

Professional Fire Fighters of North Dakota

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Senate State and Local Government Committee

Madam Chairman and members of the Senate State and Local Government Committee,

My name is Darren Schimke, President of the Professional Fire Fighters of North Dakota. I rise before you on behalf of the PFFND in opposition of HB 1040.

Management consulting firm [McKinsey](#) reports that organizations that appear on “best places to work” lists often make the cut because their business strategy is premised on a long-term relationship with their employees. McKinsey credits companies for both the large and small signals sent to employees that an organization cares about its people.

Valued by employers as a workforce management tool to recruit and retain talent, offering defined benefit (DB) pension benefits is one way that employers send a loud signal to employees that they are committed to a long-term relationship. This provides a meaningful incentive for employees to stay in their job. Employees value pensions as a path of economic security in retirement. Decreasing plan benefits negatively affect that security.

It’s important to remember that one of the main reasons many entities throughout the State attract and retain its public employees is largely because these workers understand the long-term value of their pensions.

There are experiences logged throughout the internet that offer important cautionary tales for governments to consider when changes to pension benefits are being studied. Drastic changes can actually encourage employees to leave their employment/town rather than stay long term.

As a 30-year employee of the City of Grand Forks Fire Department, I have witnessed firsthand the negative effects of decreases made to a retirement plan. In 1994, the City proposed decreases to the benefit multiplier and extending the average final years’ salary from 5 to 10, along with an increase in employee contribution. After a lengthy negotiation period, compromises were made within all of the above-mentioned areas and implemented. In January 1996, the City choose to close the DB plan, which was in existence since 1970, to all new hires and opened a DC (Defined Contribution) retirement plan for new hires. Approximately 5 years after the DC implementation and as the Grand Forks firefighter’s Local 242 union president, I noticed within my own department, and hearing from other departments, that we were all experiencing major turnover. The majority of these departures were not due to retirements, as years prior, but for seeking employment elsewhere. At the time, the Grand Forks Police Dept. FOP President told me that the number one reason for leaving employment stated during exit interviews was “better retirement benefits”. The same reasons were being stated during exit

interviews at the Fire Department, according to our then Fire Chief, Peter O'Neill. As the President of the City Employee Representative Group, I then inquired with the group's members about the morale of their departments. It was staggering to hear how low it was and the actions that were being taken to demonstrate low morale by employees. This was also being demonstrated within the fire department to a certain degree. With that concern and reading about the ND PERS Retirement plan in the Grand Forks Herald, I inquired with the Human Resource Department and the Finance Department about joining the ND PERS Retirement Plan. A few of my many selling points were plan longevity, plan stability, and recruitment/retention success stories. Long story short, the City of Grand Forks joined the ND PERS plan and the DC plan participants are now in a DB plan along with all new hires. Within a few short years, I can honestly say the level of morale rose drastically. We understand that things change and adjustments need to be made from time to time. In fact, we have supported past plan adjustment increase bills that originated from right here. But things like completely cutting out a benefit and offering a drastically decreased benefit all at once has the appearance of a knee jerk reaction that when something less (ex. contribution adjustment) would be more palatable and have positive results.

I currently serve on the City of Grand Forks Pension and Insurance Committee and one of the issues we deal with is the closed DB plan that was started in 1970. When this plan closed in 1996, new plan participants ceased. As the plan's retiree participants grow, the increased cost to the City to date is far greater than any projection that was presented to us in 1996.

With the ever-growing competition within the job market, to be a best place to work, employers must signal to employees that they are valued over the long-term. Cuts within pension benefits sends the exact opposite message.

Thank you for the opportunity to stand before you today and now I will take any questions that you may have.

Darren Schimke