

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

Call to order

Larry Sharp called the meeting to order at 6 p.m. in the meeting room at Station #1. The roll was taken and the board members present were Orly Lucero, Lori Johnson, Gene Gustafson, Kent Lindsay and Larry Sharp. Diane Fox was absent, and Sherri Wright arrived at 6:10 p.m. Administrative assistant Wendy Mimiaga, Asst. Chief Charles Balke, Chief Jeff Vandevoorde and Mike McAndrew from Edward Jones were also present for the meeting.

Lori Johnson made a motion to excuse Diane Fox, Orly Lucero seconded. The motion passed as follows:

Fox	Johnson	Wright	Lindsay, K.	Lucero	Gustafson	Sharp
Absent	yes	n/a	yes	yes	yes	yes

Approval of the minutes

The minutes of the meeting held on July 9, 2014 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 July 9, 2014, with the correction of a typo on page two, last paragraph, second line, Lori Johnson seconded. The minutes were approved on the following vote:

Fox	Johnson	Wright	Lindsay, K.	Lucero	Gustafson	Sharp
excused	yes	n/a	yes	yes	yes	yes

Public Comment

There was no public comment.

Correspondence

There was no correspondence.

Administrative assistants report

It was reported that the value of the Edward Jones account on July 25, 2014 was \$2,107,906.70 with an income for the month of \$6,204.45, on August 29, 2014 was \$2,147,058.85 with an income for the month of \$1,790.59 and September 26, 2014 was \$2,116,072.03 with an income of \$4,068.05. The year to date income as of September 26, 2014 is \$47,914.86.

The balance for the First National Bank, as of July 31, 2014, was \$98,038.90 with interest earned of \$8.47; August 31, 2014, was \$84,429.05 with interest earned of \$5.63; September 30, 2014, was \$72,923.72 with interest earned of \$3.28. The year to date interest earned through September 30, 2014 for this account was \$74.15. The interest rate decreased from 0.10% to 0.05% in August, 2015.

The Third quarter pension payment from the District of \$10,000.00 was made on September 17, 2014, however, this is not reflected in the First National Bank balance for September, 2014. The Pension fund has thus far received \$30,000 from the District to date.

It was reported that the application for the 2014 State Volunteer Firefighter contribution to the pension fund was submitted to DOLA on August 26, 2014 along with the new 2014 actuarial report. The contribution should be received in late November, early December, 2014. We had budgeted for a lesser amount this year as the District contribution was lowered, however, we should receive the same amount as in the past, \$41,791.00, as the State's contribution is based on the previous year's District contribution. Next years' contribution will be less due to the decrease in the districts contribution this year.

The State's contribution is based on the amount that the District contributes, and can be up to 90% of the District's contribution. The amount of the pension benefit is also a determinant of the state's contribution. The State will contribute 90% of the Districts contribution if the benefit does not exceed the State recommended maximum payment of \$300 per month for twenty years of service. Since we pay \$495 per month, about \$200 more that the State's maximum recommendation, we receive a discounted state contribution.

New Business

Mike McAndrew, Edward Jones – Mr. McAndrew handed out a copy of the assets analysis for the volunteer pension account to the Board. This lists all investments held in the pension account. All the government, agency and Colorado bonds are listed under the Income heading. The bonds have a current value of \$1,370,238 and provide \$50,389 annually in income. Under the Growth and Income, and Growth headings are the mutual funds held in the account. The mutual funds were originally purchased as 'B' shares beginning in 1998, when the State legislature allowed this type of investment in the pension fund, and then converted to 'A' shares in 2005. This is why the mutual funds are shown under the initial activity column as 01/20/05. Currently, no income is being taken from the mutual funds, it is being reinvested. The total value of the account, as of October 8, 2014, was \$2,118,930.

Mr. McAndrew reported that we have not been taking any income out of the mutual funds, it has all been reinvested, and there is a gain of approximately \$300,000 in the mutual funds, even after two market downturns in 2000 and 2008. It is uncertain as to when, but another correction is expected. Mr. McAndrew made a recommendation to lock in the earnings the account currently has, and take the \$300,000 in gains in the mutual funds, and put it into a Colorado or government bond, and thus create more income annually. Mr. McAndrew

explained to the Board what investments were currently available, and suggested that the money be split between a Colorado Muni Bond and a Government Bond. He further explained that we will not be getting out of the market, but that this is an appropriate time to reinvest the earnings in the account. It was asked how safe are these investments, which Mr. McAndrew responded that the safest investment you can buy is a U.S. Treasury bond, the next safest is a Government Agency Bond, then a Certificate of Deposit, then a Colorado (State) Municipal Bond. We will be taking the profit from the higher risk investments, the mutual funds that are invested in stocks, and put into lower risk investments. The market is volatile right now, but when we talk about a correction, we are looking at a market decline of about 10 – 15%. It was not advised to get out of the market, but rather to lock in the profit that has been made. Long term, the mutual funds are where the account will make its gains, the income to pay the benefits will come from the bonds.

Ms. Johnson inquired, based on the actuarial report, what is the net return we need to maintain for the account to remain actuarially sound. Frank Dobis, our actuarial, reported in the actuarial review that, based on the current number of recipients, the number of individuals working toward the pension benefit, and the amount we pay, we need to maintain 4 – 4.5% return on our investments, which we meet. Based on the report, we currently need to make a contribution of \$67,281 for our payout level, based on our rate of return.

Ms. Mimiaga commented that she and Mr. McAndrew had discussed this earlier, and thought this was the best course for the pension account. It was further noted that the correction will be coming, and the Federal Reserve has just ended its quantitative easing so the surge of up to \$80 billion being put into the market has ended, the end of October, 2014, but interest rates are not expected to be increased until the middle of next year, 2015.

Lori Johnson made a motion to move the profits from the mutual funds, approximately \$300,000, and invest into income producing bonds based on the recommended of Mr. McAndrew, Sherri Wright seconded. The motion passed as follows:

Fox	Johnson	Wright	Lindsay, K.	Lucero	Gustafson	Sharp
excused	yes	yes	yes	yes	yes	yes

2015 Budget – A copy of the proposed budget for the pension fund was included in the packet. It was pointed out that the beginning fund balance is taken from the annual audit, and can be different from the current value of the investment account, as it fluctuates based on market performance. It was pointed out that the majority of the pension account is invested in bonds, the price of which also fluctuates with the market, either at a discount or a premium, above or below par (100). However, we purchase these investments for the long term, to be held until maturity, or they are called, both of which will be at par. So if the price of the bonds goes up or down, it will be reflected in the overall value of the account, but it does not affect the income derived from the bonds. The fund revenue consists of the District contribution, the State contribution, interest earned and the investment income for an estimated total income for 2015 of \$125,075. As for the expenses, the main of which is the pension payments of \$160,677,

they are estimated at \$166,577. This then shows an over/under revenue of -41,502. This is an accounting number based only on revenues and expenditures, and not the overall fund balance.

Ms. Johnson pointed out that possibly after next year we might have to take some money out of the investment fund to make the pension payments. President Sharp inquired again about the amount that needs to be invested into the account from the District and the State. Based on the most recent actuarial report, in order to maintain the current payout, we need to contribute \$67,281, the estimated budget shows an income of \$125,075.

President Sharp asked if the Board was comfortable with the budget as presented, or if there were any questions or comments. Mr. Lindsay commented that he was not comfortable, noting that Ms. Johnson had pointed out that we might have to start taking money out of the investment account. Ms. Mimiaga pointed out that the investment account, and the money in it, exist for, and is set up to fund the pension and make sure the pension benefits will be made to all pension recipients, current and future. (note: the amount necessary is determined by the actuarial report that is done every other year in order to remain current, and is figured based on the number of recipients, those eligible, and the personnel working toward the pension benefit, who are figured as twenty years of service.) Mr. Gustafson asked if we are losing \$41,502 this year, where will we be the following year. Again, this figure does not indicate a 'lose' of money, it is only the difference between the revenue and the expenses. It will be different in each subsequent year. A new actuarial report will be done in 2016, as required by statute, with an updated contribution amount necessary to remain solvent at the level which we pay, as well as the \$300 benefit. The money in the Edward Jones account has been built up to ensure the pension payments will be made until the last individual is done collecting. The actuarial report is done to see if there is enough money to make the payments, and/or how much of a contribution is necessary to maintain the level of the benefit paid.

We currently have thirty-six individuals that collect the pension benefit and nine retired individuals waiting to meet the age requirement to begin collecting their pension. Three of which will be eligible in three years, each with only ten to twelve years of service, which equates to around \$10,000 per year in additional payment.

President Sharp further confirmed that the volunteers are figured in to the actuarial no matter the number of years they have served. If they quite prior to the ten years required to receive the pension benefit, they do not receive anything. If they have served five years they are vested, but have to continue volunteering at another department for an additional five to fifteen years to qualify for a pension, and we will only be responsible for the five years served here.

Resignation – Two letters of resignation have been submitted from Alex Archuleta and Chris Kingery. Mr. Archuleta has eleven (11) years of service and Mr. Kingery has twelve (12) years of service.

Kent Lindsay made a motion to accept the resignations of both Alex Archuleta and Chris Kingery, Lori Johnson seconded. The motion passed as follows:

Fox	Johnson	Wright	Lindsay, K.	Lucero	Gustafson	Sharp
excused	yes	yes	yes	yes	yes	yes

Old business

There was no old business

Executive Session

There was no executive session.

Adjournment

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

Fox	Johnson	Wright	Lindsay, K.	Lucero	Gustafson	Sharp
excused	yes	yes	yes	yes	yes	yes

The meeting adjourned at 6:46 p.m.

Larry Sharp – President

Attest:

Kent Lindsay – Secretary / Treasurer