

**Cortez Fire Protection District
Pension Board meeting minutes
January 8, 2014**

Call to order

Nick McDonald called the meeting to order at 6:17 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 and Nick McDonald. Matt Lindsay was absent. Administrative assistant Wendy Mimiaga, Asst. Chief Charles Balke and Chief Jeff Vandevoorde were also present for the meeting.

Lori Johnson made a motion to excuse Matt Lindsay, from the Cortez Fire Protection District Pension Board Meeting, Orly Lucero seconded. The motion passed on the following vote:

Bridgewater	Johnson	Ertel	Lindsay, K.	Lindsay, M.	Lucero	McDonald
yes	yes	yes	yes	absent	yes	yes

A resignation letter was presented to the Board from both Nick McDonald and Matt Lindsay.

Keenan Ertel made a motion to accept the resignations of Nick McDonald and Matt Lindsay from the Pension Board of Directors for the Cortez Fire Protection District, Kent Lindsay seconded. The motion passed on the following vote:

Bridgewater	Johnson	Ertel	Lindsay, K.	Lindsay, M.	Lucero	McDonald
yes	yes	yes	yes	excused	yes	abstain

Election of new Pension Board members

Jim Bridgewater made a motion to nominate Gene Gustafson and Larry Sharp to the Pension Board of Directors for the Cortez Fire Protection District, Kent Lindsay seconded. The motion passed on the following vote:

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

Jim Bridgewater, as the President of the Cortez Fire Protection District, swore in Gene Gustafson and Larry Sharp as members of the Pension Board of Directors.

Ms. Mimiaga commented that at the last Pension Board meeting it was discussed how the officers of the Pension Board were elected and who they could be. Included in the packet was a copy of C.R.S. 31-30-1105 that explains how the Pension Board is comprised. The Secretary/Treasurer of the District Board will serve as the Secretary/Treasurer of the Pension Board, therefore Mr. Lindsay will remain in this position. The Pension Board of Directors will then elect among themselves a President for the Pension Board of Directors. Nowhere in the Statue does is, or in the past Board minutes, is it found that it would be a conflict of interest for the District Board President to also serve as the Pension Board President, as was discussed at the previous meeting. Mr. McDonald was elected to the Pension Board in April, 2009. At the October, 2009 meeting he was elected as the President of the Board to replace Mr. Bridgewater, who, at the time was the Secretary/Treasurer of the District Board and

should have also served in the same position for the Pension Board, and therefore would not be eligible to be the President of the Pension Board. Now anyone, excluding Mr. Lindsay, as he is the Secretary /Treasurer of the District and Pension Boards, can be elected the President of the Pension Board.

Mr. Sharp asked and clarified that a Pension Board member who is a pension recipient would not be eligible to vote for a raise in the pension benefit as it would be a conflict of interest. Ms. Mimiaga explained that the recipients of the pension benefit would have to abstain from a vote to raise the benefit amount.

Lori Johnson made a motion to nominate Larry Sharp as the President of the Pension Board of Directors for the Cortez Fire Protection District, Orly Lucero seconded. The motion passed on the following vote:

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

Approval of the minutes

The minutes of the meeting held on October 9, 2013 were brought before the board for approval.

After reading and review, Orly Lucero made a motion to approve the minutes from the meeting held on October 9, 2013, Keenan Ertel seconded. The minutes were approved on the following vote:

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

Public Comment

There was no public comment.

Correspondence

There was no correspondence.

Administrative assistants report

Wendy Mimiaga reported the value of the Edward Jones Investment account on October 25, 2013, \$1,932,814.08 with an income for the month of \$3,751.04, on November 29, 2013, \$1,927,971.80 with an income for the month of \$7,752.28 and the December statement was not received by the time of the Board meeting. The value for December, 2013 will be reported at the next Pension Board meeting on April 9, 2014. The year to date income as of November 29, 2013 is \$60,242.19.

In the First National Bank account, the balance, as of September 30, 2013, was \$93,945.32 with interest earned of \$7.78; October 31, 2013, was \$86,481.54 with interest earned of \$7.77; November 30, 2013, was \$81,818.14 with interest earned of \$7.04, and the statement for December, 2013, was not received by the time of the Board meeting and will be reported at the next Board meeting on April 9, 2014. The year to date interest earned through November 30, 2013 for this account was

\$86.75. The interest rate has remained at 0.10%. The fourth quarter pension payment from the district of \$17,500.00 that was made on December 4, 2013, for a total contribution from the District of \$70,000 for 2013.

The 2013 State Contribution to the Volunteer Firefighter Pension Funds, \$41,791.00, was received on November 20, 2013.

\$113,000 Tennessee Valley Authority Bond, due October 15, 2029 at 4.375%, was called on January 6, 2014. At the recommendation of Mike McAndrew, it was rolled into \$113,000 Tennessee Valley Authority Bond, due in 2042 at 3.5%. We have purchased this bond at a deep discount of \$83.019, which will give us a yield of 4.21%, very close to the called bond's rate. This TVA bond is rated at AA+, the highest rating for government bonds.

President Sharp asked why the bond was at such a deep discount, and if it was something we could sell if necessary. Ms. Mimiaga explained that the bond market is down with interest rates as low as they are, and the stock market as strong as it is. Usually the bond market and the stock market trade inversely to each other. We are limited in the types of investments we are able to make in this account, mostly government securities, but we are also able to invest in Colorado Municipal Bonds, which we have a nice mix of in our portfolio. We are also allowed to have a percentage in mutual funds, which are currently doing well for us. The value of the Edward Jones account will fluctuate based on market volatility. We are not looking to sell off our investments, we want to hold them till maturity as they are purchased for their income potential. So we are not too concerned with the fluctuation of the bond market and how it affects the perceived value of our account. Even if a bond is called, it is called at par. The only problem will be finding investments with a good interest rate to maintain the level of income we will need.

President Sharp clarified that the fluctuation in the market was the reason for the changes in the value of the Edward Jones account.

Ms. Mimiaga stated that income is our primary objective for the investment account. The income earned from the investments is used to help pay the pension benefits. We pay out about \$160,000 a year in pension benefits.

Mr. Ertel pointed out that the income from the investments along with the contribution from the District and the State, has helped the reserve for pension account to grow every year. What has been paid in over the years has been more than what is necessary to make the pension payments, and has helped the account grow every year.

Ms. Mimiaga informed the Board that we will need to have an actuarial study done again this year. Frank Dobis has been doing the reports for the District, and charged \$2,100 in 2012. \$3,000 was included in the budget for the actuarial for 2014. The last report indicated that only \$90,000 would need to be invested in the pension fund for it to be actuarially sound. According to the 2012 report, if the District only paid the \$300 recommended maximum payout by the State, no additional contribution would need to be made.

Mr. Bridgewater commented his concern is the state might lower the contributions that it makes to the volunteer pension accounts.

President Sharp commented that this is a tricky situation, and should we not look for the benefits to go up for the retired guys.

Mr. Bridgewater replied that he did not know how it would be justified. The pension payment is already at \$495 per month, which is already \$195 higher than the State recommended maximum payment. Based on State information, various Districts pay anywhere from \$150 to \$1,000+ a month,

and the Districts that pay more than the recommended \$300 have had their State contributions lowered.

Ms. Mimiaga added that, according to the State Statues, the State will pay up to 90% of what the District contributes, unless you pay out more than the \$300 recommended maximum payout. If you pay out more than the \$300, the State decreases their contribution to you. Our contribution will decrease from the \$41,791 based on the decrease of the Districts contribution. Even if the State discontinues the Volunteer Pension contributions in the future, we are currently in very good shape with our investment account and we should be able to make our current pension payments.

President Sharp commented that when he was previously on the Pension Board, he was under the impression that the payout could not exceed \$600. Ms. Mimiaga explained that you can pay out as much as you would like, if you can afford it, but if it is above \$300, the State will decrease the amount they will contribute.

Lori Johnson made a motion to move forward with the 2014 actuarial report, Orly Lucero seconded. The motion passed on the following vote:

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

New Business

Resignation – Jeff Perry submitted a letter of resignation as a volunteer firefighter for the Cortez Fire Protection District. Mr. Perry has served ten (10) years as a volunteer and is eligible for the pension benefit. Mr. Perry is also at the age requirement of 50 years old and is eligible to begin collection the pension benefit. He will remain on as a reserve firefighter.

Kent Lindsay made a motion to accept the resignation of Jeff Perry as a volunteer firefighter, Keenan Ertel seconded. The motion passed on the following vote:

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

Old business

Asst. Chief Balke distributed a list of everyone’s training hours and B tone responses. The names of the individuals who are working toward a pension were highlighted. The state requirement is 36 hours of training per year, and the District requires 20% response to the B tone calls.

President Sharp asked for clarification of A tone and B tone calls. Asst. Chief Balke explained that B tone calls are the more significant calls, i.e. structure fires, major vehicle accidents, brush fires, or calls that require additional help. A tones are anything the on duty crew can handle without additional resources.

Chief Vandevoorde further explained that the two tone system was implemented because many individuals were turning the pagers off since the majority of the calls did not require additional assistance. With the two tone system, individuals who are off duty or volunteers will only receive the calls that their presence is most definitely needed.

Asst. Chief Balke informed the Board that there were 1,612 calls in 2013, only 140 of the calls were B tone calls, and the volunteers only had to make 20% of the 140 calls, or 28 calls for the year. Based on

B tone response and training hours the volunteers who made the requirements were K. Ford, L. Mott, T. Mott, and J. Perry.

Asst. Chief Balke explained that it is up to the Pension Board to decide if the volunteers met the requirements for the pension, it is not up to the Chief or him.

President Sharp inquired about the A tone calls, since the Board only requires 20% attendance of the B tone calls. Are the A tones just a bonus, they just happened to be there and were able to assist.

Chief Vandevorde explained that the firefighters can come down for any call, no one is ever discouraged from coming down and signing in for any call. They are also paid \$15 for every call they show up for, but only get credit toward the pension for the B tone calls. The Chief had brought it to the Board's attention that someone could volunteer here for twenty years and not have to make one call, and still be eligible for the pension benefit as long as they only attended 36 hours of training. This is why the required 20% of B tone calls was added to the by-laws.

President Sharp commented that when he was a volunteer they were required to attend 40 % of all calls. He further explained that he had a similar problem when he was the training officer and could not get people to show up to complete their required training hours. He does not think that the requirements are out of line.

Mr. Bridgewater mentioned that the Board is also looking into offering a different type of retirement for the new volunteers. This has been discussed extensively during past Pension Board meetings.

President Sharp inquired if there is still a one year probation, and when they complete their rookie year, does that count as their first year.

Asst. Chief Balke replied that he thought that it should, but not until they pass their rookie year in good standing. They cannot be accepted into the pension until they have been here at least one year. We have two volunteers that have been here just over one year, but have not been accepted into the pension until the Pension Board decides what they want to do about implementing an alternative pension, as has been discussed. It is more of an incentive program. The days of the 20 year volunteer are no longer. We are trying to recruit individuals into the volunteer program, and at least retain them for five years or so.

President Sharp pointed out that some of the money contributed to the Pension Fund, will now need to go into this new program.

Ms. Johnson added that we are bringing in new rookies into the department, and they have to start as volunteers. They can then move up within the department and become a reserve, but they will have to give up their volunteer status. For them to qualify for the volunteer retirement, they have to remain a volunteer for at least ten years. This new program would be an incentive for them to come on as a volunteer.

President Sharp pointed out that this is not really an incentive, but what is being done is recruiting for a paid department. If you were really trying to recruit volunteers, the incentive is the volunteer pension. He continued on that in the past it was easier as most of the volunteers were self-employed, however when you have an increased call volume, the person you are working for is not going to let you leave for one call, or more, a day. President Sharp commented that he likes the idea (of the incentive program), but thinks it needs a little more fine tuning.

Asst. Chief Balke added that in the past two years, everyone who has applied to be a volunteer has done so with the intention of going somewhere to be a paid career firefighter. We do not have anyone who wants to be, or has the time commitment, to just be a volunteer.

Mr. Bridgewater added that this is something that is being worked on as a response to what is available to the department. We were looking for something to keep them (the volunteers) here. Nothing has yet been implemented, it is still being discussed.

Ms. Johnson added that the conference she attended that addressed this same situation, suggested that you confer with an attorney that has a background in this area, to discuss the options and the

best route for our department. Continuing to put money in a pension plan for the volunteers, when they will never get to see it, is not beneficial for anyone.

Mr. Bridgewater pointed out that of the thirty five or so firefighters we have, 10 of which are working toward the volunteer pension, and only four of them made the requirements. What we have is not working.

Asst. Chief Balke commented that there are a few individuals who are working and responding as a volunteer, but are not part of the pension system. The biggest problem we have is that people are not coming to calls.

Mr. Bridgewater continues that the pros and cons of each type of incentive being looked at need to be considered.

Ms. Mimiaga suggested that President Sharp and Mr. Gustafson be given the different articles that have been given to the Pension Board about volunteerism and how it has been affected nationwide. This is not just a local issue. We do not have many individuals within our community coming in wanting to become volunteers. Most of our volunteers are coming from Lori Mott's Fire Science class at the high school.

Kent Lindsay made a motion to accept the training hours and B tone percentages as presented, Jim Bridgewater seconded. The motion passed on the following vote:

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

Ms. Johnson inquired if we should talk with the State or SDA to see what other departments are doing for retirement for volunteers.

Asst. Chief Balke added that the recruitment and retention discussions at the State Fire Chiefs Conference he just attended was put on by SAFER, and this topic was discussed at length. It was noted that the conventional volunteer pensions are going away.

Ms. Johnson reiterated that was the same message at the conference she attended. The twenty year pensions are just not attainable for most. In some ways, our volunteer program is a recruitment program because this is what the individuals want, a career firefighter position.

Mr. Bridgewater added that it is an incentive to keep them here. We have trained and invested in them for the first year, and we would like to keep them here, instead of going off to another department.

Ms. Mimiaga added that we have 29 retirees collecting their pension, 6 collecting a spousal benefit, and 7 retired members who have not yet met the age requirement, and the individuals who are currently working toward the pension benefit. The account is set up so that it will last and be able to cover all those who are collecting a pension, waiting to collect their pension, and just working toward being eligible for the pension. No money can legally be taken out of this account to fund anything else. The new program, if the Board decided to move forward with it, will have to start from scratch. This new program will not qualify for the State contribution, as that is only for the traditional volunteer pension as is covered in the State Statues.

Ms. Johnson pointed out we had a firefighter who had nine years as a volunteer, who wanted to move into a full-time position. He did not want to lose his nine years toward the pension, but if he had become a paid firefighter he would have lost his time. This is what started the conversation of an alternative program so that the volunteers with less than ten years could get something for their time served. It would not have applied to this particular firefighter, but we were looking to the future and the realization that a volunteer might want to move into a paid position, or elsewhere, after five years or so. It is more of an incentive, and not part of the current pension plan.

Chief Vandevorde added that the individuals who are inquiring about positions and submitting applications , want a full or part time position, not to be a volunteer.

Mr. Bridgewater added that the volunteers we have now do not intend to remain a volunteer, they all want a full or part time position.

Executive Session

There was no executive session.

Adjournment

Having no further business to come before the board, Kent Lindsay made a motion to adjourn the meeting, Lori Johnson seconded. The motion passed as follows:

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

The meeting adjourned at 7:16 p.m.

Larry Sharp – President

Attest:

Kent Lindsay – Secretary / Treasurer