

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, November 23, 2015

**City Hall
Fire Station #1
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL

2. CONSIDER VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION PENSION BENEFIT INCREASE REQUEST

3. ADJOURNMENT

NOTE: All cellular telephones, pagers and BlackBerry devices to be switched to a non-audible function during Council and Committee meetings.

COUNCIL AGENDA ITEM



Meeting Date: November 23, 2015

Action Requested: Consider Bemidji Volunteer Firefighters' Relief Association Pension Benefit Increase Request

Prepared By: Ron Eischens, Finance Director *Ron*

Reviewed By: Nate Mathews, City Manager *Nate*

Background

The Bemidji Volunteer Firefighters' Relief Association (FRA) is requesting a 2015 pension benefit increase of \$575 a year (9.6%) to \$6,575 per year of service. In October 2014 the FRA requested a 12% increase from \$5,350 to \$6,000 per year of service, which was approved.

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

City staff typically are neutral on this issue because the FRA benefit levels do not directly involve City taxpayer dollars. However, it can impact City taxpayers through the benefit guarantee described above. The most recent City contribution to the FRA was required in 2010 and 2011 in the amounts of \$12,051 and \$9,326 respectfully.

Staff prepared the attached spreadsheet comparing pension benefit levels using the same cities as the recent City salary survey. Highlights are as follows:

- Average 2015 pension benefit for these cities was \$4,766, compared to Bemidji's benefit of \$6,000. Difference of \$1,234, or 25%.
- Metro Area Region has 2013 average benefits of \$4,405.
- 2013 average funding ratio of all MN cities was 121%.

Points to consider:

1. FRA believes comparing Bemidji to these cities is not “apples to apples” due to the differences in number of fire calls, coverage area, property value protected, etc. However, it is not customary for other City departments to change the comparable cities based on differences in departmental operations when completing our recent salary study.
2. Funding for FRA is derived from insurance surcharges (2% money) on property within the fire service area. FRA believes a more accurate comparison would be to those cities generating similar amounts of 2% money. However, this approach will be a divergence from our traditional salary/benefit analysis approach. City staff believe it is important to be consistent in who we compare Bemidji to when determining salary and benefit levels, same reasoning as point # 1 above.
3. Some Cities do provide a municipal contribution to the FRA in addition to the pension guarantee. Of these Cities, it is not known how many have full time firefighting staff like Bemidji does versus volunteer/paid on call only.
4. FRA policy states that if the funding ratio is 105% or greater over a three year period that a benefit increase can be **considered**, which does not guarantee approval. Furthermore, City staff believe the 105% reserve level is not adequate, especially considering the recent stock market volatility.
5. **The FRA has the ability to increase the pension benefit level on its own without City Council guarantee or approval.**

The FRA desires the City guarantee of their benefit level increase as a show of support. We provide the attached background information for the Council to make an informed policy decision.

Options:

1. Approve the 2015 FRA requested 9.6% increase to \$6,575
2. Approve an increase of a lessor amount
3. Leave City approved benefit level at \$6,000

My suggestion to the FRA was to consider approving a benefit level increase they felt appropriate but allow the City guarantee to take be phased in over a number of years. The RFA chose not to pursue this suggestion.

Recommendation:

Consider FRA request for benefit level increase.

**CITY OF BEMIDJI
Volunteer Fire Relief
Pension Comparison**

Comparable Cities used in City Salary Study	Year 2013 Per State Auditor		
	2015 Annual Benefit	Annual Benefit	Funding Ratio
Albert Lea	No comparison available		
Alexandria	6,766	6,633	120%
Brainerd	8,500	6,825	118%
Fergus Falls	4,350	3,900	124%
Hibbing	1,500	1,200	134%
Hutchinson	No comparison available		
Marshall	5,500	5,000	107%
New Ulm	No comparison available		
Red Wing	4,000	2,500	175%
Sartell	3,212	2,610	111%
Sauk Rapids	4,300	3,600	122%
Willmar	No comparison available		
AVERAGE	4,766	4,034	126%
Bemidji	6,000		131%
2014 Bemidji Volunteer Relief Funding Ratio			137%
Average 2013 funding ratio for all cities statewide			121%

Notes

Per State Auditor Report

Metro Area region has highest

average lump sum benefit

\$ 4,405