



# **NORTHWEST FIRE/RESCUE DISTRICT LOCAL PENSION BOARD**

SERVING RESIDENTS OF THE NORTHWEST FIRE DISTRICT, THE FLOWING WELLS COMMUNITY AND  
THE TOWN OF MARANA

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## **MINUTES OF THE NORTHWEST FIRE DISTRICT PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM LOCAL PENSION BOARD MEETING June 30, 2011**

### **CALL MEETING TO ORDER**

Chairman Bill Daniell called the meeting to order at 1:05 p.m. The meeting was held in the Conference Room of the Northwest Fire District Administration/Life Safety Services Building, 5225 W. Massingale Road, Tucson, Arizona.

### **TAKE ATTENDANCE AND DETERMINE IF A QUORUM EXISTS:**

Present: Bill Daniell, Chairman  
Captain Roger Moore, Vice Chairman  
Patrick Pettigrew, Engineer/Paramedic  
Patricia Aguilar, Secretary (not a voting member)

Absent: Dr. John Pedicone – Excused  
Jeff Piechura, Fire Chief - Excused

Chairman Daniell called the meeting to order, and a quorum existed with three of five voting members present. Steve Bosse, Attorney for the Local Pension Board, Asst. Chief Al Pesqueira, Asst. Chief Mike Brandt, Carla Reece, Administrative Manager, and Catherine Reine, Administrative Secretary (temp) were also present. In addition, employees from Station 37 and Ronnie Snodgrass, of PSPRS were present via telephone.

### **SALUTE TO THE FLAG OF THE UNITED STATES OF AMERICA**

Chairman Daniell led the Pledge of Allegiance.

### **REVIEW, AMEND AND APPROVAL OF THE June 7, 2011, LOCAL PENSION BOARD MEETING MINUTES**

There was no discussion.

Roger Moore made the following motion, seconded by Pat Pettigrew and approved unanimously:

Move to approve the minutes of the June 7, 2011, Local Pension Board Meeting as presented.

Executive Session: The Local Pension Board may vote to go into Executive Session on any Agenda item pursuant to A.R.S. §38-431.03(A)(3) for discussion and consultation for legal advice with the Local Pension Board Attorney and/or possible Executive session pursuant to A.R.S. § 38-431.03 (A)(2) for discussion or consideration of records exempt by law from public inspection and related to the matter(s) as set forth in the Agenda.

## **BUSINESS**

### **Review, Discussion, and Action on Fire Chief Jeff Piechura's Application for Deferred Retirement Option Plan (DROP)**

Attorney Steve Bosse commented he reviewed all three DROP applications and all are in order with the necessary signatures. Steve Bosse commented further that the Board could discuss one application at a time or all three at the same time. Chairman Daniell stated if all of the paperwork is intact, he didn't feel it necessary to go over each application individually. It was decided to combine all three DROP applications in one motion for approval. No further discussion.

Chairman Daniell made the following motion, seconded by Roger Moore and approved unanimously:

Move to accept and approve the Application for Deferred Retirement Option Plan (DROP) for Chief Jeff Piechura, Captain Paul Coe, and Captain Tim Agan.

### **Review, Discussion, and Action on Captain Paul Coe's Application for Deferred Retirement Option Plan (DROP)**

This item was combined in Item 5A.

### **Review, Discussion, and Action on Captain Tim Agan's Application for Deferred Retirement Option Plan (DROP)**

This item was combined in Item 5A.

### **REVIEW, DISCUSSION, AND POSSIBLE ACTION ON SUBMITTED BID(s) in RESPONSE TO THE REQUEST FOR PROPOSAL # 1101 FOR MEDICAL**

## **SERVICES CONTRACTED BY THE PENSION BOARD RELATED TO EVALUATION OF DISABILITY RETIREMENTS.**

Attorney Steve Bosse commented that only one bid was received. It was from Dr. Thrasher who currently has the contract on other responders. He further commented that it was "sticker shock" to see an increase (in the rate) but this is the first time the price had gone up since 2004. Since no other bids were received, it was assumed that the price reflects the current marketplace.

Discussion followed regarding the previous rate in 2004, which was \$750.00, and is now \$1,250.00. A question was raised as to how the medical provider is paid, retainer or an annual fee. Steve Bosse responded that payment is made on an as needed basis and that all evaluations are for the ordinary, accidental, temporary, and catastrophic disability. The Board may also add annual reviews to this list, if they choose. Another question was asked regarding the number of cases we have had on an annual basis and Steve Bosse commented that we have done five over the past five years, therefore averaging one per year. No further discussion.

Chairman Daniell made the following motion, seconded by Pat Pettigrew and approved unanimously:

Move to accept the submitted bid from SUNNYSIDE Mediacenter, P.C. for the Request for Proposal #1101 for Medical Services contracted by the Pension Board related to evaluation of disability retirements.

## **REVIEW, DISCUSSION, AND POSSIBLE ACTION ON THE OUTLINE OF THE PROCESS FOR EVALUATION OF DISABILITY RETIREMENT WHERE THE ENGAGEMENT OF MEDICAL SERVICES IS INVOLVED**

No discussion.

Pat Pettigrew made the following motion, seconded by Roger Moore and approved unanimously:

Move to table items E, G and H to the next meeting of August 5, 2011 at 1:30 pm.

## **REVIEW AND DISCUSSION OF SB1609 AND ITS' IMPACT ON RETIREMENT**

Patricia Aguilar asked if anyone was listening by telephone and Station 37 replied "yes" and Ronnie Snodgrass from PSPRS also replied in the affirmative. Patricia Aguilar announced that the Power Point presentation to be given by Ronnie Snodgrass has been uploaded to SharePoint under "Announcements" for review. Chairman Daniell

asked Station 37 if they would like to begin with a Q&A session first, and it was decided that Ronnie Snodgrass would give the highpoints of SB1609 and a Question and Answer period would follow the presentation.

Ronnie began the presentation by stating that SB1609 wasn't just for public safety – it is for all pension systems in the state, including Arizona state retirement system, elected officials, Correction Officers Retirement Plans, and PSPRS. The actual portions of the bill that pertain to PSPRS are found on pages 34-58 of the bill.

The change that will affect all current employees is the contribution rate. Currently, employees are at 7.65%. It will increase on July 1, 2011 by 4% up to 11.65%.

The current fiscal year rate will go to 8.65%, so everyone will have a one-percent increase. Next year 2012 & 2013, it will go to 9.55%, so there will be a .9% increase; by year 2013 – 2014 it will go to 10.35% and 2014-2015 will go to 11.05% and 2015 – 2016 it will go to the maximum of 11.65%. This applies to all employees (current and new hires who are not in DROP). The new rate for members, who effectively have 20 years of service in the system on 12/31/11, will be 11.65%. But, if a member does enter DROP they will no longer pay that rate. The member will be in the current DROP program but will no longer make contributions.

Discussion regarding funding levels and rates evolved from a raised question “Are we locked into this schedule for the next five years even though NWFD is currently at 82% funding level and greater than 62% ratio?.” Ronnie Snodgrass commented that every pension system and every pension board is rated individually by the Actuary. Also, the Fund is rated one big fund by the Actuary and is evaluated annually on their funding levels. After five years is completed, the employer-employee rate is re-evaluated to see if it can be reduced. The funding rate is based on a lump sum of all PSPRS; all police, all fire, State of Arizona, and not our own individual funding rate. The current funding rate for that plan is approximately 56.7%.

For members with at least 20 years of service, before January 1, 2012, DROP will remain the same; members will retain the old provisions of DROP.

The interest rate will be the same interest rate which is currently the Assumed Earnings Rate of 8.25% and will go down to 8% as of this year; and the Fund Manager may reduce it more next year to 7.75%.

What changes are made in DROP? For members with less than 20 years of service, Drop will be the same except for two changes; one will be a Contributory DROP, which means the members will begin to pay the new increased rates as previously discussed.

Interest rate earned on the DROP account will also be less. It will be a smoothed rate; it will never be less than 2%, even though the Fund makes zero or less, but the rate

will be smoothed and it will never be more than the Assumed Earnings Rate, which is 8% effective July 1, 2011.

Will Post-Retirement Benefits, also called COLA, be provided to retirees? Yes, on July 1, 2011, all retirees that qualify will have \$152.84 per month paid to them for the rest of their lives.

Effective July 2012, if there is any money remaining in the excess earnings fund, which will be used, averaged and then depleted to zero, no more than 4%, will be left in the Fund. Members will probably see a reduced COLA next year, anywhere from \$80.00 - \$120.00. Then in 2013, the new COLA structure will go into effect and the excess earnings fund will be empty and will no longer be available.

How much COLA? In July 2013, the Fund investments need to exceed 10.5% during the fiscal year. If the Fund's funding level is greater than 60%, then retirees will receive a 2% COLA; if it's greater than 65%, 2.5%; 70%, 3.0%; 75%, 3.5% and 80% level would give the members a 4% COLA if the Fund earned more than 10.5%.

The funding for the COLAs will be paid out of a general fund account. No guarantees of a COLA. New hire COLA rules state that you must be 55 years old and have been retired for at least one year. Current rules, which is one of the reasons why our funding levels have reduced so greatly over the last several years, is that it actually went from an age 55 COLA to an age 55 and one-year or two years with no age requirement. An example would be if someone came on at age 19, they could easily retire at 39 or age 40 and begin getting a COLA after two years of retirement. So instead of waiting until age 55, they started gaining COLA benefits at age 42 which is 13 years earlier and that made a big difference in cost for the COLAs, which really drained the system.

Can we still purchase military, out-of-state law enforcement, and fire time? Yes, you can still do it, but things have changed a little bit. Senate bill now allows you to still purchase these times, however, you can only purchase time after having gained 10 years of active service in our retirement system. A member cannot use the same years to qualify for two separate pensions (no more double dipping). If you already have a military pension, fine. Under Pension Law you cannot buy military time. However, federal law allows you to purchase 5 years, so now you can purchase up to five years of military service. Other service purchase of the police or fire time is limited to 60 months. Again, that would make a maximum of 5 years of military and five years of qualifying police or fire service only. Ten years of purchase after ten years of serving in our system.

What is Pension Forfeiture? This is a new item regarding plea agreements or a class 5 or higher felony, where all or part of a member's pension can be forfeited. For future hires, they will lose their entire pension. For current actives, they could lose a portion of their pension or credited service based on the time period served after the effective

date of this bill. There are protections in place to protect the spouse and children as long as they didn't know about the activities.

New Hire changes – The new system in both Public Safety Personnel Retirement System and Correction Officers Retirement Plan for people hired on or after January 1, 2012, will no longer have a 20 year retirement. Members must serve 25 years and be 52½ years old in order to collect benefits. The good news is the 25 year pension is worth 62.5%. Instead of taking a 50% pension at 20 years, the Members will have a 62.5% pension at 25 years. In addition, the "final average calculation" (FAC) will be 60 months. Currently, we average 3 years, and now we will average 5 years for the new employees. There will be no DROP for new hires after January 1, 2011. No new hire is eligible for a COLA until after the age of 55.

SB 1609 – Return to Work Section 38-843.05: It defines an alternate contribution rate. If a member is retired from PSPRS or Correction Officers Retirement Plan, and if they retire and they go back to work for an employer in a position that would normally be filled by a police officer or fire fighter position from our system, the new hire's employer will have to pay the alternate contribution rate. The calculation for this rate has just been made and the employer will have to make 10.51% for fiscal year 2011-2012 and this is subject to change each fiscal year. This applies to all employees regardless of when the employee began to work.

A brief question and answer period followed. Bill Daniell asked (1) "Is there any qualifications for the state for reserve firefighters to buy back their time?" Ronnie Snodgrass suggested Bill to call La Dawn Toger (602) 255-5575 for further information. Another question was asked by Bill Daniell regarding the DROP program, "If someone is in the DROP program, are they eligible for any other retirements in the State of Arizona?" Ronnie Snodgrass responded that he couldn't think of an example of this situation. He believes that as long as you are an employer and still in the system, a member who remains in PSPRS cannot contribute into the PSPRS system and Arizona State Retirement System at the same time.

Further questions regarding the Pension Forfeiture, "Does this apply to retirees?" It does not apply to anyone who is no longer a member.

Station 37 requested Pat Pettigrew to research the "buy back time" and the forest service firefighter buy back time. Station 37 disconnected from the telephone call.

**REVIEW, DISCUSSION, AND POSSIBLE ACTION ON WHETHER THE PENSION BOARD WISHES TO REVIEW CONTINUED ELIGIBILITY OF RECIPIENTS WHO ARE CURRENTLY RECEIVING DISABILITY PENSION BENEFITS**

This item was tabled to the next meeting.

**REVIEW, DISCUSSION, AND POSSIBLE ACTION, IF AGENDA ITEM G IS APPROVED, ON A PROCESS FOR SELECTING AND EVALUATING RECIPIENTS WHO ARE CURRENTLY RECEIVING DISABILITY PENSION BENEFITS**

This item was tabled to the next meeting.

**CALL TO THE PUBLIC**

No members of the public requested the opportunity to address the Local Pension Board

**NEW BUSINESS**

**Review, Discussion, and Action on Tim Graves Application for Deferred Retirement Option Plan (DROP)**

This item will be added to the next meeting Agenda.

**ADJOURNMENT**

Chairman Daniell made the following motion, seconded by Pat Pettigrew and approved unanimously:

Move to adjourn the Local Pension Board Meeting.

The Local Pension Board meeting adjourned at 1:40 p.m.