

PUBLIC AFFAIRS COMMITTEE AGENDA

***October 1, 2018 ~ 5:00 p.m.
City Hall Conference Room***

(Administration, Personnel, Legal, Finance, PEG Access, Municipal Liquor, Police & Fire)

1. CALL TO ORDER

2. BEMIDJI VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION (FRA)
PENSION BENEFIT

3. ADJOURN

MISSION STATEMENT

Provide leadership and coordination for the City Council in public policy areas related to:

- *Internal council policies and procedures*
- *External relations to other units of government and service providers*
- *Community governance and civic relations*
- *Advisory boards and commissions*

PUBLIC AFFAIRS COMMITTEE **AGENDA ITEM**



Meeting Date: October 1, 2018

Action Discussed: Consider Bemidji Volunteer Firefighters' Relief Association (FRA) Pension Benefit

Prepared By: Ron Eischens, Finance Director *Ron*
Nate Mathews, City Manager *Nate*

The current three-year understanding with the FRA regarding their pension benefit expires on December 31, 2018. Over the last several months, FRA Trustee member Hellquist and City staff discussed this and other issues with FRA officers.

The current pension benefit guaranteed by the City is \$6,408 per year of service. The FRA membership increased the benefit level to \$7,800 independently on September 25th to demonstrate their willingness to shoulder some financial risk. They believe their investment portfolio is able to safely grant this benefit increase and still withstand a significant stock market correction before the City would be liable to contribute to cover the guarantee.

A positive development is the FRA Trustee's decision to maintain a surplus position of 120%, versus the 105% stated in their By-Laws. This provides a cushion against future market downturns, minimizing the risk of a required City contribution.

Staff and FRA trustees believe it is in our joint interests to come to an agreement for the upcoming three-year period, years 2019 to 2021. The City is legally unable to approve a multi-year agreement regarding the pension benefit, but during our discussions, both sides are comfortable with a multi-year understanding, subject to annual review and approval, of the following:

- **Pension benefit increase:**
 - 7% for 2019 - \$6,857 per year of service
 - 7% for 2020 - \$7,337 per year of service
 - 7% for 2021 - \$7,850 per year of service

Council approval of any pension benefit increase carries with it a "financial guarantee", meaning that if the FRA is unable to fund the pension benefit, the City is financially obligated to maintain the benefit level. This liability is amortized over ten years. The Rural Fire Association is also guaranteeing their portion of any pension shortfall through their contract for fire services with the City.

Recommendation:

Staff recommend approving the FRA request for a pension benefit increase of \$449, or 7%, to a level of \$6,857 per year of service, effective 1/1/2019 with an annual review thereafter. The multi-year understanding includes proposed future increases as follows:

- \$480, or 7%, effective 1/1/2020 for an annual benefit of \$7,337
- \$513, or 7%, effective 1/1/2021 for an annual benefit of \$7,850

Approving the above action plan provides staff direction and support to address FRA requests for pension increases in 2020 and 2021.

Council needs to approve the 2019 pension benefit level as it must be acted on for each increase.