

**THE SEMI-ANNUAL MEETING OF THE FIREFIGHTER'S
PENSION AND RELIEF BOARD HELD NOVEMBER 10, 2010 AT
CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA, AT 9:00 A.M.**

FIRE CHIEF KEITH SPANGLER OPENED THE MEETING AT 9:20 A.M.

**PRESENT WERE: KEITH SPANGLER,
MARK ARCHER, RAY EMMERICH,
DARRELL FOSTER, BERNIE GAMEZ and VICKI VIVIAN**

- I. Call to Order: Chief Spangler called the meeting to order at 9:20 a.m.
- II. Roll Call: City Clerk Vicki Vivian took attendance of the Board.
- III. Call to the Public:
None.
- IV. Opening Remarks
and Agenda: None.
- V. Approval of Minutes
of June 5, 2009 Meeting:

Ray Emmerich moved to approve the minutes of the June 5, 2009 meeting as presented. Seconded by Mark Archer. Motion passed 5-0.

- VI. Old Business: None.
- VII. New Business:

A. Treasurer's Report

1. Review and Discussion of Deposited Funds – Contributions to Pension Fund Fiscal Year 2009-2010 and 2010-2011

Jim Cox, Finance Director for the City of Benson asked the Board if he could address both items A and C at this time, with Chief Spangler indicating Mr. Cox could. Mr. Cox then addressed the Board stating the current year is much like last year, going over the audited financial statement of assets showing what was earned and paid out and the ending balance of \$598,512.00 at the end of June 30, 2010. Mr. Cox then stated the assets are all cash and investments. Mr. Cox then stated the earnings (\$37,000) consist of a contribution from the City of Benson in the amount of \$19,600, a contribution of \$2,100 from Benson Volunteer Fire Department, Inc., and an annual payment from the State Insurance Fund, which comes from a portion of the fire insurance premium that individuals pay on their homes during the year. Mr. Cox then stated the pension payments made during the year totaled \$26,400, which left an increase in net assets of \$10,605.00. Chief Spangler asked if the \$37,000 went directly to the principle with Mr. Cox stating it did. Chief Spangler then asked if the \$26,400 was paid out of accumulated interest with Mr. Cox stating it was from current and accumulated interest. Chief Spangler then confirmed that all pension payments must be made using interest only. Mr. Cox then stated the pension fund invested in 2 CDs that matured in December of last year and he was able to reinvest in 2 new CDs in the amounts of \$250,000 each, adding CDs in qualified banks (up to \$250,000) are guaranteed by the Federal Deposit Insurance Corporation. Mr. Cox then stated these are good safe investments with 2.35% interest rate which is astronomical in the current climate. Mr. Cox then stated the new CDs mature in December, 2012. Mr. Cox then stated the excess cash is at the state of Arizona LGIP Local Governments Investment Fund for municipal governments, adding this is a very liquid fund, in fund 7, which is strictly treasury notes and are guaranteed. Mr. Cox then stated they earn almost no interest, but the fund is

liquid. Mr. Cox then stated it's currently earning .11%, and by contrast, the fund earned over 6% in 2007. Mr. Cox then stated based on current economic conditions, the pension funds are earning as much interest as they can, but it only amounts to \$12,000 per year and he would say for the immediate foreseeable future, that's what they will earn each year. Mr. Cox then stated the bottom line is with pension payments of \$200.00 per month, it means the fund is committed to pay out a total of \$26,400 per year and we know we're going to earn about \$12,000, leaving a \$14,000 shortage each year. Mr. Cox then stated he anticipates making the difference up with a contribution from the City. Mr. Cox then stated last year, the City contributed \$19,600 and the upcoming budget contains a \$19,900 contribution to the fund. Mr. Cox then stated the fund will continue to grow so long as the City keeps up its contributions. Mr. Cox then addressed some history of the fund, stating the City has always paid annual contributions to the fund with the exception of the high interest years of 2006, 2007 and 2008 when the fund earned income in excess of the amount paid out, adding he didn't think those days would be seen again for a while. Chief Spangler then asked how much money was in accrued interest to sustain the \$200.00 per month with Mr. Cox stating it would cover about 2 years, but he has legal questions of whether City contributions can be specifically used to fund pension payments, adding he would need to consult with the attorney. Mr. Cox then stated he was told the City was putting funds together to make more interest and wants to verify if that is being done. Mr. Cox then stated he has a single investment account with Stone & Youngberg that has in it the CDs for the Fire Pension Fund and other CDs and other investments the City has, but they are clearly identified and allocated to the proper funds, including the Fire Pension Fund. Member Ray Emmerich stated Mr. Cox said the interest would cover pension payments for 2 years and asked if this was based on the City's contributions with Mr. Cox stating it was solely based on accumulated interest (earned in prior years). Mr. Cox then reiterated that the pension payments used to be less than the interest earned each year, but that situation is now reversed, nevertheless, pension payments of \$200 per month can be made for 2 years from the accumulated interest.

B. 2010 Annual Report filing to the Office of the State Fire Marshall

Vicki Vivian, City Clerk and Deputy Secretary stated the annual report is due each year by January 31. Ms. Vivian then stated the report was for the fiscal year 2008-2009 and the Board could see the year ending balance was \$587,907.00, noting the following year is higher and is what Mr. Cox discussed in the previous item. Ms. Vivian then stated the report shows the pension fund amount, the contributions from the City or earnings, which were \$9,625.00 and total expenditures of \$26,600, leaving a year end balance of \$587,907.00. Ms. Vivian then stated the report also shows the pension payments recipients and how much they received, in addition to department information, such as the address and contact info. Ms. Vivian then stated after the audit is accepted by the Council, she will have the figures for the fiscal year ending June 30, 2010 and will complete the report in January, 2011 to submit to the state Fire Marshall. There were no questions from the Board.

C. Review of Current Pension Conditions

Jim Cox, Finance Director addressed the Board regarding the current pension conditions with the review and discussion of deposited funds. (See Item A).

D. Review and Possible Action Regarding Pension Payments

Chief Spangler stated after listening to Mr. Cox, the pension fund has enough this year to keep the payments the same, adding in Mr. Cox's memo, it says under the caution part, that amount is available, but they may have to reduce the pension payments possibly to \$90.00. Chief Spangler then said if the pension payments were changed to \$150.00 it would stretch out the interest, adding there are some people who are going to be coming up for retirement and will supposedly hit at the same time. Mr. Cox stated he thinks his actuarial goes out as far as 2015 and that is when he believes quite a few will be eligible to retire, noting retirement is defined at 25 or more years of service or if someone reaches age 60 with 20 years of service. Chief Spangler then asked if the

Board wanted to reduce pension payments to stretch out the accrued interest or continue to pay \$200.00 per month and look at it again. Ms. Vivian stated the Board could meet whenever they chose to. Mr. Cox then stated by next April, he would have a feel for Council's direction regarding contributions. Member Ray Emmerich stated he was thinking along with Chief Spangler in reducing the pension payments to maybe \$150.00, but they could leave the payments at \$200.00 and discuss it again with Mr. Cox's recommendations. Chief Spangler stated the Board would need a motion.

Member Ray Emmerich moved to keep the pension payments at \$200.00 per month and revisit the issue when Mr. Cox had a recommendation. Seconded by Member Bernie Gamez. Motion passed 5-0.

E. Pension Certification and Letter to Benefit Recipients

Chief Spangler stated a letter would be sent to the pension payment recipients indicating there was no change in the pension payment amount, and that the Board would review the pension fund conditions and payments may be adjusted at that time. Instructions were given to Vicki Vivian to mail notification letters to pension recipients stating the Board's action.

F. Discussion of the Pension Fund Procedures and Rules

Chief Spangler stated there have been some questions about the pension fund; how Fire, Inc. pays into it and how the City pays into it, and how employees are paid. Chief Spangler stated Staff is going to the attorney to find out, and once answers are given, the Board will probably need to send a letter out to the firefighters if it affects them on how they get their pay from Fire, Inc. Member Ray Emmerich asked if the scale for pension payments was different for different years of service with Chief Spangler stating it was not different. Chief Spangler then stated the minimum number of years required to reach retirement is 20, adding if someone serves 19 years and 6 months, they are not vested and are not eligible for pension payments. Chief Spangler then stated when the answers are obtained, he would let the Board specifically know or they could just discuss it at the next meeting if there were no changes.

VIII. Future Agenda items and meeting date:

Chief Spangler stated the next meeting should be held in April of next year.

IX. Adjournment:

Member Mark Archer moved to adjourn at 9:47 a.m. Seconded by Member Ray Emmerich. Motion passed 5-0.