

**Inter-Canyon Fire Protection District
Special Pension Board Meeting Agenda
7939 S. Turkey Creek Rd., Morrison, CO 80465
August 9, 2017**

1. Call to Order

- a. Determination of additions to agenda and sequence
- b. Approval of Absences
- c. Acknowledge Guests

2. New Business

- a. Review VFIS Contribution Plan Options
- b. Resolution to Close Pension Plan/Freeze Benefits Current Members

3. Adjournment

5 (Crawford)

**INTER-CANYON FIRE PROTECTION DISTRICT
SPECIAL PENSION BOARD MEETING
7939 S. Turkey Creek Rd., Morrison, CO 80456 * 303-697-4413
August 9, 2017**

1. Call To Order

ICFPD Pension Board was called to order at 19:03 hours at Fire Station No. 1

Board Members Present:

- Leslie Caimi, President
- Karl Firor, Treasurer
- Jennifer Volkman, Director
- Ralph Dreher, Director
- Kerry Prielipp, Director
- Randy Rudloff, Secretary
- David Logan

Board Members Absent

Guest:

- Debra Swearingen, High Timber Times
- Lorraine Piche

1. New Business

a. Review VFIS Contribution Plan Options

Karl Firor reviewed the Volunteer Fire Insurance Service (VFIS) information mentioned at the prior meeting. VFIS offers a defined contribution plan. The District can put money away at 3% minimum with terms at a 5 year minimum. VFIS is an investment/administrative arm. The District would provide an eligible list of participants and dollar amounts, VFIS would manage internally. The plan is an annuity contract, every year interest is credited to the participant. The District would provide funds annually. After 5 years of service the participant would become a nonqualified deferred compensation program participant. Participants will receive a 1099 R for taxable income. The plan is an unfunded promise to pay, the Districts creditors would have access to those funds in the event something negative happened. Participants would receive an annual statement. The cost is \$25 per participant to manage, approximately \$1500 per year for 60 participants. There is a onetime set up fee of \$500. This would be difficult to manage internally as regular investment choices would be required. Although we could manage the plan ourselves, for \$1500 per year Karl would not vote in

favor due to the administrative challenges. If this plan is chosen, Karl recommends management by VFIS. Randy Rudloff noted participants could take the funds out as annuity to avoid taxes. Karl agreed, tax would be amortizing over a period of time yet participant is still paying the tax. The contribution becomes income at the time money is paid to the participant.

Randy handed everyone a copy of the 2017 Actuarial Study and stated the study is not for discussion tonight but to note the increase in unfunded liability from 7 years to 9 years. David Logan asked if FPPA has a defined contribution plan. Karl responded, ICFPD is not eligible as volunteers are not employees and do not receive pay. David asked if at some point the unfunded liability would be paid and the plan be fully funded. Karl stated yes, but the District is contributing \$135k per year and is still eligible for \$18,500 in a matching state contribution. The District has 9 years of funding at \$135k per year to break even and be fully funded. David asked if at some point we hope to catch up. Karl stated yes. David asked if at that point what happens with the matching funds. Karl explained the \$25k is what is being paid and will continue to be paid. The District will be funding at a high rate for 9 years and when current would still pay about \$25k.

Kerry Prielipp inquired does the District still get access to matching funds. Karl responded the contributions made will qualify the District during at least the 9 years, the number may change when it drops to \$25k. David inquired post nine years, what qualifies at \$25k for State matching funds. Karl responded whatever the state law is at that time would apply. Randy added state statute qualifies the District for state matching funds. Karl agreed, there would need to be a change to state statute to change qualification. The VFIS plan is nonqualified and is unrelated. David asked if the matching contribution will be orphaned. Karl responded he cannot answer. Randy added, the state, DOLA, cannot answer either. Randy confirmed FPPA will be in effect until the last person, the last beneficiary passes away. Karl agreed, the District will continue to fund the money and FPPA will continue to manage the funds until such time.

David asked if VFIS is the only plan. Karl responded yes, because participants are not employees, it is the only option for defined contribution that manages the plan. David stated he does not believe there is no other plan available. Karl responded there are no other plans for volunteers, we are not making a decision today and we do not have to know immediately. Kerry asked for a mock up to better understand, side by side to show what VFIS would look like. From a cash flow standpoint, what are the expenses

and what is the contribution. Plan A and Plan B side by side beyond capping the Districts liability. Kerry stated he is considering keeping the defined plan in place. Karl stated he will put together the FPPA information, it will cost money no matter what and can be based off of the actuarial. Over the next 9 years the District will put \$123k away. VFIS is for new members coming in, for existing members, FPPA continues. Kerry asked if we are adding expenses. Karl responded yes. We can still not cover the shortfall. In 9 years the expense will go down. New members will receive a completely new benefit. We are not saving money by moving to VFIS.

Jennifer asked if we will offer new members a different option or none at all. Kerry noted a past argument that a pension plan is a recruiting tool at some level. We've been able to say you will have a benefit after 20 years. Hypothetically there is a defined contribution but I can't tell you what that is. Karl stated that is incorrect because each year the district decides what to put away. Kerry asked if that detracts as a recruiting tool. David suggested offering the new plan to existing members who are 2 or 3 years in. Karl responded no, as once in the FPPA, the participant will stay in the FPPA plan.

Chief Shirlaw advised recruits are no longer 20 year recruits and will more likely be with the District 5 to 10 years. If recruits are told they have to be here 20 years, it is somewhat of a nebulous versus if members are here 5 years, the VFIS plan may be a better recruiting tool. It is a small number that the pension is benefiting. David stated it is a retention tool. Chief Shirlaw responded there may be some people in the 12 to 13 year range that may stay till 20. The average recruit is 43 years old, it is not likely they will be able to put in 20 years. Kerry asked if the benefit is important. David thinks moving the window from 20 to 10 is a better recruiting tool. Some departments are no longer offering pension. Chief Shirlaw commented when those 4 of us, firefighters, in the room joined, we did not know a pension existed, I did not join to receive a pension.

Chief Shirlaw noted new people coming in do not know about the pension. Randy added most recruits are using the District as a stepping stone. Randy learned about the pension when he was asked to join the pension board 23 years ago. Leslie observed another option is not to offer a contribution at all. David noted some departments are paying an amount per call. Randy commented existing members may not find it fair to offer new people cash. Kerry commented it should be considered as to what is the benefit being gained by the District.

Karl stated the FPPA is a different decision and he does not believe the current plan is affordable. The liability went up in 2 years even though the District is paying into it.

Leslie noted we are not making the VFIS decision tonight. We can still have more discussion. Karl agreed, the intent was only to provide information today. The topic was tabled until the next meeting.

b. Resolution to Close Pension Plan/Freeze Benefits for Current Members

Kelley Wood clarified the document difference from the packet document is a change from 10 to 20 versus 20 years, change was made by the District's attorney when reviewing the document. Kerry questioned the 2017 date. Karl explained he spoke with Kim Collins at FPPA who suggested 1/1/17 date as it is prior to the next hiring. There has not been a new hire since that date. Karl explained we are trying to give Kim administrative time to close the plan. Kim Collins is the director at FPPA and is handling the paperwork for us. Kerry asked if there is a trend of departments eliminating pension plans due to the financial liability. Randy confirmed yes. Karl advised we can make the date any month prior to hiring a new rookie class, again, it does not change current benefits. David asked why is there a rush, couldn't this have been done in October. Karl advised we need time, per Kim at FPPA, doing this paperwork at the end of the year is not viable. David asked if anyone was hired in 2017. Confirmed no. David stated he questions the accuracy of the actuarial study. Kerry noted resolution language should read "Pension Board" rather than "Board of Directors".

Karl asked if anyone has questions. Do we continue to pay for the FPPA plan or put a hold on the plan? The rate of return could become an issue. Kerry stated public sectors are all having issues with unfunded liability. Karl agreed. Kerry noted by doing nothing we are digging our own hole. Karl stated it makes financial sense to put a stop to it. David asked about the liability number. Karl advised the number comes from the audit report as we did not have the actuarial study, it does not matter.

RESOLUTION: Jennifer Volkman made a motion with a second by Kerry Prielipp to Adopt the Resolution to Close Pension Plan to New Members and to Freeze in Place Benefits for Current Members. The motion passed unanimously.


Karl advised when the Pension Board approves tonight's meeting minutes, next meeting, we will send the approved, signed Resolution and meeting minutes to Kim Collins at the FPPA to begin processing.

Adjournment

There being no further business before the Board, the meeting was adjourned at 1951 hours.

Meeting Minutes by Kelley D. Wood, District Administrator

Submitted by:


Randy Rudloff
Secretary

Approved by:


Karl Firor
Treasurer

August 9, 2017

Inter-canyon Fire Protection District

VFIS plan Summary

Plan Setup fee: - One time fee of \$500

Annual Cost: \$25 per year per participant

Investment of funds: Annuity with guaranteed minimum rate of return of 3%

Annual Statement to participants

Annual Fee to be paid by: District ???

Proposed Plan requirements:

5 years of service to vest benefit

Annual contribution to each Participant: to be determined

Distributions to participant after 5 years of service and termination of services by participant

Distribution of funds

Fully taxable when the participant receives the funds. No ability to roll over the funds.

**INTER-CANYON FIRE PROTECTION DISTRICT
RESOLUTION TO CLOSE PENSION PLAN TO NEW
MEMBERS AND TO FREEZE IN PLACE BENEFITS FOR
CURRENT MEMBERS**

A RESOLUTION TO CLOSE THE INTER-CANYON FIRE PROTECTION DISTRICT VOLUNTEER PENSION PLAN TO NEW MEMBERS AS OF 1/1/2017 AND TO MAINTAIN AND FREEZE IN PLACE BENEFITS FOR CURRENT MEMBERS

WHEREAS,

Inter-Canyon Fire Protection District currently has a net pension liability of \$533,153.

WHEREAS,

Inter-Canyon Fire Protection District currently pays \$135,000 or approximately 15 percent of the annual budget, annually toward the Pension liability.

NOW, THEREFORE, BE IT RESOLVED BY THE PENSION BOARD

OF THE INTER-CANYON FIRE PROTECTION DISTRICT, COLORADO;

It is in the best fiduciary interest of ICFPD to close the pension plan to new members effective as of 1/1/2017.

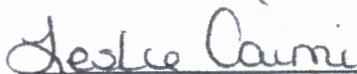
It is also in the best fiduciary interest of ICFPD to freeze in place existing pension benefits for current members. The current benefits are as follows:

Current Plan	
1) Normal Retirement Benefit (monthly):	
a) Regular	\$432.00
b) Extended Service Amount Per Year of Service	\$21.60
2) Vested Retirement Benefit (monthly):	
a) With 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$21.60

b) Minimum Vesting Years	20
3) Disability Retirement Benefit (monthly):	
a) Short Term Disability for line of duty injury Amount payable for not more than 1 year	\$216.00
b) Long Term Disability for line of duty injury Lifetime Benefit	\$432.00
4) Survivor Benefit (monthly):	
a) Following Death before Retirement Eligible; Due to death in the line of duty as a volunteer firefighter	\$216.00
b) Following Death After Normal Retirement	\$216.00
c) Following Death After Normal Retirement with Extended Service Amount Per Year of Service	\$10.80
d) Following Death After Vested Retirement with 10 to 20 Years of Service Amount Per Year of Service per Minimum Vesting Years	\$10.80
e) Following Death After Disability Retirement	\$75.00
5) Funeral Benefit (Required Benefit):	
a) Funeral Benefit Lump Sum, one-time only	\$864.00

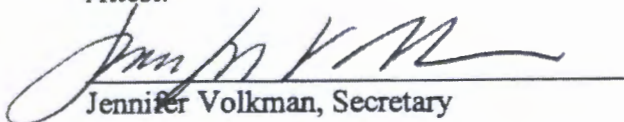
Please see the INTER-CANYON FIRE PROTECTION DISTRICT VOLUNTEER PENSION PLAN FOR ALL CURRENT BENEFIT INFORMATION.

ADOPTED, this 9th day of August, A.D., 2017.



Leslie Caimi, President

Attest:


Jennifer Volkman, Secretary