

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

1. Call to Order

The meeting was called to order at 11:02 a.m.

2. Approval of Minutes

Tabled until the next meeting.

3. Review Proposed Amendments to the Pension Plan

Discussion of issues for redrafting the defined benefit pension plan took place. L. Ursin provided a document to lead the discussion (see attached). A review of the proposed changes, the current plan rules retained, issues to resolve in order to redraft the plan document and definitions took place.

N. Gorski left the meeting at 11:45 a.m.

N. Gorski returned to the meeting at 12:15 p.m.

R. Darin left the meeting at 12:48 p.m.

R. Regolo left the meeting at 1:00 p.m.

4. Discuss scenarios and next steps

L. Ursin to review feedback received today and will make a telephone appointment with the actuary prior to setting up the next meeting.

The meeting adjourned at 1:25 p.m.

Nancy Gorski 5/20/2022

Attachment

ATTACHMENT

Issues for Redrafting

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.
- 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.

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.

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. Benefit at late retirement date equals accrued benefit at normal retirement date. 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.

Proposed rules say that participants cannot accrue additional benefits (years of service) if receiving benefits.

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 and/or property. With consent of Administrator, one or more partial lump sum payments shall also be permitted.
 - 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.
 - 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).
- Death Prior to Benefit Commencement: The SPD provides that if a participant dies and is 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.

Note under Plan document, not related to employment so SPD is not correct.

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

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.

Issues to Resolve in Order to Redraft the Draft Plan Document

- Vesting and Normal Retirement Age:
 - Governmental plans only subject to pre-ERISA vesting
 - Sections 401(a)(4) and 401(a)(7) in effect 09/01/1974
 - Requires full vesting at NRA; Full vesting at plan termination to extent funded.
 - Defining NRA as the age attained upon the later of age 65 or 10 Years of Participation solves the problem. See 2012 Memo for Manager, EP Determinations.
 - Note: Sec 1.27, NRA, age 65; fully vested @NRA would need to be modified.
- Delayed Retirement

- Reflects employment beyond NRD; no retirement benefit paid until actually retires. Proposed rules say cannot accrue additional benefits if receiving benefits. Which rule will apply? Suggest we add “subject to minimum distribution requirement”.
 - Should we clearly state that Participant will continue to accrue a benefit to the earlier of age 75 or 30 Years of Participation?
 - Is the “greater of” provision required for governmental plans?
 - Does the second paragraph apply to a participant who has terminated and deferred taking the retirement benefit?
Provisions related to “actuarial increase” do 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)” appear to be a reference to ERISA Minimum Vesting Standards, neither of which applies to a governmental plan.
- Sec. 3.1 (a) Eligibility. What does at “least 3 months and not more than 3 years” mean?
 - Sec. 4.3, Qualified Military Service. Does this apply to a plan with no employee contributions?
 - Sec. 5.6, Distributions of Benefits.
 - Requirement of Joint and Survivor annuity for a married participant does not apply to governmental plans. Draft plan document does not offer this as an alternative form. Delete?
 - Alternative forms are a lump sum or a monthly life annuity with 10 years certain. Do we want to add installment payments offered in current plan doc? 5.8(d) refers to joint life annuities. Do we want to offer those?
 - 5.7(d) – All annuity contracts purchased shall be nontransferable. Should clarify used to pay benefits. Sec. 1.11, Contract includes life insurance policy, retirement income policy, or annuity. Does the plan really buy life insurance policies or retirement income policies? Suggest we limit it to nontransferable annuity contracts to pay benefits. If a conflict between contract and plan, how does the plan enforce overriding the contract provisions? Delete?
 - 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(a). Requirement for a Pre-retirement Survivor Annuity paid to participant’s spouse does not apply to a governmental plan. Suggest delete and provide for death benefit equal to Actuarial Equivalent of Vested Accrued Benefit provided for in 5.4(a). Delete 5.4(d) or revise to delete pre-retirement survivor annuity but keep spousal consent requirement to name non-spouse beneficiary? Do we want to keep provision for payment to beneficiary’s estate? Do we want to keep divorce revokes beneficiary designation (complicates administration)?

- 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 April 1 after the year a participant attains age 72 or retires, whichever is later. However, if a participant attained age 70 ½ before 2020, the required beginning date is April 1 after the year the participant attains age 70 ½ or retires, whichever is later. This needs to be added to the draft document.

The rules for distributions at death did not change for defined benefit plans. The language needs to be modified to reflect the prior rules.:

Surviving spouse: continue to have right to calculate based on their life expectancies and delay payment until the participant would have attained age 70 ½. The SECURE allows the delay to extend until participant would have attained age 72 or end of year after death if later, including for spouse of participant who died before 2020.

Non-spouse Beneficiary: entire death benefit must be paid by 12/31 of calendar year which contains the 5th anniversary of death, unless installment payments begin no later than 12/31 of calendar year immediately following calendar year of death.

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 distributions 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.

Subsection (f) refers to "five (5) percent owner". Delete?

- 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 increase 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. Does the plan want to pay out under a QDRO prior to when the participant can take a benefit?
- Sec. 9.2. Plan Termination. Suggest change title to remove phrase “not covered by PBGC”. Question whether governmental plan can force retired participant to take cash or can take funds from trust for expense of liquidation.
- 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.
- Definitions
 - 1.2, Act... why is this defined?
 - 1.3, Actuarial Equivalent...why reference to 411(d)(6)? Ease of administration? N/A to governmental plans.
 - 1.12, Earliest retirement age...Delete? Leave 1.13?
 - 1.29, Authorized Leave of Absence...does this apply? Reference to “Hour of Service”, which is not applicable to this plan?
 - 1.34, Pre-retirement Survivor Annuity...delete?
 - 1.38, Retirement Date,,,substitute “Delayed Retirement Date” referenced in 5.1 (d)? [Late Retirement Date is date of actual retirement and not in 5.1.]
 - 1.41, SS Retirement Age...not applicable. Delete.
 - 1.42, Terminated Participant...change “Participating Employer” to “Employer”.
 - 1.44, Trustee...defines a regular trustee, which conflicts with “Trustee” in the opening Agreement section, which defines Trustee to mean the First Selectperson and the Senior Trustee of the Fire Company.
 - 1.47, Year of Participation, is the reference to SOP and KVFC intended to mean 20% of all calls, at least 50% of all meetings, at least 50% of all drills and at least 50% of all work nights? Why not just say that?