

The PBA Supplemental Fund has set up Reserve and Administrative Accounts, which are funded by the annual net earnings of the Fund's investments. The Reserve Account is being used to set aside funds to ensure that a distribution can be made to retirees in a future year if the fund has negative or low net earnings due to the stock market performing poorly. The Fund last had negative earnings in 2022. As the fiduciaries of the Fund, the Trustees feel it is in the best interest of the members to set aside a reserve. The Administrative Account is used to pay for the costs of operating the Fund, and no Trustees are compensated by the Fund.

Costs of operating the Fund include, but are not limited to, legal fees to set up and maintain an employee benefit plan which adheres to state and federal laws and regulations; accounting fees to file the Fund's tax returns and provide an annual audit of the Fund's financial statements; administration fees to distribute payments and related statements and tax forms to eligible members; insurance fees to maintain a fiduciary insurance policy; and the employer portion of Social Security and Medicare (FICA) taxes.

The Fund's administrative fees are \$60 per member. No portion of the administrative fees is paid to the PBA. These fees are paid to a third-party administrator and its subsidiary to provide administrative services for the Fund. These services include preparing a valuation report which details contributions, gains, and losses; maintaining pertinent census data for eligible members; processing distributions from the Fund; preparing and filing quarterly tax returns for employment taxes; preparing and distributing end of year tax forms (i.e., Form W-2) required by law; preparing member distribution statements; and performing other services to ensure the Fund is being administered in compliance with state and federal regulations and the Fund's plan documentation.

Below are summaries of expenses charged to the Reserve and Administrative Accounts to date:

Reserve Account

250,000.00	2023 Plan Year allocation
<u>(269,421.68)</u>	Payments made against reserve*
\$ (19,421.68)	Surplus (Defecit)

**During the 2023 Plan Year, the Fund made payments against the reserve for 184 eligible members who were erroneously excluded from the initial payment due to a data transfer issue.*

Administrative Account

250,000.00	2023 Plan Year allocation
(175,245.50)	Employer FICA taxes*
(97,680.00)	Fund administration (\$60/member)*
(63,224.90)	Legal and accounting fees
(6,420.00)	Fiduciary insurance policy
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\$ (92,570.40)	Surplus (Defecit)

**During the 2023 Plan Year, the payments made to 184 members who were erroneously excluded from the initial payment resulted in additional taxes and administration fees which were not initially included in the Fund's budget. Additional taxes and administration fees totaled \$20,610.76 and \$11,040.00, respectively.*

Below is a summary of the estimated costs of operating the Fund which were used to determine the Administrative Account withholding:

Estimated Administrative Costs

161,000.00	Employer FICA taxes
106,000.00	Fund administration (\$60/member)
92,570.40	Prior year deficit
40,000.00	Legal and accounting fees
6,420.00	Insurance expense
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\$ 405,990.40	Total