

**Cortez Fire Protection District  
Pension Board meeting minutes  
July 11, 2012**

**Call to order**

President Nic McDonald called the meeting to order at 7:15 p.m. in the meeting room at Station #1. The roll was taken and the board members present were Nic McDonald, Matt Lindsay, Jim Bridgewater, Lori Johnson, Kent Lindsay and Orly Lucero. Keenan Ertel was absent. Administrative assistant Wendy Mimiaga, Asst. Chief Balke and Chief Vandevoorde were also present for the meeting. Also present was Mike McAndrew, financial advisor, from Edward Jones.

Jim Bridgewater made a motion to excuse Keenan Ertel from the Cortez Fire Protection District Pension Board Meeting, Lori Johnson seconded. The motion passed on the following vote:

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

**Approval of the minutes**

The minutes of the meeting held on April 11, 2012 were brought before the board for approval. After reading and review, Kent Lindsay made a motion to approve the minutes, Orly Lucero seconded. The minutes were approved on the following vote:

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

**Public Comment**

There was no public comment.

**Correspondence**

President McDonald informed the Board that he received a letter of resignation from Nick Martinez from the Cortez Volunteer Fire Department, effective August 1, 2012, at which time he will have been a volunteer for five (5) years. Having five (5) years means he is vested. If he finishes his time out at another department, he will qualify to receive a pension. He is now a volunteer at Lewis-Arriola, who only has a twenty (20) year retirement. If he completes fifteen (15) years at Lewis-Arriola, for twenty (20) years as a volunteer, then the Cortez Volunteer Fire Department Pension Fund will be responsible for paying the pension benefit for the five (5) years he volunteered here. The Board asked that staff verify that Mr. Martinez has kept up with the training, meetings and calls requirements.

Lori Johnson made a motion to accept the letter of resignation for Nick Martinez contingent upon training hours and commitments that pertain to retirement are up to date, Matt Lindsay seconded. The motion passed on the following vote:

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

## **Administrative assistants report**

Wendy Mimiaga reported the balance in the Edward Jones Investment account on April 27, 2012, \$1,862,542.00 and an increase in fund balance of \$17,965.48, on May 25, 2012, \$1,847,563.48 and a decrease in fund balance of -\$14978.52 and June 29, 2012, \$1,867,482.25 with an increase in fund balance of \$19,918.77.

The balance, as of June 30, 2012, in the First National Bank account was \$142,472.85. The current interest rate is 0.10% with interest earned year to date of \$70.99.

Ms. Mimiaga also included a brief summary of what interest rates currently look like. The Federal Open Market Committee continues to maintain a target range for the Federal Funds rate of 0% - .25% through late 2014. This means sustained lower interest rates for the next two to three years. We are fortunate that our investment portfolio is doing as well as it is.

Also included in the packet were the life insurance policies from the State of Colorado and from the Cortez Fire Protection District that are in place for the firefighters that were requested by the board at the last Pension Board of Directors meeting, April 11, 2012, to make sure all the firefighters are fully covered while on duty. The death benefit is \$25,000 from the State policy and \$75,000 from the District policy. Chief Vandevoorde also explained there is a \$250,000 federal policy payout.

Kent Lindsay asked if Ms. Mimiaga had looked into the proposal made by Jeff Cunningham from VFIS at the last Pension Board meeting, April 11, 2012. Ms. Mimiaga explained that it is a decision the board will have to make. They will need to take into consideration what the future of volunteerism looks like, as the proposal concentrates more on ten (10) years of volunteer service as opposed to twenty (20) years, and that the program would be for new volunteers being brought on, the existing volunteers would still be covered under the current pension account. The board will need to look at affordability. This plan would, most probably, be in addition to the current plan. The board would need to figure out how to fund the two plans. This is a discussion the district board will need to have during the budget process, due to the availability of funds.

## **Old business**

There was no old business.

## **New Business**

A. Mike McAndrew, Edward Jones – Mr. McAndrew handed out a portfolio analysis of the Cortez Fire Pension Fund, dated July 11, 2012, to each pension board member and proceeded to go over asset and performance analysis of the account. Mr. McAndrew started by explaining the conversion of the mutual fund shares from B shares to A shares. The B shares were purchased because they have no frontend load, then after eight (8) years they were converted to A shares which have lower asset management fees. He then went on to talk about the districts bond portfolio. The largest percentage of the account is invested in bonds, and produce income. Some of the bonds, i.e. FNMA's, also return principle, which has been sent to the pension bank account over the years, either to be re-invested with Edward Jones, or used for pension payouts. He went on to explain that the current price of the bonds is only relevant if you were to sell them. The bonds pay the coupon rate on the original quantity, no matter what the current price is, and that is how the amount of income is calculated. All the bonds in the portfolio are government, government agency or Colorado bonds.

Those are the only bonds that are permitted based on state statute. The current value of the bond portfolio is \$1,360,571, with a current yield of 4.04% and an annual income of \$54,919.

Back in 2000, the state allowed the purchase, up to 40%, of mutual funds, and a portion of the fund was invested in mutual funds. In the growth and income we have a current value of \$357,572, with \$466,250 invested which includes the converted B to A shares of \$221,331, therefore the value of the investment is up \$112,653. In the growth funds, the current value is \$157,000, with \$208,913 invested minus the \$88,104 converted shares, with \$36,193 increase.

The portfolio total value is \$1,875,143, the value of the account is up \$251,061, with an annual income of \$65,894, part of which is reinvested, \$10,975, and \$54,919 is paid out in income.

Overall, the pension account is invested conservatively, with investments more highly weighted in the income category as opposed to growth and equity, with nothing invested in more aggressive instruments, therefore low risk. The portfolio is broken up with 8.37% in growth, 16.35% in growth and income and 75.27% in income. Mr. McAndrew recommends that no changes be made to the account. If the account does need to produce more income, we can move the stocks (mutual funds) into bonds to produce more income.

Ms. Mimiaga commented on how impressed Frank Dobis, Actuarial Solutions, was on how well the Edward Jones account was doing. We need to average about 5% return each year. We do have about \$140,000 in the First National Bank account from which the monthly pension benefits are paid. It was estimated that the total payout for the year in pension benefits would be about \$161,000. Therefore, the board will need to decide if they would like to take a portion of that money out and reinvest in the Edward Jones account to earn a better return than the .10% we are earning at First National Bank. We are slated to receive \$41,791, for the state contribution, in November, as well as another \$36,311 from the district for the second half of this year's contribution. So another \$78,102 will be deposited into the pension fund checking account. It is estimated that the pension benefits will be around \$161,000 again for 2013. The actual figure will be calculated for the October 10, 2012 pension meeting.

### **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 8:10 p.m., Matt Lindsay seconded. The motion passed as follows:

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

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Nic McDonald – President

Attest:

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Kent Lindsay – Secretary / Treasurer