

Old Hire Fire Pension Board Meeting
December 23, 2008, 2:00 p.m.
Human Resources Conference Room, City Hall, 250 N. 5th St.

The Old Hire Fire Pension Board met on Tuesday, December 23, 2008 at 2:00 p.m. in the Human Resources Conference Room at City Hall, 250 N. 5th Street. Board members present were John Shaver, City Attorney, Jay Valentine (Proxy for Jodi Romero), Claudia Hazelhurst, Human Resources Manager, Ed Billings, Tim Bevan, Glenn Crespin and John Knudsen. Absent: Laurie Kadrich, City Manager. Guests attending this meeting were Jim Geary and LeeRoy Johnson. Chairman Tim Bevan called the meeting to order at 9:00 a.m.

Minutes of Previous Meeting

Claudia Hazelhurst made the motion to approve the minutes of the December 27, 2007 meeting. Ed Billings seconded. Motion carried.

Old Business

Claudia Hazelhurst made the motion to accept Ed Billings and Tim Bevan as our new officers for the Old Hire Pension Board. Glenn Crespin seconded. Motion carried.

Claudia Hazelhurst updated the group on the status of the Old Hire Fire Pension Fund and the results of the actuarial study. The City will fund the unfunded liability of the pension plan at approximately \$192,143 annually in 2009 and 2010. Claudia Hazelhurst presented the 2008 actuarial study results:

- The projection for increasing spousal benefits from 1/3 the pay of a top grade firefighter to 1/3 the current rate paid to the rank held by the pensioner at the time of retirement would result in an additional \$1,397,081 or \$183,832 annually.
- The projection of the cost for increasing basic pension benefits from 50% of base pay to 60% would increase the unfunded actuarial accrued liability \$2,177,881 or \$286,571 annually.
- The projection of the amount required to fully fund the unfunded liability of the Old Hire Fire Pension Plan with a lump sum payment on January 1, 2009 is \$1,507,066.

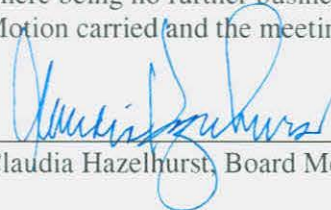
Tim Bevan made the motion to table the discussion of the 2008 Actuarial Study based on (the attached) communication received from FPPA

New Business

Shelly Williams presented the 2009 pension rates to the Board members and pensioners that were present. The City of Grand Junction pay increase for 2009 is 1.9%. FPPA approved a 2.9% COLA for limited rank. Glenn Crespin made the motion to accept the 2009 pension rates.. Tim Bevan seconded. Claudia Hazelhurst abstained. Motion carried.

Adjournment

There being no further business, Tim Bevan moved to adjourn. Ed Billings seconded. Motion carried and the meeting adjourned at 2:25 p.m.



Claudia Hazelhurst, Board Member

Memo

To: FPPA Affiliated Old Hire Pension Plan Employers
Date: December 15, 2008
Re: The Impact of 2008 Investment Returns on Your Pension Plan

An economic slowdown, which first became apparent earlier this year, has accelerated over the last two months and, by most measures, has turned into a global recession. Investment markets have deteriorated as well, with the S&P 500 down -39% year-to-date through November and international stock markets down almost 50% over the same period. Other investment categories, including bonds, real estate and private equity, also have experienced lackluster performance this year.

FPPA's portfolio, like most institutional portfolios, including other public pension plans, is down significantly this year. As of October 31st, the total fund year-to-date return is approximately -25%.

Through postings to our website (www.FPPAco.org), we have tried to keep members and employers apprised of the FPPA portfolio's performance this year and the possible impact that performance may have on the various plans under FPPA's umbrella. We urge you to review our prior website postings in this regard.

In the aggregate, old hire plans affiliated with FPPA had a funded ratio of 90% as of January 1, 2008. However, each plan has its own funded ratio, with some being higher, and some lower, than 90%. Since old hire plan actuarial studies are only conducted every two years, the next studies will not be completed until 2010. If investment performance over 2008 and 2009 combined, is less than the actuarially assumed rate of 8% per year, the funded ratio of old hire plans will decline. This could result in an increase in required employer contributions to your plan in 2011. We are working with our actuaries to develop an estimated impact on the funding of old hire plans based on 2008 investment performance. We will provide this information to you in 2009.

In addition, the FPPA Board of Directors ("the Board") is considering proposing legislation for 2009 which would extend the amortization period for funding any old hire plan liabilities. Extending the amortization period would reduce any required contribution for 2011 and subsequent years. (If approved by the Board, FPPA will request its actuary to include information regarding the impact of extending the amortization period in the estimates they prepare for old hire plans early next year.)

Finally, given the anticipated decline in funded ratios for old hire plans, the Board strongly discourages plans from considering plan amendments that have an actuarial cost and are based on the January 1, 2008 actuarial studies. The Board may not be able to permit such amendments until new studies are completed which reflect the impact of this year's returns on each plan's funded status.

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We clearly are in the midst of the most difficult economic and investment environment in our lifetime. Please be assured that the FPPA staff and Board will continue to take all necessary steps to ensure plans are properly funded and retirement benefits are secured. As we concluded in our most recent website memo, "we firmly believe that the American financial system will emerge stronger, the economy will rebound and companies will grow and prosper. We will continue to position the FPPA portfolio based on our long-term investment horizon in order to take advantage of that opportunity."