the mechanics were in place to absolutely restrict the funds that move to only Town accounts, and that there be no question as to how this money was transferred.

Mrs. Smith asked if Mrs. Crozier was talking about specific people in the Finance Department, or the Finance Department as a whole. Mrs. Crozier explained that there were specific people, but more importantly, the funds and the accounts that the bank would have the authority to transfer to and from would strictly be Town accounts. She stated that there would never be an occasion when they would have authority once this correspondence was released, to transfer money into or out of any account other than a Town account, regardless of whose signature the authority contained.

Mr. Harvey asked if a letter would be sent to the custodian stating that these were the only places funds could be wired to, and that they could take direction only from certain people. Mrs. Crozier replied yes, and that more importantly, regardless of who authorized it, if someone were to authorize them to transfer money to other than a Town account, it couldn't happen. Mr. Doney asked if there was also a written response in order to complete the paperwork. Mrs. Crozier replied yes.

There being no further discussion, Mrs. Kelly moved authorization for the Finance Department to provide First National Bank with the necessary correspondence regarding transfers to be made to and from Town accounts. Mr. Frick seconded the motion, and all voting aye, the motion carried.

V. ADJOURNMENT

There being no further business, the meeting was adjourned at 12:03 p.m.

Deborah Kelly, Secretary

FUTURE RETIREMENT BOARD MEETINGS:

Friday, August 18, 1995, 9:00 a.m.

Friday, November 17, 1995, 9:00 a.m.