

North Dakota Senate
State and Local Government Committee
Chairman Kristin Roers

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HB 1040

Chairman Roers and members of the House Government and Veterans Affairs Committee thank you for allowing testimony today on behalf of Tom Ross and Lisa Jundt, the Mayor and Human Resources Director, respectively, concerning HB 1040.

In 2014 the Minot City Council voted to close the existing defined benefit pension plan in favor of offering a defined contribution plan to future employees. This decision was made not only for financial reasons, but with the premise of offering a more conventional retirement plan similar to that of the private sector. By doing this, the City felt it would be able to improve the attraction and retention of potential employees. That was not the case.

In the time period 2014-2018, with employees hired under a defined contribution retirement plan, the City of Minot continued to see significant turnover. Turnover is very challenging, especially in the public safety occupations, as those positions have significant training requirements and employees are sought after in the private sector due to this completed training (CDL, safety positions)

At the beginning of 2018 the Human Resources Department conducted a longevity assessment of the police and fire departments as well as the Engineering Department. That assessment revealed very disturbing results with regard to longevity and experience levels in each of those departments. The longevity /experience assessment indicated the following:

- Police Department - 35 of 81 sworn officers, or 43.2% of the overall police force, had 5 years or less experience.
- Fire Department – 34 of 60 fire control personnel, or 56.7% of the control force, had 5 years or less experience.

This information was presented to the Minot City Council during a workshop addressing workforce issues in April of 2018. At that time, additional information was also provided in the form of employee comments compiled from exit interviews, employee evaluations and an employee satisfaction survey. A majority of the employee comments cited the lack of a comparable defined benefit plan as the main reason for unsuccessful recruitment efforts and continued retention issues. Based on the presented information, the Minot City Council asked that research be done to restructure many benefits including the retirement benefit, which they agreed should be structured like a more conventional government pension. The City of Minot had the option as a political subdivision to participate in the North Dakota Public Employees Retirement System (NDPERS) defined benefit (DB) plan. As such, the City Council decided it was the most logical and prudent retirement plan to move to. So the City began participation in the NDPERS-DB plan as of January 1, 2019.

Since the implementation of the NDPERS DB plan in 2019, the City has been able to reduce the rate of employee turnover. The turnover rate in the city went from 12.56% in 2018 to 7.6%, 8.27% and 9.95% in 2019, 2020 and 2021 respectively. This has resulted in a decrease in the number of public safety employees with less than 5 years of experience which is currently at 37% for the Police Department and 47% for the Fire Department.

Government entities are not as nimble to respond to outside economic forces and are unable to adjust rates of pay and benefits on the fly to respond to demands in the workforce. What government entities are able to provide is a higher level of stability both in job security and pay and benefits. A defined benefit pension plan is an integral part of that equation. Removing this portion of the equation will result in the necessity to improve other pay/benefits to remain competitive in the marketplace. This will come at a cost that is very difficult to quantify at this time.

Minot as well as other North Dakota political subdivisions provide important and essential services to its citizens, especially with regard to the public safety. We believe HB 1040 will further hinder employment efforts for the City of Minot and other political subdivisions equally by eroding comparable and expected public sector retirement benefits. For these reasons we respectfully ask for a do not pass recommendation. Thank you for your time and consideration in this matter.