

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2057

2001 SENATE GOVERNMENT AND VETERANS AFFAIRS

SB 2057

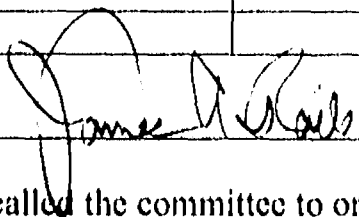
2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2057

Senate Government and Veterans Affairs Committee

Conference Committee

Hearing Date January 25, 2001

Tape Number	Side A	Side B	Meter #
I	X		0.0-19.8
Committee Clerk Signature 			

Minutes: Chairman Krebsbach called the committee to order. The clerk called the roll. All members were present. Chairman Krebsbach opened the hearing on SB 2057 which relates to alternate firefighters relief association plan benefits. Appearing before the committee to introduce the legislation was Senator Tony Grindberg, District 41, Fargo. He indicated that the legislation was introduced on behalf of the Fargo firefighters. There was a bill that went through the interim committee and passed that allowed Fargo firemen to offer better opportunities for firemen and retirement and this is another bill to attempt to continue what was started. A number of you, I think Senator C. Nelson was on the interim committee, also Senator Kilzer. He gave the committee a handout which the council had prepared based on the interim committee's work. He indicated that he hoped the committee would give the bill their favorable consideration. Senator Carolyn Nelson, District 41, Fargo, cosponsor of the bill also appeared before the committee on behalf of the Fargo firefighters. In her brief testimony she indicated that it was only Fargo and Bismarck that are connected with the state employees retirement program. She

indicated that it is their money and they do the investing but they do come to the legislature to get permission to spend it. Tom Schons, Secretary-Treasurer of the Fargo Firefighters Pension Association appeared before the committee. A copy of his testimony is attached. Senator C. Nelson asked Mr. Schons to explain the 13th check. Mr. Schons indicated that the 13th check is specifically driven by the years portfolio returned for that year. What it is, is like a bonus. At the end of the year if our actuary and our portfolio shows a minimum of say 8% and the actuary gives the approval to declare a 13th check we then issue one months pension salary as a 13th check to all pensioners. This is strictly tied to the returns for that year. What you are looking at approving today is a one shot deal. It's not going to happen every year from here on. It's over the next two years we would do it every year. It's an option but we tie it directly to our return. Our return for 2000 was 3.7. This would be a year we would probably not get the OK to do this. Our actuary and our portfolio would not support this. Our retirees are fine with that. As long as the fund is doing well they'd like to see some increases. If the fund has a bad year they understand that this isn't something that is mandated. Chairman Krebsbach wondered if this is the first year that this has been done. Mr. Schon indicated that this is the first year they have gone to the 13th check. When they were out here two years ago they went for a 2% each year. They were happy with that and if you run the numbers, by far that's better for the retirees. But, our retirees are a little older and I think your mentality changes a little bit as far as funds available and they like the idea of a big check at Christmastime. Our pension isn't what it should be and there aren't a lot of, we're not sending out a lot of big checks every month. Actually I didn't run into any negativity on the 13th check as opposed to the 2%. This was brought to us by the actuary who said guys, this is cheaper for you. It can be done much more quickly. They can get their money much faster. We ran it by our retirees and got a very favorable response. We do

feel a responsibility to include them for input on any increases we try to give them. Chairman Krebsbach inquired about the 1.5% that you are banking on your reserve. That has just taken place in the last year or the last two years? Mr. Schons Indicated that was correct. We just implemented that and this is the first actuary where we are actually impacted, where it actually takes away some of our funding. We will be doing this from now on every year. Senator C. Nelson inquired how many are retired and how many are active in your organization? Mr. Schons indicated they have 83 active and 67 retirees. There will be a lot more retirees. This year there will be from 5 to 7 retirees. Those retirees are not included in this actuary. Those are typical cycles that we see. When benefits increase there is a lot more incentive to leave. We can't argue with the fact that it is a young man's game. Our job as a board is to make the most funds available at the youngest age. Senator Dever are we just talking about Fargo Firefighters Association here? How many associations are there in the state? Mr. Schons indicated that he was specifically talking about Fargo although Bismarck and Fargo are under the same century code. Senator Dever but, separate funds? Mr. Schons for many years we would come in and maybe do little changes that would best fit our association. Over the last few years, he has been secretary for 15 years and he remembers times when they were not funded. Bismarck has always done very well. However, what fits Bismarck may not fit Fargo. For our plans to go separate ways is definitely best. Senator Kilzer do your active firefighters have social security withheld from your paychecks? Mr. Schons This is a big point with us. We do not have social security. We are the sole retirement benefit program that they have to rely on. Senator Kilzer indicated that he noticed that your annual cost of the plan as a percentage of payroll is 16.5%. Mr. Schons indicated that the city is not contributing as much as they could or should but the firemen have been comfortable with the contribution. I think that is right around the social security rate. If

you did a check of the cities in North Dakota, all of the cities contributions to those plans are different. That is a negotiated item. Chairman Krebsbach noticed that the multiplier is increasing to the 2.5 and what did you determine to be your objective. Mr. Schons indicated 2.5 puts them at 75% with 30 years of service if you are at the age of 55. Again he comes back to that 90%, what would our multiplier have to be to be at 90% without social security? For the past 4 years our pensions have always been based on the lowest paid employee. What we were able to do this year is we went for a 6 month education process with our 83 members of which about 54 are first class firefighters and overwhelmingly they voted in favor of this change. That your pension would be based on your average of your last five years. We are very excited about that. Chairman Krebsbach I certainly thank you for your information. It is very well put together and very useful to the committee. Senator C. Nelson indicated that she has spoken with the mayor of Fargo and he had indicated that he and the city commission support the program. Bill Wocken, City Administrator for the city of Bismarck appeared before the committee. At the present time the city of Bismarck does not have the actuarial data and the financial data to do the final analysis such as the city of Fargo has done, however he indicated that Bismarck is in the process of getting that information from the firefighters pension. He believes that the benefits that have been talked about in this particular bill are very reasonable benefits and he is pleased to see that the city of Fargo has been able to endorse those benefits. Actuarial soundness is the hallmark of pension plans and that is what the city of Bismarck is in the process of determining. At this point the board of city commissioners has seen fit to budget some additional funds for the fire pension program this year however, they've not yet determined how those funds will be utilized. He indicated that because of the efforts of the Fargo firefighters and the city of Fargo, Bismarck would lend it's support to SB 2057. Chairman Krebsbach inquired where Bismarck

Page 5

Senate Government and Veterans Affairs Committee

Bill/Resolution Number SB 2057

Hearing Date January 25, 2001

was at with their multiplier? Mr. Wocken indicated he was not sure and would defer that to others who are appearing on this bill. Brooks Martin, member of the Bismarck Fire Department indicated that the multiplier is presently 2% and they are hoping to get it to 3%. There was nothing further at this time. Chairman Krebsbach closed the hearing at this time. A motion for a Do Pass was made by Senator Wardner, seconded by Senator Dever. Roll Call vote indicated 6 Yeas, 0 Nays, and 0 Absent or Not Voting. Senator C. Nelson will carry the bill.

FISCAL NOTE STATEMENT

Senate Bill or Resolution No. 2057

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, or school districts. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

John Walstad
Code Revisor

Date: 1/25/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2057

Senate GOVERNMENT AND VETERAN'S AFFAIRS Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Sen. Wardner Seconded By Sen. Dever

Senators	Yes	No	Senators	Yes	No
Senator Karen Krebsbach, Chr.	✓		Senator Carolyn Nelson	✓	
Senator Dick Dever, Vice-Chr.	✓		Senator Tim Mathern	✓	
Senator Ralph Kilzer	✓				
Senator Rich Wardner	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Sen. C. Nelson

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

REPORT OF STANDING COMMITTEE (410)
January 25, 2001 11:49 a.m.

Module No: SR-13-1601
Carrier: C. Nelson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2057: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman)
recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2057
was placed on the Eleventh order on the calendar.

2001 HOUSE GOVERNMENT AND VETERANS AFFAIRS

SB 2057

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2057

House Government and Veterans Affairs Committee

Conference Committee

Hearing Date 3/1/01

Tape Number	Side A	Side B	Meter #
1	X		1410-4478
		X	2472-2550
Committee Clerk Signature <i>Robin L. Small</i>			

Minutes:

REP. M. KLEIN called the hearing to order with all members present.

In favor:

SEN. GRINDBERG introduces the bill. GRINDBERG is one of the sponsors on the bill.

REP. BELLEW asks why isn't this under the local? GRINDBERG states that he will let someone else address that issue.

REP. HAWKEN speaks on behalf of the bill to the committee, HAWKEN is also one of the sponsors on the bill. HAWKEN is representing the Fargo firefighters.

SEN. C. NELSON also peaks on behalf of the bill to the committee, she too is one of the sponsors. NELSON states that they have worked very hard. There are 83 members in the Fargo fire department. NELSON urges a do pass.

In favor:

THOMAS SCHONS, SECRETARY-TREASURER, FARGO FIREFIGHTER'S PENSION

FUND

Please see attached testimony.

REP. M. KLEIN asks if they took out the COLA? SCHONS replies yes they did.

REP. M. KLEIN asks if they receive social security benefits? SCHONS replies no, they do not.

There are 68 retired firefighters and 83 active ones.

REP. M. KLEIN asks for an explanation of a first class firefighter. SCHONS states that it is top pay to a non-classified officer.

REP. M. KLEIN asks what is the fund value and who runs it? SCHONS replies that it is \$15 million and Morgan Stanley runs it.

REP. M. KLEIN asks do you monitor it or balance it against anything? SCHONS replies that they did the money manger thing.

REP. M. KLEIN asks about the 13th paycheck, the guidelines. SCHONS replies that it is tied to a 7 % gain, based on the year.

REP. KASPER asks what five American funds that they are in? SCHONS was not all that sure.

REP. KASPER figured it out what they were in.

REP. BELLEW asks why wouldn't the association be under the city? SCHONS replies the city likes to get their hands on those funds.

REP. METCALF asks what is the contribution to the plan? SCHONS replies that it is 7.9%.

In favor:

BILL WOOKEN, CITY ADMINISTRATOR OF BISMARCK

Please see attached testimony.

In favor:

