

GUNNISON FIREMEN'S PENSION BOARD

Minutes of Meeting

August 27, 2015

Voting members present:

- Dennis Spritzer, Fire Chief
- Bob Drexel, City of Gunnison (present as listed in text)
- Stu Ferguson, City of Gunnison
- Steve Williams, Gunnison Fire Protection District
- Shane Rider, Gunnison Volunteer Fire Department

Other Attendees:

- Paul Barker, Actuarial Consulting Group
- Ben Cowan, Secretary/Treasurer
- Kevin Eichinger, Portfolio Strategist for Wells Fargo Institutional Retirement and Trust (via phone)
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Call to Order. The semi-annual meeting of the Gunnison Firemen's Pension Fund Board was called to order at 6:37 pm on August 27, 2015 by Fire Chief Dennis Spritzer in the City Hall Council Chambers.

Minutes Approval. Moved by Stu Ferguson to approve the meeting minutes from January 22, 2015. Motion carried unanimously.

Bylaws Amendment. Secretary/Treasurer Ben Cowan presented two options for amending the bylaws.

The City of Gunnison Ballot Question 2, "Shall Article IV General Provisions Regarding Officers and Personnel of the City, Section 4.10 Surety Bonds of the Gunnison Home Rule Charter be repealed in its entirety, and subsequent sections of Article IV be renumbered for consistency?" passed with 67% in favor of the change. Since the City's commercial insurance policy already includes crime coverage up to \$150,000, it seemed like a waste of City funds to secure the bonds necessary to comply with the existing Charter. The government crime and employee dishonesty coverage sufficiently protects the people of the City from any malfeasance. The current bonds require a \$5,000 bond to be furnished, so a recommendation was made to remove that requirement by removing this section:

Section 3. Bond: The Secretary/Treasurer shall furnish bond in the initial amount of \$5,000, and in such future amounts as may be designated by the Board of Trustees. The Board of Trustees, at their discretion in lieu of a separate bond, may accept the bond furnished by the Secretary/Treasurer as Finance Director of the City.

to be replaced with the following language:

Section 3. Bond: The Secretary/Treasurer shall furnish bond in the initial amount of \$5,000, and in such future amounts as may be designated by the Board of Trustees. The Board of Trustees, at their discretion in lieu of a bond, may accept the City's crime coverage included in its commercial insurance policy.

Moved by Stu Ferguson to amend the bond requirement in Article IV, Section 3 of the Board of Trustees of the Gunnison Firemen's Pension Fund Bylaws as outlined in the memo from Secretary/Treasurer Cowan. Motion carried unanimously.

The Board amended the meeting dates during the January 22, 2015 meeting to accommodate the reporting requests from Wells Fargo for the investment update. Since the meetings were pushed back one month, the

reporting requirement for the City of Gunnison needs to be pushed back by one month as well by removing this section:

Section 6. Semi-Annual Reports: The Board of Trustees shall report to the City Council of the City and the Board of Directors of the District on the condition of the Pension Fund not less than semi-annually, once in February, and again in August of each calendar year.

to be replaced with the following language:

Section 6. Semi-Annual Reports: The Board of Trustees shall report to the City Council of the City and the Board of Directors of the District on the condition of the Pension Fund not less than semi-annually, once in March, and again in September of each calendar year.

Moved by Steve Williams moved to change the City of Gunnison reporting schedule in Article V, Section 6 of the Board of Trustees of the Gunnison Firemen's Pension Fund Bylaws as outlined in the memo from Secretary/Treasurer Cowan. Motion carried unanimously.

Actuarial Report. Paul Barker, with the Actuarial Consulting Group, presented the actuarial report. Pensions are either contribution driven or asset driven where benefits are supported by funds in pension fund. Gunnison's plan is driven by both sources and Mr. Barker believes the plan is very healthy. The cash contributions and balance is more than enough to support the \$350 benefit level and the Board should begin looking ahead to the next benefit level. A target contribution of about 40% coming out of the fund is important. We currently need \$50,000, but are contributing \$125,000 annually. Mr. Barker made the assumption no one will die before 65 since it is a very small group and that contribution declines by 2% each year, which is considered to be conservative.

Bob Drexel joined the meeting at 6:48

Mr. Barker presented a graph of the amount that needs to be taken from the fund for the next 30 years from an actuarial standpoint. At the current benefit level, the amount is approximately \$50,000. At the \$350 level, the contributions drive the needed payments and the interest return on invested funds is not much of a factor. When increasing the contribution level, the interest rate becomes more of a factor. Mr. Barker's recommendation is that the fund could move to a \$400 benefit level. Mr. Barker says at the current contribution level, if that was very sure to continue, the fund could support a \$450 benefit level, but he is not advocating for that due to conservatism and the potential for unforeseen circumstances. \$450 is probably 4 or 5 years off if a conservative approach is used.

Steve Williams said we never want to go back to the recipients and reduce benefits by \$50. He estimates the fund has likely lost \$200,000 in the last ten days, and gained half that back in the last two days. His recommendation is that the fund stays conservative for another 6 months.

Mr. Barker believes the fund could lose half of the assets with the current level of contributions and still be actuarially sound according to State of Colorado requirements. The fund is doing well from an investment standpoint.

Stu Ferguson inquired about societal changes where younger members might get trained and move onward more quickly in the future. Paul said there is a turnover assumption, but it is not an extremely high level.

Stu Ferguson asked about the possible effects of the department becoming made up of paid volunteers. Mr. Barker said the unfunded liability only needs to be paid off in 30 years, and it will solve itself in 3 years, so future contributions would not be needed to a large extent. Steve Williams estimates many volunteers would eventually apply for paid positions and the department would be a blended department - not entirely paid at once, so the plan has no need to disappear immediately. The paid firemen would likely be FPPA. Stu Ferguson thanked Mr. Barker for a very understandable report.

Moved by Stu Ferguson to accept the actuarial report. Motion carried unanimously.

Paul reported that an actuarial report is required on an annual basis due to new Governmental Accounting Standards Board (GASB) reporting requirements. The actuarial disclosures in the audit need to increase as well. The report already provides the increased level of reporting.

Financial Report. Secretary/Treasurer Cowan presented the financial report through June 30, 2015. The fund balance was \$2,095,700.08. \$6,203.23 had been paid out to Well Fargo. \$4,000 was paid to Actuarial Consulting Services, but was not reflected in the June 30 report. Benefits had been paid totaling \$69,375. No contributions had yet to be received. **Moved** by Bob Drexel to accept the financial report. Motion carried unanimously.

Investment Report. Kevin Eichinger presented the report via phone. The fund is invested in about 54% stocks and 43% bonds and 3% cash. It is slightly postured to stocks within the limits of the plan. Last night's balance was \$2,026,249, which is even in July, so only off about 2 or 2.5% for the year. Mr. Eichinger says the portfolio has shown to be very resilient during times of distress in the market. Mr. Eichinger often uses bonds to offset the equity erosion. Mr. Eichinger agrees with the actuarial report that a market correction is overdue and should positively impact the report very soon. The portfolio is performing above benchmark for the last 3 months and for the year. One year is slightly below by 18 basis points. The portfolio has held steadfast given the volatility the market has been experiencing. The portfolio has had 1.7% growth this year, net of fees.

Steve Williams asked what the best guess is for the stock market over the next few weeks. Mr. Eichinger thinks 2120 on the S&P. There will be continued volatility as the world market is repricing assets. China's economy is slowing from 7% growth and the U.S. is generally more like 3% growth. Repricing is never comfortable. Mr. Eichinger feels the year will be finishing the year positively because there are strong signs of strength in employment, cash on corporate balance sheets, businesses are becoming more okay with spending on investments, etc. The domestic landscape is looking pretty good and the U.S. is a very big player in the global economy. Mr. Eichinger is very optimistic because we are only halfway through the third quarter. The portfolio's exposure to the European and Chinese financial problems is very minimal. It has some impact, but Mr. Eichinger feels it is hedged sufficiently to diffuse significant impacts. We have been experiencing the impacts of Europe for years now and we are still performing admirably. Mr. Eichinger said the Fed will likely delay a rate hike until December and they may enact a mini increase like 12.5 basis points to minimize the impact on the bond market. That would get us off the floor and begin allowing monetary policy room to adjust if necessary.

Application for Retirement Benefits. The Board considered a request to begin retirement benefits from Dan Buffington. Mr. Buffington served from January 1988 to July 2010 and reached his 50th birthday on August 17. **Moved** by Steve Williams to accept Dan Buffington's request for retirement. Motion carried unanimously.

Set Pension Payment Amount for 2nd half of 2015. **Moved** by Shane Rider to set pension payments for the second half of 2015 at \$350. Bob Drexel asked about a smaller increase. Steve Williams would like to keep that at \$50 increments. Motion carried unanimously.

Set Survivor's Death Benefit Payment Amount for 2nd half of 2015. **Moved** by Shane Rider to set survivor's death benefit payment for the second half of 2015 at \$1,000. Motion carried unanimously.

Next Meeting. The next meeting was set for February 25th, 2016 at 6:30 in the City Hall Council Chambers. Steve Williams said we might need an extra meeting if the economy shows signs of weakening. He doesn't believe it is good to look at the long term and not worry about downturns. He said we should move more conservative if we think the market is going poorly. It is difficult to see what China's economy does because it is not a free market. He doesn't think it is concerning at this point, but we should be careful.

Stu Ferguson suggested we consider dinner hosted by Wells Fargo since it is difficult to eat and then attend the meeting. Secretary/Treasurer Cowan will coordinate that.

Adjourn. The meeting adjourned at 8:38 pm.