

1999 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2347

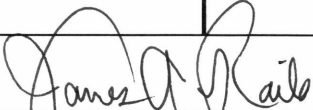
1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2347

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date January 28, 1999

Tape Number	Side A	Side B	Meter #
1	X	X	5799-End 0-3328
Committee Clerk Signature 			

Minutes: CHAIRMAN KREBSBACH called the committee back to order and opened the hearing on SB 2347. SENATOR TONY GRINDBERG, District 41, primary sponsor of the bill appeared before the committee to introduce the legislation to the committee. He indicated that he thought a member of the legislative council would have been present to explain the content of the bill to the committee. He believed that a member of the department would perhaps review the bill with the committee instead. SENATOR GRINDBERG stated that the bill is based on an actuarially sound fund and does involve current and retired firemen. He indicated that this is a good bill and he hoped that the committee would support it. There were no questions from the committee for Senator Grindberg. Former Representative JIM COATS-indicated to the committee that he has served with the employee benefits committee and the interim committee had all of the questions answered favorably by the Fargo Fire Department. As such he would urge that the committee give this bill a do pass. No questions were offered by committee

members at this time. SENATOR THANE-If someone can answer this question, I think I already know the answer to it but, there is a mandatory retirement age like the highway patrol of age 55, and how is that established? MR. THOMAS SCHONS, Secretary Fargo Fireman's Relief Association, indicated we do not have a mandatory retirement at 55. We have an option to retire at 55. SENATOR THANE- So that's the minimum retirement age. MR. SCHONS-after 20 years of service. Page 1 of your handout, I will just briefly be running over. I do appreciate the opportunity to present to you a brief history behind the proposed bill. A copy of this written testimony is attached. SENATOR WARDNER- In the changes, number one-70% pension at 55 years, 30 years of service. What is the current? MR. SCHONS-It is currently 60%. You can start to draw at 55 with 30 years of service. You will be penalized under the old plan they can draw the full 60% until they are 60 years old. Our actuary recommended that we bring that down to 55 with full benefits if you have your thirty years in. SENATOR WARDNER-In number 3 then, have you granted any increases? MR. SCHONS-Back in 1985 the escalator clause was thrown out. It was killing us then, and we have not granted any increases in pensions since then. But we have returned the reductions we have made to pensioners in order to get funded. Those have all been returned. What we want now is the option on an annual basis with actuarial okay to give small increases on an annual basis to existing pensioners. In other words keep them part of the package. We'll also work on our plan to get better but we'll also work on the plan for the retirees to also have small increases on an annual basis. SENATOR WARDNER-If I understand correctly, the retirees haven't had any increases since 1985. MR. SCHONS-That is correct. They have had no increases due to the main fact that they have actually not been funded. Since 1990 we were not actually 100% funded, but the board along with our actuary slowly returned

the 12% on a 2% annual. We slowly returned that even though we were not fully funded. In other words the priority was to get retirees back to their original prior to any consideration for future retirees. Before we looked at our own package the priority of retirees was first.

CHAIRMAN KREBSBACH-This escalator clause, was that an automatic increase each year.

MR. SCHONS-That was an automatic, we had no choice. We gave increases whether we could

afford it or not. CHAIRMAN KREBSBACH-What percent? MR. SCHONS-It was based on the

increases that the active members may have got. SENATOR W. STENEHJEM-I see that there is a retroactive clause making it retroactive to January 1, 1998. I don't think I've ever seen

anything like that before. Would they be getting like a lump sum payment of some sort. MR.

SCHONS-No that simply means that anyone that would retire after January 1, of 1998 are

included in this. No there is no retro for retirees, it's just for anyone who wanted to retire. They

are included in this bill because we were funded when they retired. We did not want any

firefighters going out and not being able to be a part of this. They were included in the actuary

and we wanted to include them. We only had one person leave. We have a number of them

waiting for this bill. They have stayed up to a year, year and a half longer just to be a part of this

bill. SENATOR THANE-In just glancing through the handout I see references to assumption of

investment earning 7.75%. I'm curious, give me a broad idea of how the funds are invested or

where they are invested. I don't need the details, I'm just curious of where the money is put.

MR. SCHONS-We have roughly 12 million dollars. We are 100% funded investing with the

company called American Funds. In that fund we are diversified over five different funds. Its

brokered out of Fargo, with Piper Jaffray. We also have about a million and a half in latter

bonds, zero coupons. We have a very conservative package 7.75 is still within that range of

conservative for a portfolio. SENATOR DEMERS-Why do we manage or approve or implement this fund by state law when other cities don't do that? MR. SCHONS-We are our own pension fund, we are governed by state century code. It simply has to be run by you, the governing body to get your okay. There were no further questions for MR. SCHONS at this time. FRANK SMITH JR.-appeared before the committee representing Bismarck Firefighters Association. He indicated that after listening to Tom we could almost read this front page again. We are much more fortunate than these people. We have ten year vesting. We haven't quite got the 70% yet. But we are all in favor and I'm sure we actually kind of bad for these people that they were down in the dumps for so many years. I'm here in support of the bill. There were no questions offered from the committee. CHAIRMAN KREBSBACH asked for further testimony in support of, in neutral position, or in opposition to SB 2347. There was none indicated at this time.

CHAIRMAN KREBSBACH indicated that the committee would be on a break as she attempted to contact JEFF NELSON who had worked with the interim committee on this piece of legislation. Following the break the committee returned to order. CHAIRMAN KREBSBACH indicated that she had been unable to contact MR. NELSON because a family member was having surgery and he would not be in. AL ODE-retired fire chief for the Bismarck fire department appeared before the committee to explain or clarify why Fargo and Bismarck are required to ask the legislature for fund management of their retirement programs. He indicated he was here when the original bill was put in. Prior to this we were under the OASIS, then we went under the Firefighters Relief Association, which is still in effect, but this is now called the Alternate Fireman's Relief Association. When we went into this, Fargo, Bismarck, Minot and Grand Forks were asked to be in it. Grand Forks and Minot opted to be out. The cities had

promised them, they thought a better pension plan. Originally and we are still under that Firemen do not pay into the Social Security. And wasn't allowed to be in the social security program up until about the '60's, then they finally decided they would take them in. So we didn't have any pension at all. Then we set up this program and it was passed and that is the reason it went under state law. MR. SCHONS came before the committee indicating that the pension program of the Fargo Fire Department is somewhat of a socialistic plan. The pensions that all these numbers are based on are the firefighters salaries. In other words our chief will receive a pension of 70% based on somebody that's a firefighter not based on what he makes. We all get the same pension regardless of rank. It's a very socialistic pension that way. This is something that we will probably address in the future. That you should be making a pension based on your highest salary. We can't fund that right now. We also capped it at 30 years. We have a chief with 47 years who will only receive 30 years of credit because we wanted to include retirees in this package so we did give quite a bit as a group of active members so that retirees could be included and we are no where near where we need to be today. I mean we still need to address the pension based on what you are making and the fact that you get credit for every year of service. We hope to be back here in a couple of years, four years, six years, with those kinds of things. SENATOR STENEHJEM-But still you have 98% or better approval of this?

SENATOR WARDNER-Before these people leave I would like everyone to look at page 2, number five in section 1, I would like the interpretation on this so we get this taken care of before we get this bill out of here and before these people leave. This is concerning an ongoing appropriation. A discussion took place involving SENATORS WARDNER, KREBSBACH, DEMERS, and STENEHJEM (Meter #'s 1523-2400, tape 1, side B) took place with responses

offered from MR. SCHONS. He indicated that if the committee wanted to write something to make this more acceptable, I say go. You folks are the experts. TERRY WAGNER, vice-president I have a question in regards to the 2%. It is not written into the bill at 2%, does that if we do include that, does it have to go back to the benefits committee for review and then come back? CHAIRMAN KREBSBACH-Are you saying the bill itself doesn't say 2%? MR. WAGNER-The bill itself does not say 2%. The 2% came from the vote that we took and it was figured into the actuary's study. SENATOR WARDNER-I think if we took that part 5 and made it time certain for the next two years, I would feel comfortable with that. It would simply state that they may do this during the next two years, but you couldn't do that after two years without further legislative review. Comments were offered by CHAIRMAN KREBSBACH and SENATOR STENEHJEM. A motion to amend was made by SENATOR WARDNER, seconded by SENATOR STENEHJEM. This was to be done on page 2 line 3 by adding the phrase effective until August 1, 2001. Roll Call Vote indicated 7 YEAS, 0 NAYS, and 0 ABSENT or NOT VOTING. A motion for DO PASS AS AMENDED was made by SENATOR WARDNER, seconded by SENATOR STENEHJEM. ROLL CALL VOTE indicated 7 YEAS, 0 NAYS, 0 ABSENT OR NOT VOTING. SENATOR WARDNER volunteered to carry the bill.

Further committee action SB 2347--- February 4, 1999, Senator DeMers made a motion for reconsideration of the action whereby SB 2347 was recommended for passage as amended on January 28, 1999. Motion was seconded by Senator Wardner. Roll Call vote indicated 6 Yeas, 0 Nays, 1 Absent or Not Voting. The bill as amended had been pulled back from the floor for reconsideration by the committee. There was some confusion as to the amendment which had been added by the government and veteran's affairs committee and

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Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2347

Hearing Date January 28, 1999

adopted by the senate. John Bjornson explained how this amendment was written and how it could be further amended to make it properly applicable to this bill. (Tape 1, Side A, February 4, 1999, meter #'s 2088-3077). Senator Wardner made a motion for adoption of Amendments to Engrossed SB 2347 version 90087.0401, seconded by Senator DeMers. Roll Call Vote indicated 6 Yeas, 0 Nays, and 1 Absent or Not Voting. A motion for DO PASS AS AMENDED on Engrossed SB 2347 was made by Senator Wardner, seconded by Senator DeMers. Roll Call Vote indicated 6 Yeas, 0 Nays, 1 Absent or Not Voting. (Meter #'s 3077-3477, Tape 1, Side A, February 4, 1999). Senator Wardner will carry the bill.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2347

Page 2, line 3, after "plan" insert "effective until August 1, 2001"

Renumber accordingly

Date: 1/28/99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

- Subcommittee on _____
- or
- Conference Committee

Legislative Council Amendment Number _____

Action Taken Motion to Amend

Motion Made By Sen. Wardner Seconded By Sen. W. Stenehjem

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM	✓				
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/28/99
Roll Call Vote #: 2

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Sen. Wardner Seconded By Sen. Stenehjem

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM	✓				
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2347: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2347 was placed on the Sixth order on the calendar.

Page 1, line 3, after the semicolon insert "to provide an expiration date;"

Page 2, after line 5, insert:

"SECTION 3. EXPIRATION DATE. This Act is effective through July 31, 2001, and after that date is ineffective."

Renumber accordingly

Date: 2/4/99
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

- Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Reconsider Action on SB 2347

Motion Made By Sen DeMas Seconded By Sen Wardner

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM					
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 6 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/04/99
Roll Call Vote #: 2

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Move Amendments to 2347 version 0401

Motion Made By Sen. Wardner Seconded By Sen. Demers

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM					
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 6 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/04/99
Roll Call Vote #: 3

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended 1st Eng

Motion Made By Sen. Wardner Seconded By Sen. Demers

Senators	Yes	No	Senators	Yes	No
SENATOR KREBSBACH	✓				
SENATOR WARDNER	✓				
SENATOR KILZER	✓				
SENATOR STENEHJEM					
SENATOR THANE	✓				
SENATOR DEMERS	✓				
SENATOR MUTZENBERGER	✓				

Total (Yes) 6 No 0

Absent 1

Floor Assignment Sen. Wardner

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2347, as engrossed: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2347 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "a" with "two" and replace "section" with "sections"

Page 1, after line 24, insert:

"SECTION 2. A new section to chapter 18-11 of the North Dakota Century Code is created and enacted as follows:"

Page 2, line 1, replace "5." with "**Optional plan postretirement adjustments.**", replace the third "the" with "a firefighters relief", and after "association" insert "adopting a monthly service pension plan under section 1 of this Act"

Page 2, line 6, replace "This" with "Section 2 of this"

Renumber accordingly

1999 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2347

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2347

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3-4-1999

Tape Number	Side A	Side B	Meter #
1		X	11.2 - 22.2
Committee Clerk Signature <i>Carol McWilliams</i>			

Minutes: Some of the individuals testifying submit written testimony. When noted please refer to it for more detailed information.

Representative Klein, Chairman of the GVA Committee opened the hearing on March 4, 1999.

Summary of the Bill: Relating to alternate firefighters relief association plan benefits.

Testimony in Favor:

Senator Grindberg, Appeared before the committee to introduce the bill. It's actuarial sound.

Bismarck and Fargo are not part of the social security and that's why were dealing with this.

Representative Klein, Bismarck lets the state invest their money for retirement, does or do you know if Fargo does the same?

Grindberg, I am not sure.

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House Government and Veterans Affairs Committee

Bill/Resolution Number SB 2347

Hearing Date 3-4-1999

Tom Schons, Fargo fire department submitted written testimony to the committee which he read in it's entirety (**please refer to his testimony**). Fargo invests through Piper Jaffery and America Funds Group.

Representee Klein, The vesting would be reduced from 20 to 10 years, does the individual contribute into this fund along with the fire dept.

Schons, Each member makes a contribution of $\frac{1}{4}$ of 1% (7.65) over what he would pay to social security and the city contributes 15.4% of payroll. So were even with social security.

Representative Klemin, What's the reason for the expiration date?

Schons, It was put on to allow for increases. We wanted the legislature to look at it first, so every two years we will come before you if we want an increase.

Testimony in Opposition: None.

Committee Action:

Representative Grande, Made a motion for a Do Pass.

Representative Hawken, Seconded the motion.

Motion Passes: Do Pass **14-0-1**.

Representative Grande, Is the carrier for the bill.

Date: 3-4-99

Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2347

House GOVERNMENT AND VETERANS AFFAIRS Committee

Subcommittee on _____

or

Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By GRANDE Seconded By HAWKEN

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KLEIN	✓		REP. WINRICH		
VICE-CHAIR KLINISKE	✓				
REP. BREKKE	✓				
REP. CLEARY	✓				
REP. DEVLIN	✓				
REP. FAIRFIELD	✓				
REP. GORDER	✓				
REP. GRANDE	✓				
REP. HAAS	✓				
REP. HAWKEN	✓				
REP. KLEMIN	✓				
REP. KROEBER	✓				
REP. METCALF	✓				
REP. THORESON	✓				

Total (Yes) 14 No 0

Absent 1

Floor Assignment GRANDE

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 4, 1999 11:14 a.m.

Module No: HR-39-4013
Carrier: Grande
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2347, as reengrossed: Government and Veterans Affairs Committee (Rep. Klein, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed SB 2347 was placed on the Fourteenth order on the calendar.

1999 TESTIMONY

SB 2347

REPORT OF THE LEGISLATIVE COUNCIL'S
EMPLOYEE BENEFITS PROGRAMS COMMITTEE
_____ BILL NO. 87

Sponsor: Senator Tony Grindberg

Affected Retirement Program: Alternate firefighters relief association plans

Proposal: Provides that a firefighters relief association may adopt an alternate pension plan for its members with a normal retirement age of 55 years, a service benefit of 2.33 percent of a first-class firefighter's salary at the time of the member's retirement multiplied by the number of years of service employment up to a maximum of 30 years, deferred vesting after 10 years, vesting of 10 years, and postretirement adjustments provided on an actuarially sound basis. The committee amended the proposal at the request of the sponsor to add an emergency clause.

Actuarial Analysis: The consulting actuary for the Fargo Firefighters Relief Association retirement plan reported that the margin of the fund is sufficient to fund the proposed benefit enhancements.

Committee Report: Favorable recommendation.

Fargo Firemen's Relief Association

INCORPORATED JULY 1, 1959

637 N. P. Avenue

FARGO, NORTH DAKOTA 58102

DATE: January 20, 1999

TO: Chairperson Senator Karen Krebsbach and Committee Members / Government and Veterans Affairs

FROM: Mr. Thomas Schons Secretary Fargo Firemen's Relief Association

RE: Senate Bill Number 2347

Please allow me the opportunity to present to you a short history behind the proposed Bill. The Fargo Firemen's Relief Association was incorporated in 1959, benefits and pension considerations were quite liberal and unfortunately resulted in a gross under funding by 1979. At that time the association voted to reduce specific benefits and implemented a reduction in the increases that were made on an annual bases due to an existing escalator clause that remained in effect. By 1985 it became evident that the escalator clause needed to be eliminated due to continued under funding. From 1985 to 1990 existing and future pension benefits were reduced by as much as twelve percent in an effort to fund the plan on an actuarial bases.


In 1990 funding growth began and previous reductions were slowly returned to all pension recipients. By March of 1997 all pension benefits had been restored to their original levels. In 1998 our actuary, Mr. Rod Crane representing the Segal Company advised the board that an over funding status existed and that it was time, after nearly twenty years of reductions and cutbacks, to take a look at specific benefit increases for future retirees as well as present pensioners. Those benefit changes are now before you.


1. 70% pension at 55 years of age with 30 years of service.
2. 10 year vesting .
3. Annual review of increases to present retirees, 2% in 1998.
4. Retroactive date of January 1, 1998.


It should be noted that all of these changes are funded as of December 31, 1997. More importantly, even with theses changes, the actuary has insisted we preserve an over funding margin of at least two percent, as evidenced by the actuarial report dated January 1, 1998.

These changes were voted on by the membership in February of 1998 and passed with an overwhelming vote of 90.24%. The board and I will certainly be available to answer any questions or concerns you may have.

Sincerely,


M.E. LeDoux
President
Fargo Firemen's Relief


Terry Wagner
Vice President
Fargo Firemen's Relief


Thomas Schons
Secretary Treasurer
Fargo Firemen's Relief



OFFICE OF THE MAYOR
Bruce W. Furness

January 22, 1999

Senator Karen Krebsbach, Chair
Government and Veteran's Affairs
State Capitol Building
Bismarck, ND 58505

Dear Senator Krebsbach:

At its January 11, 1999 meeting, the Fargo City Commission indicated their strong support of SB 2347. This legislation, requested by the Fargo Firemen's Relief Association, relates to proposed changes in their present retirement benefits. We are encouraged to know that these benefit changes will be advantageous to present retirees as well as to those individuals retiring in the future.

I urge the committee's support of SB 2347.

Sincerely,

A handwritten signature in cursive script that reads "Bruce W. Furness".

Bruce W. Furness
Mayor

BWF:jl

fffire





City of Fargo
FINANCE OFFICE

P.O.Box 2083
200 North 3rd Street
Fargo, North Dakota 58107-2083
Phone (701) 241-1333
Fax (701) 241-1526

M E M O R A N D U M

DATE: November 3, 1998
TO: Fargo Firefighters Relief Association
FROM: Kent Costin, Finance Coordinator *KAC*
RE: Comments on Proposed Senate Bill
CC: Bruce Furness, Mayor // Gary Stewart, City Attorney

Tom Schoens has asked me to review and comment on the proposed changes in the senate bill relating to Firefighters pensions. I have reviewed your information and have the following comments:

1) Pursuant to North Dakota Century Code Chapter 18-11-02 the Fargo Firefighters Relief Association is a stand alone entity, managed in accordance with the Relief Association articles of incorporation and bylaws. The City of Fargo does not have any direct oversight responsibility for this plan.

2) I recognize that plan enhancements have been suggested in this bill are deemed appropriate by the Association and the Plan Actuary. Based upon the chart provided by the Actuary, I understand that the Board is recommending an increase in benefits using the 7.75% interest assumption model. The proposed enhancements will reduce the excess contributions by 3.61% leaving an anticipated funding margin of 2.10%.

3) The City of Fargo has as a matter of policy funded this plan at the same employer contribution levels as the other two plans maintained and administered by the City, even though it has no legal responsibility to do so under Chapter 18-11. I anticipate that this policy will continue into the future to maintain equitable distribution of benefits to all pension plans.

4) Finally, Chapter 18-11-15 "Service Pensions" *uses "with the consent of the governing body of the City involved"* terminology consistently when providing benefit schedules. I do not have the authority to act on behalf of the governing body, and therefore recommend that the Fire Relief Association seek approval directly from the City Commission.

MEMORANDUM

FROM: Roderick B. Crane, J.D.
Vice President & Benefits Consultant

DATE: October 30, 1998

TO: Kent Costin
Finance Coordinator
City of Fargo, North Dakota

RE: Fargo Firefighters' Relief Association

At the request of the Board of Trustees for the Fargo Firefighters' Relief Association, I am writing this memorandum to provide reasons for supporting changes in the retirement benefit structures for the firefighters of the City of Fargo.

Background

The current pension plan established by the Fargo Firefighters' Relief Association is an older design that no longer meets a number of benefits and workforce issues. For example, the current 20-year cliff vesting requirement results in the forfeiture of all accrued retirement benefits for any one who fails to work 20 consecutive years under the plan. Normally the government and private sector require 5-year vesting on members' benefits. In addition, the current benefit formula does not provide retirement income which replaces their current standard of living and to allow firefighters to retire at ages when they can no longer physically perform the tasks their duties demand.

For these reasons and others, The Segal Company urged the Relief Association to conduct a study to modernize and rationalize the pension structure.

Modernization Proposal

The outcome of the pension study by the Pension Board of Trustees is a legislative proposal to:

- Change the benefit formula as follows:

<u>Current Plan Formula</u>			<u>Proposed Plan Formula</u>	
<u>Age</u>	<u>Years of Service</u>	<u>Percentage of F.F. Earnings</u>	<u>Years of Service</u>	<u>Percentage of F.F. Earnings</u>
50	20	40%	20	46.60%
51	21	42%	21	48.93%
52	22	44%	22	51.26%
53	23	46%	23	53.59%
54	24	48%	24	55.92%
55	25	50%	25	58.25%
56	26	52%	26	60.58%
57	27	54%	27	62.91%
58	28	56%	28	65.24%
59	29	58%	29	67.57%
60	30	60%	30	70.00%

(2% of earnings per year service with age requirement)

(2.33% of earnings per year of service without age requirement)

- Lower the vesting requirement from 20 years to 10 years of service.
- Provide pensioners as of January 1, 1998, with a one-time 2% increase in their monthly benefits.

Actuarial Cost Analysis

The table below provides the cost, as a percentage of expected 1998 payroll, of the current and proposed plans based on the different investment return assumptions:

	Current Plan 7.50%	Current Plan 7.75%	Current Plan 8.00%	Proposed Plan 7.50%	Proposed Plan 7.75%	Proposed Plan 8.00%
Total Required Contribution	16.36%	15.34%	14.36%	20.06%	18.95%	17.86%
Expected Funding Margin	4.69%	5.71%	6.69%	0.99%	2.10%	3.19%

October 30, 1998

Page 3

Based on the above table, we have recommended to the Pension Board of Trustees that the proposed changes can be reasonably afforded under generally accepted actuarial principals and methods and the existing contribution levels from the City of Fargo and the firefighters. The current funding policy for the plan includes an assumption that investments will earn 7.75% over the long term and that the existing unfunded liabilities are amortized over a 40-year period. Given the nature of the plan, the need for improvements, the relative conservative nature of the funding policy currently in place, we believe the changes can be reasonably supported by the current funding structures.

We would be happy to discuss this matter further at your convenience.

TSC_DEN:34053.1

Fargo Firemen's Relief Association

INCORPORATED JULY 1, 1959

637 N. P. Avenue

FARGO, NORTH DAKOTA 58102

March 4th 1999

DEAR LEGISLATOR

RE: Senate Bill Number 2347

Please allow us the opportunity to present to you a short history behind the proposed Bill. The Fargo Firemen's Relief Association was incorporated in 1959, benefits and pension considerations were quite liberal and unfortunately resulted in a gross under funding by 1979. At that time the association voted to reduce specific benefits and implemented a reduction in the increases that were made on an annual bases due to an existing escalator clause that remained in effect. By 1985 it became evident that the escalator clause needed to be eliminated due to continued under funding. From 1985 to 1990 existing and future pension benefits were reduced by as much as twelve percent in an effort to fund the plan on an actuarial bases.

In 1990 funding growth began and previous reductions were slowly returned to all pension recipients. By March of 1997 all pension benefits had been restored to their original levels. In 1998 our actuary, Mr. Rod Crane representing the Segal Company advised the board that an over funding status existed and that it was time, after nearly twenty years of reductions and cutbacks, to take a look at specific benefit increases for future retirees as well as present pensioners. Those benefit changes are now before you.

1. 70% pension at 55 years of age with 30 years of service, all pensions are based on the first class Fire Fighters salary.
2. 10 year vesting .
3. Biennial review of increases to present retirees, 2% in 1998.
4. Retroactive date of January 1, 1998.

It should be noted that all of these changes are funded as of December 31, 1997, 1998 gains have not been factored in at this point. More importantly, even with theses changes, the actuary has insisted we preserve an over funding margin of at least two percent, as evidenced by the actuarial report dated January 1, 1998.

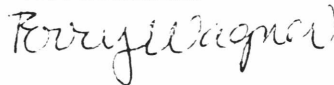
These changes were voted on by the membership in February of 1998 and passed with an overwhelming vote of over 90%.

Sincerely,

M.E. LeDoux
President



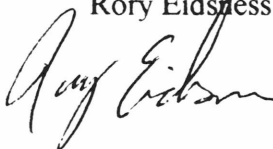
Terry Wagner
Vice President



Thomas Schons
Secretary Treasurer



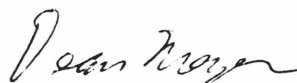
Rory Eidsness



Kevin Bernier



Dean Meyer



Chris Rasmussen



DEAR LEGISLATOR:

The active members of the Fargo Fire Department Relief Association, listed below, respectfully ask for your highly regarded and influential backing for the passage of the Senate Bill # 2347.

It is significant to point out, that this legislation will not only benefit future retirees of the Fargo Fire Department but it also gives consideration to the present retirees as well.

We are very proud of the fact that the list as presented below represents over 98% of our 83 active members.

We will deeply appreciate your support.

Chief Murile LeDoux
Fire Fighter Mike Hendrickson
Fire Fighter Joe Mangin
Fire Fighter Bruce Anderson
Lieutenant Mike Aakre
Fire Fighter Wayne Anderson
Captain Steve Balstad
Fire Fighter Jon Bolstad
Fire Fighter Bill Bush
Captain Frank Cordahl
Fire Fighter Bob Cuchna
Fire Fighter Chris Dietz
Fire Fighter Dennis Jensen
Fire Fighter Paul Harron
Captain Dan Freeman
Lieutenant Perry Erickson
Captain Fred Shultz
Fire Fighter Bob Severson
Lieutenant Thomas Schons
Fire Fighter Leon Schlafmann
Assist. Chief Neil Roscoe
Lieutenant Bill Rakowski
Fire Fighter Jim Mousseau
Fire Fighter Jason Mehlisch
Fire Fighter Keith Johnso
Fire Fighter Dick Jorhdahl
Fire Fighter Glen Keller
Fire Fighter Matt Laddusaw
Fire Fighter Joe Locnikar
Fire Fighter Paul Young
Captain Robert Wilson
Lieutenant Randy Weiss
Fire Fighter Mark Waller
Fire Fighter Leeroy Vetsch
Master Mechanic Harold Twitero
Fire Fighter Roger Thorseth
Fire Fighter Terry Swanson
Captain Jerry Splitt
Fire Fighter Lee Soeth
Lieutenant Leroy Skarloken

Captain Ronald Buttke
Assist. Chief Larry Schuh
Fire Fighter Steve Sylvester
Fire Fighter Arlan Holm
Fire Fighter Ellis Aakre
Inspector John Arens
Fire Fighter Kevin Bernier
Fire Fighter Steve Bossert
Fire Fighter Mike Cleary
Inspector Jerry Crane
Fire Fighter Robert Darrah
Fire Fighter Clark Dietz
Dir of Training Bruce Hoover
Fire Fighter Bob Goldader
Fire Fighter Marshall Fomess
Fire Fighter Rory Eidsness
Fire Fighter Bruce Shirley
Fire Marshall Norm Scott
Fire Fighter Greg Schmidt
Firefighter Bill Rostedt
Fire Fighter Chris Rasmussen
Fire Fighter Kevin Muffenbier
Lieutenant Dean Meyer
Fire Fighter Gary Lunder
Fire Fighter Kevin Johnson
Lieutenant Chris Kankelfritz
Fire Fighter Chris Knutson
Fire Fighter Todd LaValle
Fire Fighter Gary Lorenz
Lieutenant Ervin Wolff
Fire Fighter Tom Welder
Fire Fighter Noel Walter
Lieutenant Terry Wagner
Assit. Chief Joe Upton
Firefighter Richard Tiede
Firefighter Jim Swenson
Fire Fighter Dan Stetz
Lieutenant John Sperial
Inspector Davis Smith
Fire Fghter Larry Sisk