

Pompano Beach General Employees' Retirement Education Workshop

Presented by:

Ronald J. Cohen

Cohen & Rind, P.A.

Andrew Jackson Building

8100 Oak Lane, Suite 403

Miami Lakes, FL 33016

What is a Defined Benefit Plan?

- A defined benefit plan promises a specified benefit at retirement.

What is a Defined Benefit Plan?

- Commonly, it calculates a benefit through a plan formula that considers such factors as salary and service — for example, 1 percent of average salary for the last 5 years of employment for every year of service with an employer.

What are some features/characteristics of a Defined Benefit Plan?

- It is not an individual account plan. Generally, it provides a monthly benefit for life.
- It uses a formula to calculate the benefit amount.
- The City contributes an actuarially determined amount to support the promised benefits. Therefore, the City bears the full investment risk. The contribution amount depends upon the plan's actuarial experience. If that experience is favorable, the City can reduce its contributions. If that experience is unfavorable, the City must increase its contributions.

Features/characteristics of a Defined Benefit Plan (Continued):

- The employees may be required to contribute.
- The benefit amount is not affected by investment experience.
- It guarantees predefined retirement benefits. Therefore, the individual can know at any given time their retirement benefit amount, which is generally specified as income for life. The retirement benefit amount is agreed upon in advance, or, determined by applying the plan's benefit formula to salient facts about the individual (e.g., years of service, average final salary, etc.).

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- A Defined Benefit Plan will pay a benefit for at least as long as you live.

Your Pension Board & Administration:

- **John J. Hackett, Chair**
Trustee Since 1986
Chair 2002 – Present
Vice Chair 1988 – 2002
Appointed by Board of Trustees
- **Reginald W. Watkins, Vice Chair**
Trustee Since 2002
Appointed by City Commission
- **Mark Eddington, Trustee**
Trustee Since 1987
Elected by Plan Members
- **George Mitchell, Trustee**
Trustee Since 1989
Elected by Plan Members
- **Leeta Hardin, Trustee**
Trustee Since 1994
Elected by Plan Members
- **Michael P. Nido, M. D.**
Trustee Since 2002
Appointed by City Commission
- **Michael Miller, Trustee**
Trustee Since 2008
Appointed by City Commission
- **Madelene L. Klein**
Executive Director
- **Lindsay S. Koehler**
Assistant Administrator

What is the Pension Board's Role?

The duties and responsibilities of the Board include the following:

- To construe the provisions of the Plan and determine all questions arising there under
- To determine all questions relating to eligibility and participation
- To determine and certify the amount of all retirement allowances or other benefits hereunder

Pension Board's Role (Continued):

- To receive and process all applications for benefits
- To establish uniform rules and procedures to be followed for administrative purposes, benefit applications and all matters required to administer the Plan
- To distribute to participants, at regular intervals, information concerning the Plan

Pension Board's Role (Continued)

- To authorize all payments whatsoever from the Fund, and to notify the disbursing agent, in writing, of approved benefit payments and other expenditures arising through operation of the Plan and Fund
- To have performed actuarial studies and valuations at least as often as required by law, and make recommendations regarding any and all changes in the provisions of the Plan
- To perform such other duties as are required to prudently administer the Plan

Pension Trustees are Fiduciaries

- “A fiduciary shall discharge his or her duties with respect to a plan **solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to employees and their beneficiaries and defraying reasonable expenses of administering the plan.**”

Pension Trustees are Fiduciaries (Continued):

- “Each retirement system or plan shall have one or more named fiduciaries with authority to control and manage the administration and operation of the retirement system or plan. However, the plan administrator, and any officer, trustee and custodian, and any counsel, accountant, and actuary of the retirement system or plan who is employed on a full-time basis, shall be included as fiduciaries of such system or plan.”

Fiduciary Duties

- Fiduciary must discharge duties as a prudent person.
- Fiduciary must diversify investments to minimize risk.
- Trustees are fiduciaries.
- Some service providers can be held as fiduciaries.

What does “vested” mean?

- If your pension is "vested," it means that you are unconditionally entitled to receive a pension, either now or in the future, even if you terminate your employment before retirement age.
- Once you become vested you are entitled to either an immediate or deferred pension, as opposed to simply a return of your own contributions. Being vested also implies that you get the benefit of your employer's contributions as opposed to just your own contributions.

What is the DROP Plan?

- The Deferred Retirement Option Program (DROP) is a program that allows you to retire without terminating your employment for up to 5 years while your retirement benefits accumulate and your DROP Account will be credited with interest at the same rate as the investment earnings assumption for the Plan.

More Features of the DROP Plan

- Your participation in DROP does not change your conditions of employment. When your DROP period ends, you must terminate employment.
- At that time, you will receive your accumulated DROP benefits and begin receiving your monthly retirement benefit as calculated when you retired and entered DROP.