In attendance: R. Darin, N. Gorski, D. O'Sullivan, R. Regolo

The meeting was called to order at 8:30 a.m.

1. Review draft pension plan
   Discussion of the pension attorney's analysis of the draft plan document took place. The pension attorney recommended proposed changes, current plan rules retained, and provisions in draft document not applicable to government plans (see attached).

2. Discuss scenarios and next steps
   R. Regolo reviewed scenarios with R. Darin and D. O'Sullivan. Next steps include:
   - Meeting with the committee and the town actuary to review the pension attorney's analysis and any additional scenarios to consider;
   - Converting the draft plan from a pdf to a Word document in order to redline proposed changes and submit to the pension attorney for any further updates.

The meeting adjourned at 9:30 a.m.

Nancy Gorski 5/20/2022
Attachment

ATTACHMENT

Killingworth Volunteer Fire Company Defined Benefit Pension Plan

Proposed Changes

- Accrual period changed from earlier of 21 years of service or age 65 to earlier of 30 years of service or age 75.
- Maximum Benefit $500/month after 21 years to $800/month after 30 years.
- Monthly retirement income changed from $150 per month, from year 1 through year 5, $200/month in year 6, then increasing $20/month each year until 21 years or more to $150/month thru year 4, then increasing $25/month each year until 30 years or more.
- Vesting not changed. Vesting schedule applies if terminate before 10 years of service completed. Government plans must meet pre-ERISA vesting rules which require 100% vesting when participant reaches normal retirement age.
- Commencement age changed from must commence at age 65 to benefits must commence at age 75. Participant can elect to start any time between age 65 and age 75. Issue with required minimum distributions; must start by 04/01 following year attains age 72

If participant not active/accruing benefits, can still elect to defer receiving benefits to age 75, with actuarial adjustment to reflect actual starting age, from later of age at last accrual or age 65. Must start by 04/01 following year attains age 72

Under current plan rules, if participant continues employment after normal retirement age of 65, distribution will commence at normal retirement age as though participant had retired. If the formula for determining accrued benefits is amended after commencement of benefits, participant's benefits will be increased and payable to participant from the date of the amendment, calculated based on participant's Years of Benefit Service to the date of the amendment, adjusted by the Actuarial Equivalent of the previously distributed benefits. WHAT DOES THIS MEAN?

Proposed rules say that participants cannot accrue additional benefits (years of service) if receiving benefits. Should implement by drafting documents to state no retirement benefit will be paid until participant actually retires.

Current Plan Rules Retained

- Normal Form of Payment: Monthly payments for life with ten years of payments guaranteed.
- Optional Forms of Payment:
  - Lump sum in cash <u>and/or property. WHAT DOES THIS MEAN?</u> With consent of Administrator, one or more partial lump sum payments shall also be permitted. <u>DO THEY WANT TO KEEP THIS?</u>
  - Installments (monthly, quarterly, semi-annual or annual cash installments) paid from the plan or by a nontransferable immediate or deferred annuity selected by the trustee. <u>DO THEY CURRENTLY PURCHASE ANNUITIES?</u>
  - Insurance Company Annuity selected by the participant, the premium for which will be the actuarial equivalent of participant's accrued benefit, and any dividends or experience credits on such annuity will accrue to your benefit (or if applicable, your contingent annuity or beneficiary). <u>Confirm that representation of premium and dividend/experience credits is correct.</u>
- Death Prior to Benefit Commencement: If die and still employed, beneficiary will receive death benefit equal to proceeds of insurance policy maintained by the plan plus Actuarial Equivalent of accrued retirement benefit, reduced by the cash value of any life insurance policies that may be purchased by the Administrator.

  <u>What if they die, are not employed and have a deferred benefit? No death benefit? Note under Plan document, not related to employment so SPD not correct.</u>

  <u>Why is the plan buying a life insurance policy? According to the summary of the April special meeting, the town provides term life insurance. Note under Plan document is not limited to insurance purchased by the plan</u>

  <u>Why is there a reduction for cash value of any insurance policies purchased by the Administrator? Note under Plan document, not limited to insurance policies purchased by the Administrator.</u>

<u>Provisions in Draft Plan Document not Applicable to Government Plans.</u>

- Sec. 5.1, Retirement Benefits. Subsection (d) Delayed Retirement, provisions related to "actuarial increase" does not appear relevant to a governmental plan where the benefit is based on Years of Plan Participation. Also, reference to Code section 411, Minimum Vesting Standards and reference to "Act Section 203(a)(3)(B)" appears to be a reference to ERISA Minimum Vesting Standards, neither of which applies to a governmental plan. We should discuss with the TPA.

- Sec 5.5, Termination of Employment Before Retirement.
  - Vesting Schedule: 100% vested at attainment of normal retirement age 65. Governmental plans subject to pre-ERISA vesting rules.

- Sec. 5.6, Distributions of Benefits.
  - Alternative forms: Requirement of Joint and Survivor annuity does not apply to governmental plans. Default payment in form of life annuity with 120 payments guaranteed not required for governmental plans.
  - The Plan document does not clearly and consistently state that the normal form is a Life annuity with 120 monthly payments guaranteed. That is the starting point for determining actuarial equivalency. Alternative forms are (1) a joint and survivor annuity, (2) installment payments over a set number of years, or (3) a lump sum.
  - The Town should decide if it really wants to pay the benefits from the Trust fund or purchase a non-transferable annuity from an insurance company and, if an annuity will be purchased, does the Town want the participant to choose the insurance company.

- Sec. 5.7, Distribution of Benefits Upon Death. Requirements for a Pre-retirement Survivor Annuity paid to participant's spouse do not apply to a governmental plan.

- Sec. 5.8, Minimum Distribution Requirements. Apply to governmental plans, except for the requirement to actuarially increase benefits that begin after age 70 ½. The required beginning date has changed to age 72 effective in 2020. The distributions at death have changed to entire interest distributed within 5 years of death, with exception if designated beneficiary, payable over the life of the beneficiary or over a period not extending beyond life expectancy of beneficiary with distributions beginning not later than one year after death or such later date as regulations provide. If surviving spouse is designated beneficiary must begin not earlier than the date the employee would have attained age 72.

  Subsection (c), Determination of amount distributed each year should be simplified to include only the general annuity requirements with no provision to modify the stream of annuity payments.

  Subsection (d), Annuity distribution that commence during participant's lifetime. Need to check with actuary. Suggest no provision for increasing annuities or combination of joint and survivor annuity and a period certain.

- Sec 5.9, Time of Segregation or Distribution, spousal consent should not be required to defer a distribution since that is tied to the requirement for a joint and survivor annuity with spouse that does not apply to governmental plans.

- Sec. 5.12, Effect of Social Security Act. The 401(a)(15) requirement that a plan not decrease benefits on account of certain Social Security increases, is not applicable to governmental plans.

- Sec. 5.13, Qualified Domestic Relations Orders. Plan provides for a distribution to alternate payee even if participant has not separated from service and has not reached the earliest retirement age. The Plan is not required to include this IRC 414(p)(4) provision because it does not apply to governmental plans.

- Sec. 10.1, Merger, Consolidation and Transfer Requirements. These rules are found in IRC Sec. 401(a)(12), which do not apply to governmental plans.