Cortez Fire Protection District Pension Board meeting minutes January 11, 2012

Call to order

President Nic McDonald called the meeting to order at 6:35 p.m. in the meeting room at Station #1. The roll was taken and the board members present were Nic McDonald, Jim Bridgewater, Patricia DeGagne-Rule, Keenan Ertel, Kent Lindsay and Hal Shepherd. Administrative assistant Wendy Mimiaga, Asst. Chief Balke and Chief Vandevoorde were also present for the meeting. Matt Lindsay was absent.

Jim Bridgewater made a motion to excuse Matt Lindsay from the Cortez Fire Protection District Pension Board Meeting, Patricia DeGagne-Rule seconded. The motion passed on the following vote:

Bridgewater DeGagne-Rule Ertel Lindsay, K. Lindsay, M. Shepherd McDonald yes yes yes absent yes yes

Approval of the minutes

The minutes of the meeting held on October 12, 2011 were brought before the board for approval. After reading and review, Patricia DeGagne-Rule made a motion to approve the minutes, Hal Shepherd seconded. The minutes were approved on the following vote:

Bridgewater DeGagne-Rule Ertel Lindsay, K. Lindsay, M. Shepherd McDonald yes yes yes excused yes yes

Public Comment

There was no public comment.

Correspondence

There was no correspondence.

Administrative assistants report

Wendy Mimiaga reported the balance in the Edward Jones Investment account was \$1,832,064.38 as of December 31, 2011 with income earned of \$6,712.41 for the month of December with a year to date income earned of \$66,749.18. The balance, as of December 31, 2011, in the First National Bank account was \$148,446.59. The current interest rate is 0.10% with \$11.38 interest earned for December and a year to date interest earned of \$91.22.

The First National Bank account is a checking account that is used to make the pension payments to the volunteer retirees. \$161,000 has been budgeted for the 2012 pension payments, and \$2,100 for the actuarial study. An estimated breakdown of this account was included in the packet on page 2 of the notes titled "District contribution to Volunteer Pension Fund", which indicated an anticipated 2012 year-end balance of \$96,977.22. It was discussed that a portion of this amount should be invested at an interest rate higher than the 0.10% at First National Bank. Mr. Ertel inquired if the funds could be invested in the Edward Jones account which is making overall about 3.5%, and if it would be hard to retrieve the money if we needed to. It was explained that the investments in the Edward Jones account are long term investments which you can sell if need be, but it would not be advantageous to do so. It would be better to invest in a shorter term or more liquid investment in case the funds were needed. Mr. Lindsay suggested that we look into possibly another State Farm Bank money market account, which is paying 0.90%, or other higher interest bearing account and present it at the next pension board meeting on April 11, 2012.

Currently 15 of the 34 pension recipients are set up for direct deposit. It was directed by the board to include another letter with the pension checks reminding the retirees that they can still sign up for direct deposit.

Old business

Resolution No. 1 Series 2012 to change the requirements to qualify for pension benefits for the Cortez Fire Protection District volunteer firefighter pension fund was presented to the board. The Chief and the Asst. Chief proposed to the board at the October 12, 2011 meeting to require volunteer firefighters a minimum of 36 hours of training per year with 18 hours in each half of the year, attend 50% of the fire department meetings, and a 20% attendance of fire calls. Keenan Ertel made a motion to accept the 2011 pension requirement proposal effective Jan 1, 2012 as presented to the Board, Kent Lindsay seconded. The motion passed unanimously.

Patricia DeGagne-Rule made a motion to accept Resolution No. 1 Series 2012 to make the changes to the Pension Fund Bylaws, Jim Bridgewater seconded. The motion passed on the following vote:

Bridgewater DeGagne-Rule Ertel Lindsay, K. Lindsay, M. Shepherd McDonald yes yes yes excused yes yes.

New Business

A. Volunteer Hours - Asst. Chief Balke had presented, during the Board of Directors meeting, a list of all the fire fighters training hours and meetings attended. There was only one individual who did not complete enough training hours to qualify for the pension. The list was then presented again at the pension board meeting.

Kent Lindsay made a motion to accept the credited hours as presented by the Chief and the Asst. Chief for the volunteer pension fund, Hal Shepherd seconded. The motion passed on the following vote:

Bridgewater DeGagne-Rule Ertel Lindsay, K. Lindsay, M. Shepherd McDonald yes yes yes excused yes yes.

B. Pension Fund Future — Chief Vandevoorde explained that according to state statue, CRS 31-30-1110, the district can contribute up to, but not more than, 1 mill. The state does not say we have to give a half a mill. It is only written in the Cortez Fire Protection District Pension Fund Bylaws, Article XIII, Section 1, that the district must contribute "an amount equal to or greater than .5 mills." The board should revisit the language in this section of the bylaws to be concurrent with the state statue to read "up to, but not more than, 1 mill." With the current and anticipated future budgetary constraints, the Board of Directors should be able to contribute an amount that the budget can afford. President McDonald stated that he did not think anything should be changed from the half mill until the actuarial study is done. Patricia DeGagne-Rule stated that we would only be changing the language to match the state statue, and not put a bottom limit.

Ms. DeGagne-Rule also questioned how the pension board would handle voting for future increases, contributions, et al, if the board were made up primarily of pension fund recipients, that it could be viewed as a conflict of interest. Mr. Lindsay stated that as long as you were voting for the entire pension fund and not just yourself, it is not a conflict. (this could be a gray area) It is, however, addressed in the state statutes, and if this does occur in the future, it should be addressed so as not to violate the law.

Upon further discussion about the district contribution to the pension fund, Mr. Bridgewater reiterated that no one wants to see a decline in the pension fund. It appears to be well funded and has made over \$600 thousand dollars in the past six years that he has been on the board. Due to budget requirements within the district, the board needs to get a handle on an appropriate amount that needs to be contributed and that the district can afford to contribute to the fund.

President McDonald stated that he does not want to be the person that will have to tell the retirees that if the bottom of the market falls out and we, the district, quit contributing enough money and the state cuts its contribution to the fund because we have been overfunding it and that we have been paying \$495 a month for the past five years and now we will have to cut your benefits. The actuarial is going to look at the maximum retirement capabilities of all eligible people. It will tell us what we need to correctly put it to meet that need. (*Referring to the previous Board of Directors meeting in December, 2011*) I think the retirees had a legitimate fight to protect their pensions. They have been drawing their pensions for some time, and it was portrayed to them as it was going to be cut. But that is not what is happening.

Mr. Shepherd commented that when he joined the board back in 1999, there was about \$950 thousand in the pension fund, no-one has missed a payment in 13 years, we have more retirees now than in 1999, and we have over \$1.8 million in the pension fund. If we are doing something really bad, I don't know how we could have \$1 million dollars more in the fund.

Ms. Mimiaga brought up the point that the board might need to readdress the Pension Fund By-Laws to see if they want or need to make any changes. In light of the current economic outlook, district budget shortfalls and decreased number of volunteers, the board may want to reevaluate eligibility for the volunteer pension. i.e. ten vs. twenty year retirement, \$300 state maximum as a cap, etc. It would not necessarily affect any of the current volunteers or retirees, but the plan should be revisited for the future.

Chief Vandevoorde explained that the state currently contributes \$4 million dollars a year to the various volunteer pension funds, and with the state budget shortfalls, that will probably start being cut back, and thus the districts will have more of the burden to fund the full contribution. Mr. Ertel elaborated that most pension funds are not 100% funded by the employer; most are just matched by the employer. The volunteers have most definitely given their time, but to put in twenty years and draw \$495 a month when you turn fifty years old till possibly eighty five years or so, that is 35 years of \$495 a month (or about \$297,000) without any other contribution can become a financial hardship on the district (and the taxpayer). This is a topic we will need to spend some time on; the future of the pension is most likely going to be different than what it is now. Chief Vandevoorde commented that the Board of Directors will need to readdress the pension contribution, during the budget process, on a year to year basis based on the changes in property valuations, district and community needs and figure what can be contributed instead of a set amount. Things could get better. This is why the increase in the mill rate is so important. The cost of doing business keeps going up, but our income, due to Tabor, remains pretty much the same.

President McDonald commented that if the mill levy doesn't go through, you will be relying on these volunteers, you will be expecting the guys with service and knowledge to be around. You need to take that into consideration. That might project the longevity of your people.

Mr. Bridgewater replied that he does not want to see the pension fund get smaller; he wants to see it get bigger every year. But it has increased \$1 million dollars over the past ten years. Based on the budget it can't keep going like this. If the contribution needs to drop below a half a mill, it will have to. The pension fund has to keep improving, but there is a limit that is logical and makes sense.

(Note: An actuarial analysis is the examination of risk by a certified professional statistician. Actuarial analysis uses statistical models to manage financial uncertainty by making educated predictions about future events. In the pension industry, actuarial methods are used to measure the costs of alternative strategies with regard to the design, maintenance or redesign of pension plans. The strategies are greatly influenced by many factors including both the short and long term financial and economic trends. Benefit plans liabilities have to be properly valued, reflecting both earned benefits for past service, and the benefits for future service. Finally, funding schemes have to be developed that are manageable and satisfy the Financial Accounting Standards Board (FASB).)

C. Letters of resignation – Les Ham and Michael Ptaszynski both submitted a letter of resignation from the Volunteer Fire Department. Mr. Ham has been a volunteer since 1/1/2012. He served for 12 years and has met all requirements to be eligible to collect a pension. His date of birth is 11/25/1967 so he will be able to start collecting his pension on 11/25/2017.

Mr. Ptaszynski has been a volunteer since 1/1/1999. He served for 10 years (3 years off while he served as the departments mechanic) and has met all requirements to be eligible to collect a pension. His date of birth is 10/21/1960 so he will be able to start collecting his pension immediately. Kent Lindsay made a motion to accept the letters of resignation, Keenan Ertel seconded. The motion passed on the following vote: Bridgewater DeGagne-Rule Ertel Lindsay, K. Lindsay, M. Shepherd McDonald excused yes yes yes yes yes. The board extended a thank you for their service. **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 at 7:16 p.m., Hal Shepherd seconded. The motion passed as follows: Bridgewater DeGagne-Rule Ertel Lindsay, K Lindsay, M. Shepherd McDonald Yes excused yes yes yes yes yes Nic McDonald - President Attest:

Keenan Ertel – Secretary / Treasurer