

SPECIAL WORKSHOP
COLDENHAM FIRE DISTRICT
BOARD OF FIRE COMMISSIONERS
September 18, 2017

Call to order:

The special meeting with Tony Fioriello from PenFlex was called to order by Commissioner Keenan.

Roll Call:

Commissioners present were: Joe Keenan, Anita Grecco, Warren Decker and Wayne Jacobowitz. Rickey Cameron arrived at 7:10.

Also present: Mary Keenan, Secretary
Linda Miller, Treasurer

Commissioner Keenan recapped the events with Tony Fioriello. He stated that the program was set up 20 years ago with an amortization for the five years buy back. After that was paid off, the annual contribution was going to go down, which it never has. This year we got the notice from Dave Rogers that our contribution is \$75,000 instead of the normal contribution of \$85,000. Tony Hill said that if we contribute \$75,000 this year, we should go back to the \$85,000 next year. So, Commissioner Keenan asked about the amortization. He thought that it should be paid back by now. Tony Hill said that it was paid off, but we rolled it over. Commissioner Keenan said that he must have missed that meeting, when did we decide to roll it over? Tony Hill told Commissioner Keenan that they (PenFlex) decided to roll it over. Commissioner Keenan told Tony Fioriello that it does not work that way. We, the Board of Fire Commissioners decide to do it. This board needs to be aware and approve of changes. We were never asked, Hey the market sucks and we need to do something, this is what we think. Do you want to do that? We were never asked or anything. You (PenFlex/RBC Wealth Management) just decided to do it and now we have 13 years left. A couple of years ago, we made all these people that don't come around anymore "inactive", so we froze their accounts. So, we don't contribute money for them and it still is not going down. And, of course the market sucked for a couple of years, but it's doing all right now. So, what are we missing?

Tony Fioriello explained: There were a couple of bad years. We had to lower the assumed rate of interest. When we lower (as an actuary, we must guess at what your investments are going to earn in the future) the rates due to a "new normal" (you're not going to make what you made in the past) it creates an unfunded liability. Take a step back, the losses, those are called actuarial losses like in 2008 and the last couple of years especially the one year when you had a -4 and something percent. That creates a huge unfunded liability. You add those up and then on top of that, we had to go to new mortality tables

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to do our actuarial calculations. We were using tables based on data from the late 1970's to the early 1980's. Things have changed so much in the health field. All these things create unfunded liability. On top of that, if you have new people coming in that raises the contribution. That doesn't necessarily hit the unfunded liability, but that raises the contributions. So, what we did, and don't take this the wrong way, we didn't just dream up the amortizations, that's common practice. I worked for the state retirement system for 32 years, that's what we do. We did this for just about every client we had, because every client was in the same boat. And it wasn't RBC, that's who your investment advisor is, we work with 50 different investment advisors. We did it for all our clients, amortize, and that's what you're talking about the amortization? We only did it because as actuaries, our goal, is to try to get you to 100% funded. "I understand that," Commissioner Keenan responded, "but we were never told." What we did, we did it and then we told you later. Commissioner Keenan replied, "You didn't tell us until after I started asking questions. And that was like, last month. But go ahead, I don't want to stop you." Tony interjected that there really isn't any other way to get around it. Commissioner Keenan said, "We may be getting one, two members a year if we're lucky and then we might lose some that get to the age where they can start drawing their benefit. So, with \$85K, here's PenFlex/RBC, now we only need \$75K and then Tony Hill says well you should have put in \$85K. Well, maybe we should, but, guess what? The board decides, but how much of this new \$85K is because of this amortization?" Tony responded that it was about \$31K. And Commissioner Keenan said, "That's a big deal!!" Tony agreed that it is a huge deal. Commissioner Keenan added that \$85K is 10% of our budget. "It's over a third too, this amortization, with 14 years to go or so." Tony said. "Yes, I know." Said Commissioner Keenan. "What if we don't pay it? What if we say, we'll give you \$55K a year to Dave, to invest?" Tony answered, "We can't make you pay it." "I know you can't," said Commissioner Keenan. "What'll happen is..." said Tony. "But Dave, I watch Dave, I see where Dave is investing the money, so it's like...all right, that makes sense. And then we'll meet with Dave. We met with him a couple of years ago." Tony advised the board that we should see Dave at least once a year. Our investments are important. Our plan is up over 7% now, through the end of August. Joe said that yes, this year is good. More discussion ensued. Joe said that we review the statements every month. Tony said that \$85K is the recommended amount. He said that we put more than was needed. We had to put \$71K and we put in \$75K. Commissioner Keenan said that he was glad that Tony Fioriello was here and he is disappointed that Tony Hill wasn't with him. Tony interjected that as actuaries, they recommend what should be done and Tony Hill is the middle man. Commissioner Keenan didn't doubt that the amortization needed to be done. He asked that Tony look at it from our perspective for just a minute. We impose taxes on taxpayers, we have a public hearing and we put in in the

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paper to give them every opportunity to know if the budget is going up \$1. We don't do anything without them knowing and if they choose not to come here, shame on them. Our whole budget goes in the paper. And if one of them was smart and said, I remember 20 years ago when they said that would go down about \$25K a year. Now they're paying \$85K a year and we're going to the Budget Meeting to find out what's going on. We must answer them. Commissioner Keenan explained that we just purchased a \$1.2 Million truck that we didn't get any grief about because we basically had the money in the capital reserves. But if we raised the budget by \$20K and didn't put the notices in the paper and give the community a chance to ask about it, we would be remiss. He felt that to find out after the fact was not good business practice by PenFlex. He is not disagreeing that the amortization had to be done, but we should have been notified. More information about how we must budget for the district was explained and Commissioner Keenan asked if there were any other administrative things we could do to watch this. Tony recommended that we meet with PenFlex/RBC Wealth Management every year. He has set up an annual meeting with other companies for example on the second Tuesday in July every year. Commissioner Keenan said we will discuss this at our monthly meeting and vote on making it a yearly meeting as well. Discussion ensued about our specific policy. Commissioner Jacobowitz questioned the contribution amount fluctuating from one year to another and that we would be unable to contribute any more than \$85K ever.

Adjournment: At 8:00 P.M., as all business of the special workshop of the Coldenham Fire District Board of Fire Commissioners had been addressed, a motion to adjourn was made by Commissioner Jacobowitz and seconded by Commissioner Decker. Unanimous approval (5 ayes, 0 nays) was received by those in attendance. Motion carried.

Respectfully submitted,

Mary E. Keenan
Secretary