# Cortez Fire Protection District Pension Board meeting minutes April 8, 2014

## Call to order

Larry Sharp called the meeting to order at 5:55 p.m. in the meeting room at Station #1. The roll was taken and the board members present were Jim Bridgewater, Orly Lucero, Lori Johnson, Kent Lindsay, Keenan Ertel, Gene Gustafson and Larry Sharp. Administrative assistant Wendy Mimiaga, Asst. Chief Charles Balke and Chief Jeff Vandevoorde were also present for the meeting.

### **Approval of the minutes**

The minutes of the meeting held on January 8, 2014 were brought before the board for approval.

After reading and review, Gene Gustafson made a motion to approve the minutes from the meeting held on January 8, 2014, Lori Johnson seconded. The minutes were approved on the following vote:

Bridgewater Johnson Ertel Gustafson Lindsay, K. Lucero Sharp yes yes yes yes yes yes

## **Public Comment**

There was no public comment.

#### Correspondence

There was no correspondence.

# **Administrative assistants report**

At the last Pension Board meeting, January 8, 2014, the December, 2013 Edward Jones account statement had not yet been received. Wendy Mimiaga reported the value of the Edward Jones Investment account on December 31, 2013, \$1,925,775.31 with an income for the month of \$33,830.96, and the total income for 2013 was \$94,073.15. The high income in December was due to a capital gain of about \$26,000 earned from the mutual fund investments, and was reinvested. It was further reported that the value of the Edward Jones account on January 31, 2014 was \$1,952,354.23 with an income for the month of \$10,154.08, on February 28, 2014 was \$1,993,343.34 with an income for the month of \$1,264.01 and March 28, 2014 was \$1,995,125.26 with an income of \$4,968.24. The year to date income as of March 28, 2014 is \$16,386.33.

The year end balance for the First National Bank account was reported, as the statement had not yet been received at the January 8, 2014 meeting. On December 31, 2013 the balance was \$131,775.27 with interest earned of \$9.19. The interest rate remained at 0.10%, and interest earned for 2013 was \$95.94. The balance, as of January 31, 2014, was \$129,269.64 with interest earned of \$11.02; February 28, 2014, was \$116,720.90 with interest earned of \$9.60; March 30, 2014, was \$117,251.13 with interest earned of \$9.63. The year to date interest earned through March 30, 2014 for this account was \$30.25. The interest rate has remained at 0.10%.

The first quarter pension payment from the district of \$10,000.00 was made on March 17, 2014.

The 2014 Actuarial Report and the letter from Frank Dobis, that gives a brief overview of the report, was included in the packet. It was pointed out that the letter stated the investment fund has averaged approximately 4.4% return over the last eight (8) years and 4.5% return over the last two (2) years. Mr. Dobis did say these were very conservative figures. Mr. Dobis does recommend that at this time the benefit level not be increased. The fund is certified as actuarially sound.

Ms. Mimiaga continued to go through the actuarial report and explained that based on the state recommended maximum benefit of \$300 per month, there would be no contribution necessary, as was also the case in the 2012 actuarial report, however, as we pay a higher benefit than recommended by the state, page five (5) of the report gives the breakdown of the necessary contribution to remain actuarially sound. It states that this year, 2014, the required contribution is \$67,281, and next year \$70,309. This is down from the report in 2012 where the contribution was \$85,734 and \$90,021. This is mostly due to the fact that we have had several members drop off the volunteer roster. We currently have only eight (8) volunteers working toward earning the pension benefit. We also have seven (7) retired volunteers who have not yet met the age requirement to receive the pension benefit. These individuals have an average of 11.14 years. All of these individuals are figured into the actuarial report in determining the amount of the contribution necessary for the account to be actuarially sound.

Discussion ensued about the average age of the beneficiaries being 81.7 years, which the Board thought was very high. (Upon further scrutiny of the report, the average age of 81.7 years is for the beneficiaries, who are the spouses that are receiving the spousal benefit, the actual average age of the retirees is 59.89.) Our fund remains sound even with an aging group receiving the pension benefit much later into life.

President Sharp stated his concern that the District's quarterly payment to the pension fund was only \$10,000 each quarter this year, but it was \$17,500 each quarter last year. President Sharp feels it should remain the same. It is understood that the account is actuarially sound for now, but if the market turns downward, there is not a cushion to fall back on, having \$7,000 of the Districts money taken out of the pension.

Mr. Ertel pointed out that the requirements are not the same. The fund has been growing every year, from \$1.5 million to about \$2 million in the past five years, therefor the fund does not require the same amount of contribution from the District.

President Sharp clarified that the Districts contribution can go up and down, and if the fund required more of a contribution, the District could increase the contribution amount to make the fund actuarially sound.

Mr. Ertel pointed out that the payment amount can go up and down as well. The State only recommends \$300 per month. We are paying \$195 above the State recommended maximum payment. The \$495 is not a guaranteed number.

Ms. Mimiaga pointed out that different departments payout varying amounts, if at all, depending on what they can afford. There is no guarantee as to the amount of the pension benefit. The State recommended maximum of \$300 is the measure that is used in determining the State contribution. If you pay more than \$300, the State contribution is reduced.

Ms. Johnson commented that she had talked with some departments, mostly all volunteer, at SDA that pay out up to \$1,000 per month as a way to bring in more volunteers.

Mr. Bridgewater further explained that the pension contribution from the District is based on what is going on in the pension fund. If more volunteers are dropping out, and no longer working toward earning a pension, less of a contribution could be required.

President Sharp stated that he is answering to the retired volunteers who are looking for a little raise, but he is mostly concerned that the fund is sound. He also was under the impression, from a prior stint on the pension board, that if the benefit went up to \$495 and then was reduced, that there could be some lawsuits.

Asst. Chief Balke pointed out that by the end of the year the number of volunteers actively pursuing the pension benefit will be reduced. Only four (4) volunteers made the requirements for the last year to be counted toward their retirement.

Mr. Bridgewater continued that eight (8) years ago when he was elected to the Board, the pension fund was about \$1.2 million, now it is about \$2 million, an increase of about \$800,000 in eight (8) years. The account is doing well. Ms. Mimiaga again pointed out that page five shows the amounts for the contributions that are required for the account to maintain the payout level of \$495, and that these amounts have decreased over the years. The fund seems very solid and it is not foreseen that the benefit will need to be reduced. As individuals drop out of the pension, even less of a contribution will probably be needed to maintain the account at the \$495 payout level. Mr. bridgewater also pointed out that there have been several increases, \$100 in total, in the pension benefit over the past eight (8) years.

Ms. Johnson remarked that as a board member, she is very committed to keeping the pension fund solid. But we also have a department to run and need to make sure the funds are available to purchase tools, safety equipment, etc.

Ms. Mimiaga further stated that if the District were to put on a number of volunteers, who only wanted volunteer status and to work toward earning the pension benefit, then a larger contribution from the District could be necessary to maintain the pension account and provide for the increase in participants. Ms. Mimiaga also clarified that per statue, if you pay out more than \$100 as a pension benefit, you must have an actuarial report done every two (2) years.

#### **New Business**

There was no new business.

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Executive Se	<u>ssion</u>							
There was no	executive	session.						
Adjournmen	<u>t</u>							
_			ome before th ded. The mot		-	made a m	otion to adjourr	
Bridgewater yes	Johnson yes	Ertel yes	Lindsay, K. yes	Lucero yes	Gustafson yes	Sharp yes		
The meeting	adjourned	at 6:25 p	o.m.					
					Larry Sha	Larry Sharp – President		
Attest:								

Kent Lindsay – Secretary / Treasurer