

2009 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1070

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB1070**

House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/22/2009

Recorder Job Number: 7528

Committee Clerk Signature

Hathy Rodin

Minutes:

Chairman Grande: I will open the meeting on HB 1070.

Terry Wagner, President of the Fargo Firefighters Relieve Association: Along with me today are 3 other board members: Chris Dietz, Secretary; LeRoy Skarlochen, Trustee, and Steve Thompson, VP. Over a year ago in review of our bylaws, the board looked at creating a plan document. As it was our description of benefits and bylaws were all in one document. We felt it was important to separate the two. A consulting actuary out Minneapolis assisted us in putting the document together. They are familiar with our plan and were very helpful. We've included some definitions in the plan document and included the optional forms of benefits which is on the second page. Those are new to our plan. Everything else in the bill is already in existence. It is important to know that the addition of the optional forms of benefits on page 2 are actuary equivalent to the original cost of the plan. So what we have is a document that is updated in verbiage along with the increased benefits for retirees at no cost to our clients. I am open to any questions.

Chairman Grande: Any questions from the committee?

Rep. Froseth: Was this plan (inaudible)

Terry Wagner: What we tried to do is to better explain the benefits to our members. I think we have done that with the plan document.

Chairman Grande: The reason why you see something like this in front of you goes back in history. That is kind of why he gave you the history summary sheet (**See attachment #1**). The alternative firefighter's relief association plan was put into code and when the firefighters that are Bismarck, Grand Forks, Fargo...

Terry Wagner: Actually 4 of the departments that were involved many years back, Minot and G.F. chose not to participate. Bismarck and Fargo continued under the State of ND.

Chairman Grande: Yes, by code, they do need to come before us when they want actuarial changes or when they want changes such as this. So that is why you are seeing something this extensive in front of us. They have brought forward their plan and they wish to have that set in code and codified since they are required by law to do so.

Chairman Grande: Any questions?

Rep. Conklin: Why do you have it and Minot and Grand Forks don't?

Terry Wagner: Grand Forks and Minot are actually under social security. And along with that they have a plan within their city. Bismarck and Fargo are not under social security and have our own private plan. The city of Fargo also oversees our plan. They contribute into it along with our members contributing into it and Bismarck pension plan is very similar.

Chairman Grande: And that was an option that was set for, I don't remember what year, such as like our highway patrol does not have social security either. Some groups had that option, they had an opportunity to come in or stay out that is why you see highway patrol separate.

Terry Wagner: It actually goes back to 1887 when they started paying firefighters a few dollars and 1909 increased the pay. It goes back a long ways.

Rep. Kasper: What are your retirement benefits and when are they eligible?

Terry Wagner: We have a retirement age of 55. That is the earliest anyone can draw. You are vested into the plan after 10 years of service and we have a multiplier of 2.5 years of service. We also have a disability plan, and a plan for spouses with dependents.

Rep. Kasper: So 30 years of credit times 2.5 would be 75% of salary? Do you have an inflation benefit that increases your benefit.

Terry Wagner: We used to have one in place I actually had some trouble. We had to freeze it. When our retirees retire they're payment benefit is that for life. It does not increase. We did include in past sessions where they had the option of giving a 13 check to retirees. That is not a given.

Chairman Grande: This fund has roller coasted a little bit in just trying to stay actuarially sound. You have to remember here that the numbers we are talking about are quite small so it doesn't have the ability to take the leaps and bounds or gain back its numbers like a PERS can when the market drops down. So they are watched quite conservatively as far as any member increases.

Terry Wagner: In the '80's we had to reduce the pension by 12%. We were only 30% funded. After a period of time the percentage was given back to the retirees and we made great gains in the last year and a half. We feel we are on the right road.

Rep. Nathe: Are there death benefits after retirement?

Terry Wagner: Yes, 50% of what the retiree was receiving.

Chairman Grande: Any other questions? Anyone else in favor of HB1070? Against? Neutral.
HB 1070 is closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB1070**

House Government and Veterans Affairs Committee

Check here for Conference Committee

Hearing Date: 01/22/2009

Recorder Job Number: 7529

Committee Clerk Signature

Harry Rodin

Minutes:

Chairman Grande: I will take a motion on HB 1070.

Rep. Kasper: I move a do pass on HB 1070.

Rep. Schneider: I second it.

Chairman Grande: Any discussion? Seeing none, I will have the clerk call the roll.

The roll call vote was taken: Yea: 11 Nay: 0 Absent: 2

Carrier: Rep. Kasper

Chairman Grande: The meeting is closed on HB1070.

Date: 1-22-09
Roll Call Vote #: _____

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1070

House Government and Veterans Affairs Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By Kasper Seconded By Schneider

Representatives	Yes	No	Representatives	Yes	No
Chairman Grande	✓		Rep. Amerman		
Vice Chairman Boehning	✓		Rep. Conklin	✓	
Rep. Dahl	✓		Rep. Schneider	✓	
Rep. Froseth	✓		Rep. Winrich		
Rep. Karls	✓		Rep. Wolf	✓	
Rep. Kasper	✓				
Rep. Meier	✓				
Rep. Nathe	✓				

Total (Yes) 11 No 0

Absent 2

Floor Assignment Rep Kasper

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

REPORT OF STANDING COMMITTEE

HB 1070: Government and Veterans Affairs Committee (Rep. Grande, Chairman)
recommends **DO PASS** (11 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
HB 1070 was placed on the Eleventh order on the calendar.

2009 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1070

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1070

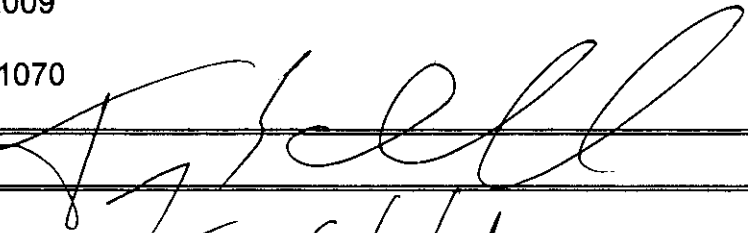
Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Hearing Date: March 17, 2009

Recorder Job Number: 11070

Committee Clerk Signature


Troy Schuchard

Minutes:

Chairman Klein: Opened the hearing on HB 1070, all members present.

Betty Grande: Representative District 41 introduced and testified in support of HB 1070.

(Discusses the details of the bill) The changes requested do not change anything actuarially.

(See attachment #1 & #2)

Chairman Klein: Closed the hearing on HB 1070

Senator Potter: Motion for a Do Pass on HB 1070

Senator Horne: Seconded

Chairman Klein: Motion for a Do Pass in approved 7-0, **Senator Horne** to carry.

++

Date: 3/17/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1070

Senate

Committee

Industry, Business and Labor

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Pass Do Not Pass Amended

Motion Made By Senator Potter Seconded By Senator Horne

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Horne

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

REPORT OF STANDING COMMITTEE (410)
March 17, 2009 9:45 a.m.

Module No: SR-48-5040
Carrier: Horne
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1070: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1070 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

HB 1070

History of the Fargo Firefighter's Relief Association

Same given to Senate.

1905 - The State Legislature passed a law allowing the Fire Dept. members to organize as a Relief Association. The maximum pension allowed under this law was **\$40** a month retired/disabled firemen. This also included widows and children.

1909 – The Fargo Fire Dept. Relief Association was organized.

1909 - 1924 The salary of a firefighter was approximately \$60 monthly. The maximum pension was **\$40** a month.

1924 – 1940 Benefits raised to **\$80** a month while the salary stayed pretty level with a maximum of \$120 monthly.

1949 – Consultation from C.H. Fischer and C.J. Nesbitt actuaries revealed some changes and amendments to our By-Laws. Firefighters started paying **2%** of their salary into the Association and the minimum age of retirement would be 60 years.

1959 - Fargo Firemen's Relief Association is formed on July 1st 1959. At this time, the membership contributed **5%** of their salary and the city of Fargo contributed **8%** of a First Class Firemen's salary into the Association.

1990's – Retirement age of 55 yrs with a maximum of **60%** of salary. **Widows receive half of this amount.**

1998 – **70%** of salary and increase of **2%** to all retirees.

2000 – **2%** increase to all retirees.

2001 – **75%** of salary, Average High Five of Salary, 13th check for retirees.

2007 – 13th check disbursed to retirees.

2008 – The Fargo Firemen's Relief Association.

- 97 Active Members
- 58 Retirees
- 21 Widows
- Firefighters contribute **8.4%** of salary
- City of Fargo Contributes **12.2% / 13.65%** of payroll

Attachment #1

5. Optional forms of payment. (Page 4.)

a. Normal form of benefit.

Traditional Joint and Survivor 50%

- Benefit distribution for the life of the retiree and spouse.
 - Monthly payment of **\$4,000** to retiree
 - Spouse distribution $\$4,000 \times 0.5 = \mathbf{\$2,000}$

b. Optional forms of benefits. (Page 5.)

Life Only Benefit

- Benefit distribution for the life of the retiree only.
 - $\$4,000 \times 1.043$ (adjustment factor) = **\$4,172**
 - When retiree dies distribution is stopped.

Certain and Life

- Benefit distribution for life of retiree with 120 payments guaranteed.
 - $\$4,000 \times 1.030$ (adjustment factor) = **\$4,120**
 - When retiree dies distributions stop unless the 120 payments have not been made. If they have not, then the remaining payments go to the beneficiary.

Joint and Survivor 75%

- Benefit distribution for the life of the retiree and spouse.
 - $\$4,000 \times 0.98$ (adj. factor) = **\$3,920**
 - Spouse distribution $\$3,920 \times 0.75 = \mathbf{\$2,940}$
 - When retiree dies distribution is changed to 75% for life of spouse.
 - Adjustment factor changes slightly with age of spouse.

Joint and Survivor 100%

- Benefit distribution for the life of the retiree and spouse.
 - $\$4,000 \times 0.96$ (adj. factor) = **\$3,840**
 - Spouse distribution $\$3840 \times 1.00 = \mathbf{\$3,840}$
 - When retiree dies payment remains same for spouse.
 - Adjustment factor changes slightly with age of spouse.

6. Preretirement death benefits. (Page 6.)

a. Surviving spouse benefits.

- 50% of the disability pension, or if greater, 50% of the deferred vested pension
- Paid until spouse's natural life

b. Children's benefit.

- Paid to the member's surviving children until age eighteen, or until completion of high school, if the children are actively enrolled beyond age eighteen.

7. Commencement of benefits. (Page 7.)

a. Payment of benefits.

- Monthly benefits paid on last day of the month
- On month which retiree, widow, and beneficiary dies payment shall be paid in full for that month without reduction or proration.

8. Actuarial equivalence.

**EMPLOYEE BENEFITS PROGRAMS COMMITTEE
REPORT TO THE 61ST LEGISLATIVE ASSEMBLY
REGARDING PROPOSED HOUSE BILL NO. 1070**

Date: October 21, 2008

Sponsor: Representative Bette Grande

Proposal: Incorporates changes by the Fargo Firefighters Relief Association into NDCC Chapter 18-11 relating to alternate firefighters relief association plan benefits.

Actuarial Analysis: The consulting actuary for the Fargo Firefighters Relief Association reported the benefit enhancements included in the proposal are actuarially sound.

Committee Report: Favorable recommendation.

FORM AND STYLE APPROVED BY LEGISLATIVE COUNCIL

Fargo Firefighters Relief Association

HB 1070

Over a year ago the Fargo Firefighters Relief Association Board reviewed the by-laws and looked at creating a Plan Document. As it was, our description of benefits and the bi-laws were in one document. We felt it was important to separate the two.

Van Iwaarden and Associates, a consulting Actuary out of Minneapolis assisted us in drafting the plan document. They do our actuary and are very familiar with our Plan.

The additions are:

- Clarifying our current benefits to the members
- Modernized terminology
- Benefit payment options – page five HB1070

The repeals are:

- None

It is important to note that the benefit payment options add **no** additional cost to the plan

Thank you for your support!

Fargo Firefighters Relief Association