

# NDPERS

# Police Retirement Study

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## Recruiting and Retention

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**3/1/2016**

Submitted To:

Mayor Arlyn Van Beek

Commissioner Sandy Tibke

Commissioner Shauna Laber

Commissioner Dennis Rohr

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The content of this study was formulated through a comprehensive research and interviews to include NDPERS, Morton County Sheriff's Office, Bismarck Police Department and Burleigh County Sheriff's Office. All information is limited to the response of those interviewed and the DATA collected from the META Analysis of online sources.

### **Disclaimer**

This research was conducted for the governing body of the City of Mandan so that an informed decision on the effects of recruitment and retention of police officers under the current city's defined contribution retirement system versus the State of North Dakota's Public Employees Retirement System (NDPERS) Law Enforcement Group Plan, and is not intended to discredit any individuals view or experience of either system.

### **Predication for Research Study**

In an effort to not only to recruit individuals who may become valuable community members to the City of Mandan, it is also imperative to retain employees who will consider the city as long-term employment option. In a unanimous vote by the city commission it was requested that a study be conducted on the effects of a Defined Benefit DB plan vs. a Defined Contribution DC plan could have on recruitment and retention of quality employees for the Mandan Police Department. It should be noted that retirement is only one segment to solving any recruitment and retention issues that any organization may be experiencing. The other issues are but not limited to salary, health insurance, organizational opportunities, organizational culture/environment and quality leadership. Throughout this research these issues will be threaded into the discussion, so that a clear understanding of the complicated task of recruiting and retaining employees has become.

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Supporting Document to Research Appendix Attached after research study

## Definitions

**Define Contribution Retirement Plan (DC Plan):** A defined contribution plan specifies how much money will go into a retirement plan today. The amount typically is either a percentage of an employee's salary or a specific dollar amount. Then, those funds often are invested in mutual funds available inside the retirement plan. The amount you have at retirement depends on how much your employer contributes to the plan, how much you as the employee save in the plan, how long you leave those funds invested, and how well your investments perform inside the plan. <http://www.myretirementpaycheck.org/retirement-plans/defined-benefit-plans.aspx#sthash.KETsZlwR.dpuf>

**Define Benefit Retirement Plan (DB Plan):** A defined benefit plan identifies the specific benefit that will be payable to you at retirement. Your basic retirement benefit is usually based on a formula that takes into account factors like the number of years a participant works for the employer (years of service) and the participant's salary. This stream of periodic payments is generally known as a pension. <http://www.myretirementpaycheck.org/retirement-plans/defined-benefit-plans.aspx#sthash.KETsZlwR.dpu>

**Portability Enhancement Provision (PEP):** allows you to “vest” in the employer contribution for cash distribution purposes. This means that if you decide to leave employment and do not elect to draw a pension from the system, you have the opportunity to take both the employee contribution and the corresponding PEP contribution out of the NDPERS system.

**Service Credit:** is an important aspect of your records because each additional month of credit can increase your monthly retirement benefits. Presently, you receive one month of service credit for each month that contributions are received by NDPERS on your behalf.

**Uniformed Services Employment and Re-employment Rights Act (USERRA of 1994):** USERRA is a federal law intended to ensure that persons who serve or have served in the Armed Forces, Reserves, National Guard or other uniformed services: (1) are not disadvantaged in their civilian careers because of their service; (2) are promptly reemployed in their civilian jobs upon their return from duty; and (3) are not discriminated against in employment based on past, present, or future military service. The law is intended to encourage NON-CAREER uniformed service so that the United States can enjoy the protection of those services, staffed by qualified people, while maintaining a balance with the needs of private and public employers who also depend on these same individuals.

**Vesting:** To be vested in a defined benefit program means that you have become legally entitled to a monthly benefit from NDPERS when you reach retirement age and terminate employment. NDPERS requires a 36 month membership to meet vesting requirements.

**Dual Membership:** Belonging to more than one of the (5) NDPERS state sponsored retirement plans.

**Final Average Salary (FAS):** The average of the top high three (3) years of salary used to calculate the retirement benefit that a retiring member will receive.

### Cost of Turnover and Recruiting

With the changing environment of the workforce, turnover and the impact that it has on any police agency is an expense that not only cost tax payer dollars but strains agencies resources. Mandan Police Department is no exception to this enigma, but by understanding the factors of cause and effect as a city government we can reduce this expense and employee career employees.

In order to accurately assess the effects of turnover it is important to look at the overall cost and why the expense needs to be aggressively addressed. Below is the breakdown of the turnover expense based on an online Cost Calculator. The numbers below were estimates given by Human Resource Manager.

#### DRAKE INTERNATIONAL Turnover Calculator

##### Calculating benchmark employee cost

Departing employee annual base salary:	<input type="text" value="43657"/>	<- Enter salary here Low End Range
Calculated annual benefits cost:	<input type="text" value="\$8,731.00"/>	Estimated at 20% of base salary
Calculated monthly salary + benefits:	<input type="text" value="\$4,366.00"/>	
Calculated daily salary + benefits:	<input type="text" value="\$228.00"/>	Based on 230 (8hr) working days

##### Cost of 'covering' a vacant position (Calculated costs of other employees 'filling in' while the position is vacant)

Number of days until the vacant position is filled:	<input type="text" value="120"/>	<- Enter number of working days
Calculated daily cost of 'covering' a vacant position:	<input type="text" value="\$75.00"/>	33% of departing employee's daily salary + benefits

Total cost to 'cover' vacant position:	<input type="text" value="\$9,000.00"/>	
Cost to fill a vacant position		
HR/Hiring manager's annual salary:	<input type="text" value="70000"/>	<- Enter salary Contract Estimate
Calculated HR/Hiring manager's hourly rate:	<input type="text" value="\$46.00"/>	Based on 230 (8hr) working days and 20% fringe rate
Cost of advertising (online and/or print):	<input type="text" value="4000"/>	<- Enter cost Yearly Expense
Cost of resume screening:	<input type="text" value="14"/>	<- Enter No. of hours
Cost of interviews (telephone screening, 1st and 2nd):	<input type="text" value="14"/>	<- Enter No. of hours
Cost of behavioral and skills assessments:	<input type="text" value="199"/>	<- Enter cost
Cost of background checks (criminal, credit, reference, education):	<input type="text" value="60"/>	<- Enter cost
Cost of travel/moving expenses (if applicable):	<input type="text" value="0"/>	<- Enter cost
<b>Total cost to fill a vacant position:</b>	<input type="text" value="\$5,547.00"/>	

**Onboarding & Orientation cost**

Trainer/Manager annual salary:	<input type="text" value="52000"/>	<- Enter salary here Agency Avg.
Calculated trainer/manager daily rate:	<input type="text" value="\$271.00"/>	Based on 230 (8hr) working days and 20% fringe rate
Total training days:	<input type="text" value="90"/>	<- Enter number of days

**Total onboarding and orientation cost:**

**Cost of productivity ramp-up (During the first 3 months, an average new employee performs at 50% productivity of a tenured top performing employee)**

Daily employee cost (salary + benefits):

Number of working days during first 3 months:  <- Enter number of days

Cost of productivity ramp-up:

**Total cost of turnover (per employee):**

Number of employees lost (in the last 12 months):  <- Enter number of employees

**Estimated annual turnover cost:**

(Drake International <https://us.drakeintl.com/hr-tools/cost-of-turnover-calculator.aspx>)

The numbers above (conservative range) show how expensive employee turnover is and that if an organization can reduce turnover it will become more efficient in its operation.

**MPD’s Current Retirement and Benefits**

The city of Mandan’s retirement and benefits for new and current employees are as follows:

Retirement plan is currently a 457 deferred compensation (Defined Contribution Plan) that

1. An employee may not elect to participate,
2. An employee may contribute a minimum of 2% into the plan and the City will contribute 8% and place into a Trust, or
3. An employee may contribute a minimum of 4% into the plan and the City will contribute 10% and place into a Trust (This is the Law Enforcement contribution Plan)

The employee can increase their contribution as much as they would like as long as it does not exceed the set limit of \$18,000.00 (IRS Rules) per year from the employee.

This plan does require a plan administrator and profits for the plan is dependent on ebb and flow of the stock markets.

**Rollovers:** This plan will accept rollover contributions from other eligible plans.

**Distributions:** Money from this account may be distributed from the plan account in the event of:

- Death
- Disability
- Termination of service

**Unforeseeable Emergency Withdrawals:** Unforeseeable emergency withdrawals are allowed from the plan for financial emergency reasons as defined in the plan document.

**Loans:** Loans are not permitted with this plan

**Vesting:** this is when the ownership of a plan becomes the employees. An employee becomes 100% vested once completing 5 years of service.

*The above information was taken from the City of Mandan's benefit packet.*

The City of Mandan's Health Insurance is as follows:

For individuals who do not claim any family dependents their insurance is 100% paid for. Individuals who require a family plan must pay for the plan based on their years of service. The family plan penalty is as follows:

0-1 Year city will pay for 100% of a single plan, if the employee needs a family plan the employee will pay for the difference for that plan.

1-2 Year(s) city will pay for the single plus 10% of the family

2-3 Years city will pay for the single plus 20% of the family

3-4 Years city will pay for the single plus 30% of the family

4-5 Years city will pay for the single plus 40% of the family

5-6 Years city will pay for the single plus 60% of the family

6-7 Years city will pay for the single plus 80% of the family

7+ years city will pay 100% of the health for the employee and their family,

*The above information was taken from the City of Mandan's benefit packet.*

The City of Mandan's starting pay range for police officers is as follows:

\$43,657 - \$62,212

With college and experience the employee would receive a higher starting pay with the maximum pay being: \$47,652.80 per year with at least seven (7) years of experience as a sworn law enforcement officer.

### **Other Agencies Retirement and Benefits**

As requested, the retirement for the three other police agencies in the Morton/Burleigh metro areas were evaluated and compared to Mandan Police Departments plan. Below is the breakdown of each of the three other agency's retirement, benefits and pay for organizational comparison.

#### **Burleigh County Sheriff's Department:**

1. Burleigh pays 100% of retirement benefits for all employees, we are part of NDPERS system on the regular account, not the Law Enforcement (LE) account;
2. Medical benefits, we are through PERS as well and have the Stanford Plan of which the County pays 95% of the premium both single and married. I believe the employee paid \$ 35.66 per pay period (24 pay periods a year) for family plan;
3. 2016 salary range; starting is \$ 44,142 to \$ 49, 178 with a step increase at six month probation (about 3.5% increase). Top of pay line for Deputy is \$ 66, 148. We then also pay for all holidays, so if they work they get regular pay plus time and a half for any hours worked on the holiday, if they are schedule off, they get eight additional hours of regular pay.

#### **Bismarck Police Department:**

##### Pension Contribution Rates

1. Police Pension City: 14.53% (increased from 13.2% in 2014) Employee – 9.4% Total Contribution: 14.53% + 9.4% + 2.9% = 26.83%
2. City Pension: City 10.4% Employee – 5.0% Total Contribution: 5.0% + 10.4% + 15.30% (FICA) = 30.70%

##### Social Security (FICA)

1. Social Security: 6.2% for both employee & employer\*
2. Medicare: 1.45% for both employee & employer
3. Police Pension: No Social Security paid in, Medicare only

Police Pension: Multiplier is 2.5; retirement is 55 years of age

City Pension: Multiplier is 1.75 for service prior to Jan. 1, 2005 and 2.25 for service after Dec. 31, 2004

The City of Bismarck pay's 100% of every city employee's health insurance cost from the first day of employment to include family plans.

Current starting salary:

\$48,310.44 - \$72,465 per year

**Morton County Sheriff's Department:**

**2016 Retirement Program**

Morton County Commission also agreed to carry two (2) additional percent of your employee contribution. Most are required to contribute three (3) of your monthly gross earnings to the retirement program. Morton County will pick up two (2) % of your contribution reducing your contribution to one (1) %. For those on the old retirement plan, they will be provided with a 2% increase in contribution.

The General Retirement Program is a Defined Benefit Retirement Program that is offered through the State of North Dakota Public Employee Retirement System. This program is offered to all benefit eligible Morton County Employees, with the exception of the Law Enforcement Center. The Law Enforcement Retirement Program is also a Defined Benefit Retirement Program administered through the North Dakota Public Employee Retirement System. This program is made available to eligible Law Enforcement Personnel.

**Employee and Employer Monthly Contribution Levels:**

**Law Enforcement Retirement Contributions Breakout**

<u>Employee Contribution (Mandated Contribution):</u>	1.00%
<u>Employer Contribution (Additional Contribution):</u>	4.50%
<u>Employer Contribution (Primary Contribution):</u>	7.93%
<u>Employer Contribution (Medical Premium Fund):</u>	1.14%
<u>Employee Total Contribution Monthly:</u>	1.00%
<u>Employer Total Contribution Monthly:</u>	13.57%

*The county pays all but 1% of the employee's contribution this is not required.*

**Current starting pay range:**

\$42,972.80 - \$62,316.80

**Morton County Health Insurance:**

- **Medical – Flexible Spending Account** - In 2016, the Flexible Spending Account maximum will be set at \$2,550 annually.
- **Single Plan:** 90% employer 10% employee
- **Family Plan:** 80% employer 20% employee

### Comparative Analysis

#### Retirement Comparison

Agency	Plan	Employee Contribution	Employer Contribution
Mandan Police	Self-funded Defined Contribution Plan	4%	10%
Mandan Police Proposed NDPERS LE	NDPERS (LE) Defined Benefit Plan	5.5%	9.07%
Morton Sheriff	NDPERS (LE) Defined Benefit Plan	1%	13.57%
Bismarck Police	Self-Funded Define Benefit Plan	9.4%	14.53%
Burleigh Sheriff	NDPERS Defined Benefit Plan (No LE)	0%	16.42%

#### Pay Comparison

Agency	Min. Starting	Max. Range
Mandan Police	\$43,657	\$62,212
Morton Sheriff	\$42,972	\$62,316
Bismarck Police	\$48,318	\$72,465
Burleigh Sheriff	\$44,142	\$66,148

#### Health Benefit Comparison

Agency	Employee Single	Employee Family
Mandan Police	0%	100%-0% 7yr plan
Morton Sheriff	10%	20%
Bismarck Police	0%	0%
Burleigh Sheriff	5%	5%

## NDPERS LE Group

NDPERS LE Group is a defined benefit retirement system with an optional defined contribution (457 plan) for law enforcement officers and correction officers within the state of North Dakota. The plan requires the employer to contribute the minimum of 9.07% of the employee's current pay and the employee to contribute the maximum of 5.5% of their current pay. With the 457 plan it is optional for the employee, and the employer cannot make any contribution to this plan. If the employer chooses to they may contribute a portion of the employee's responsible contribution up to all of the employee's responsible contribution. The plan is based on the retirement age of 55 years of age or the Rule of 85.

NDPERS LE Group Rule of 85 is a formula that takes the age of the employee and years of service to determine retirement without penalty. If the employee wants to retire without reaching the age of 55 or meeting the requirements of the Rule of 85, there will be a 6% for each year they are under the age of 55 penalty.

NDPERS LE Group has a 2% multiplier for each year of service in the retirement group. The plan bases the retirement benefit received on the highest 36 months average of the member that will be receiving the benefit.

**Example:** High 3 years average of \$70,000 with 30 years of service without penalty would equal  $30 \times 2 = 60\%$  of \$70,000 = \$42,000 divided by 12 months = \$3,500 per month minus taxes as a retirement defined benefit. (This employee would be 55 years of age if they started at 25 years old) NDPERS LE Group does not include any COLA adjustment currently.

NDPERS LE Group has also a health insurance benefit which is included in the employer's contribution percentage. If the above employee retires they would also receive a \$150 health insurance benefit monthly to assist with any insurance plan they may have.

### **Retirement Plans under NDPERS LE Group**

There are 8 defined plans

#### **Single Life:**

This amount is payable to the member for as long as they are alive. If the member dies then the member's beneficiary will get a lump sum payment of any remaining amount in the retirement account, if any.

**50% Joint and Survivor:**

This amount is payable to the member for as long as they are alive. The amount is reduced based on the combine age of the member and their spouse formula. In the event of the members death their spouse will receive 50% of the monthly retirement for the rest of their life. In the case of the member's spouse passes or in the event of a divorce, the benefit will adjust back to the Single Life option amount upon receipt of certificate of death or a photo copy of the divorce decree.

**100% Joint and Survivor:**

This is payable to the member for as long as they are alive and is based on the combine age of the member and their spouse formula. In the event of the member's death, the spouse will continue to receive the same amount as if you were still alive. . In the case of the member's spouse passes or in the event of a divorce, the benefit will adjust back to the Single Life option amount upon receipt of certificate of death or a photo copy of the divorce decree.

**Twenty Year Term Certain:**

This amount is reduced based on the combine age of the member and their spouse formula. If the member dies within the first twenty (20) years of retirement, the member's beneficiary will continue to receive a monthly payment of the same amount until the end of the twenty (20) year period. If the member dies after receiving benefits for twenty (20) years, there will be no payments made to the beneficiary.

**Ten Year Term Certain:**

This amount is reduced based on the combine age of the member and their spouse formula. If the member dies within the first ten (10) years of retirement, the member's beneficiary will continue to receive a monthly payment of the same amount until the end of the ten (10) year period. If the member dies after receiving benefits for ten (10) years, there will be no payments made to the beneficiary.

**Partial Lump Sum Option (PLSO):**

This is only available to members who retire at or after their full retirement date. It is also not available to any member who select to Social Security Level Income option. This option allows members to take a partial lump sum distribution equal to 12 monthly payments of the Single Life Option and is payable at the same time as the first monthly retirement benefit. The member will still be eligible to select a Joint and Survivor or Term Certain Option as the ongoing retirement benefit. The ongoing retirement benefit will be actuarially reduced in exchange for

the partial lump sum payment. (The lump sum payment will be eligible to rollover to a traditional IRA or another eligible plan.)

**Graduated Benefit Option:**

This option allows members who are retiring March 1, 2011 or later to select the graduated benefit as either a one percent or two percent annual benefit increase. If they make this election, the member’s monthly annuity would be actuarially reduced. The member would still choose one of the optional forms of payment for their annuity benefit. The amount of the reduction will depend on the retiree’s age.

**Deferred Normal Retirement Option (DNRO):**

This option will only be available to members who retire after reaching normal retirement date. The payment is in lieu of a lump sum equal to the amount of missed payments, without interest, retroactive to the members’ normal retirement date. The member would still be permitted to choose one of the optional forms of payment for their annuity benefit (the reduced annuity would be paid as a joint and survivor or term certain option)

*The above information was taken form NDPERS online Guide Book located at:*

<https://www.nd.gov/ndpers/forms-and-publications/publications/law-enforcement.pdf>

**NDPERS LE Group PROs and CONs**

<b>PROs</b>	<b>CONs</b>
Gives options to members for retirement	Employee does not control investment
Allows Members to retire at a younger age	Cost increases will be passed on to the Employer or the Employee
Gives added benefits to employee <ul style="list-style-type: none"> <li>• Death Benefits</li> <li>• Health Benefits</li> </ul>	No defined COLA built into the system
Monthly Income stability	Is not designed to be a stand-alone retirement plan
Younger members keep the system funded	Currently has only 95 member (it should be noted that Stutsman County, Jamestown, Barnes County and Valley City are all in the process of reviewing to become members)
Will assist with recruiting and retaining employees	
Funded at 92.2%	
Has a stable trend based on assumptions	
Allows member to purchase prior service	
Has a 457 Define Contribution element	

## Impact on Current City Retirement System

In an email to Mandan Human Resources a request was made reference the cost impact that if all 35 sworn officers from the police department would enter NDPERS what would the effect on the current 457 plan be to the current employees. I was advised by Human Resources that the City of Mandan pays 10 basis points on the plan assets in the city's deferred compensation plan, and therefore that the annual fee would be reduced by \$100 for every \$100,000 (CUNA Mutual) that leaves the plan. Having the assumption that this information is true and accurate then there will be a decrease in the investment fees paid on the plan for the remaining employees on the city's plan.

With the above information there would be no negative impact on the current city's employees that will not be on NDPERS. (See attached email)

The next is the savings of cost to the city if 100% of the sworn officers move over to NDPERS. Under this model it is estimated that the cost savings to the city would be approximately \$18,573 per year. This number was derived from the current amount that the city pays towards the police defined contribution 457 plan. *(This assumption was recommended by finance due to not having the ability to accurately determine who will move and what that cost may be)*

## Exit Interviews

As part of this research twelve exit interviews were reviewed and request from finance on the cost savings from moving the police officers over to NDPERS the follow summary and recommendation will be made.

Exit interviews

- 83% left to take another position with better benefits *(on two left to get out of the profession)*
  - 25% also relocated to another area in the state.
  - 67% was dissatisfied with pay and benefits.
  - 33% cited in the interview that they were not happy with supervision and the unfairness of discipline given out by management.

When asked if there was anything that could have made them stayed with the Mandan Police Department the following responses were given:

- 50% cited moving to NDPERS and also referenced better salary with raises.
- 42% cited the health insurance cost for family plan was too expensive.
- 8% cited training, advancement opportunities and fair discipline as issues.

## MPD Employee Survey

A survey was conducted through the City of Mandan's Survey Monkey account to determine employee response to the current and possible future recruiting dilemma. Thirty one (31) employees answered the survey (as the researcher I excluded myself in the response) and the following is a summary and analysis of the survey:

**Q-1:** How many years have you worked for Mandan Police Department?

**Response Summary:** MPD is a young agency with 17 of the responding members having worked less than 7 years for the agency (54.84%). This is either indicative of high turnover through retirement, growth or individuals leaving the organization for personal reasons to include termination.

**Q-2:** Do you currently have any years in a NDPERS retirement group?

**Response Summary:** 80.65% (25) said no that they did not currently belong to a NDPERS group with only 19.35% (6) stating that they currently do have time in NDPERS. This makes the case that individuals at MPD, based on Q-7: that 93.55% prefer NDPERS over Mandan's current retirement plan, desire the options a defined benefit retirement brings to them in the future for retirement.

**Q-3:** Please rank the following in the order of importance to you 1 being the most important and 7 being the least important.

**Response Summary:** Of the 31 member that responded 80% said that pay and benefits were the most important issue with quality super vision second at 10%. When evaluating the overall score pay and benefits scored 6.43 out of 10 with leadership close behind with a 5.23. The category that scored the lowest was take home vehicles at a 1.71. The evaluation of this question could be based on that the employees personalize pay and benefits along with good leadership and look less at the tangible benefit of taking a vehicle home on restricted use.

**Q-4:** If given an opportunity to choose, which of the following would you prefer?

**Response Summary:** The response from the 31 members who answered the survey 90.32% (28) desired a defined benefit plan over a 457 defined contribution plan. This response states that individuals are looking for the stability of a defined benefit plan and it could be a direct result of an unstable stock market.

**Q-5:** When making a decision on your future with MPD, order the following from 1 being the most important to 7 being the least important.

**Response Summary:** This question was designed to breakdown Q-3 into more defined sub-sections, but keeping the integrity of the question for analysis. The response determined that retirement and pay scoring the highest at 5.30 and 5.03. Health insurance was at a distant third with a 4.40. What drives this outcome is that none of the sworn officers pay for health insurance, there may be many reasons for this; such as spouse has insurance, they have been with MPD for over 7 years or they find a cheaper plan on the open market.

**Q-6:** Do you plan on making MPD your career agency?

**Q-9:** If MPD does not have NDPERS as its retirement, you are most likely to which of the following:

**Response Summary:** 74.19% responded yes with 0% saying no and 25.81% stating that they were uncertain if they would stay for a career. The 25.81% would be potential turnover and is better explained in Q-9: If MPD does not have NDPERS as its retirement, you are most likely to which of the following: Stay, Look for another agency with NDPERS, not sure may stay and not sure may leave. Over half of the employees stated that they would stay, but 9.68% (3) said they would leave and another 12.90% (4) were leaning on leaving. In the cost of turnover section of this report for seven (7) positions the estimated cost was over \$300,000 in cost, and that does not compute the loss of the experience.

**Q-7:** When it comes to retirements which of the following do you prefer?

**Response Summary:** This question was similar to Q-4, yet one respondent changed their mind and switched from defined contribution to defined benefit.

**Q-8:** When choosing what is important to you as a MPD member which is the most important to you: 1 being the most important and 6 being of the least important to you?

**Response Summary:** This question was a follow up to Q-3 and Q-5 but leadership was changed to who I work with, and take home vehicle/better office space was changed to quality equipment along with removing recognition. The response revealed that again retirement and pay are at top of employees concerns. Health insurance and who they worked with were even, although who they worked with had more number one responses then health insurance.

**Q-10:** Would you be willing to pay some of the cost of health insurance to help offset the cost for newer employees?

**Q-11:** What is a fair percentage for health insurance cost for employees?

**Response Summary:** These two questions were written to first see if employees would entertain offsetting health insurance cost to help with recruiting and retention and second what they felt was a fair amount if any to assist with the cost. Q-10 was even with no and depends on the percentage with an overall percentage of 48.39% each and only one employee said yes they would pay something to help offset the cost. Q-11 gave the respondent choices to include keeping the health insurance the same. An over whelming number of employees said that the 95% - 5% plan (Burliegh County Plan) was the best option (48.39%) with give employees more options being last with only 3.23%. Another observation only 16.13% choose keep the plan the way it was and 22.58% saying change it for new hires only, totaling 38.71%.

**Q-12:** How concerned are you with the rising cost of health insurance?

**Response Summary:** 96.77% of all respondents are either concerned or somewhat concerned which means that even those who currently have their health insurance 100% covered have concerns. This should be considered when looking at Q-10 and Q-11 responses.

### **Executive Summary and Recommendation**

This research was conducted to determine the effects related to recruiting and retention when it pertains to a defined benefit system verses a defined contribution system and to compare surrounding police agencies to Mandan Police Department. In the course of the research it was determined that there are many root causes that complicate recruiting and retention. These causes are similar in all police organizations, but at different levels of need based on their current situation.

According to the International Association of Chiefs of Police: **Best Practice Guide "Recruitment, Retention, and Turnover of Law Enforcement Personnel"** written by W. Dwayne Orrick from the (BPG IACP) a police organizations success in retentions and recruitment impacts not only every aspect of the agency, but also impacts the services provided to the community. He also suggests that agencies approach recruitment and retention in a comprehensive manner to reduce turnover rates.

What Orrick stated is accurate with what Mandan Police Department is experiencing with recruitment and retention. It will be difficult to compete with the other departments in the Greater Bismarck area with recruitment of new employees and retaining quality employees when MPD cannot offer what the others agencies offer. This is evident in the exit interviews

that were conducted by Human Resources. MPD has loss quality employees to all three police organizations for many years. One officer even stated that unless MPD changes the retirement and benefits for their officers that the City of Mandan would continue to lose officers.

Orrick (BPG IACP) also stated that police agencies set their image of how potential employees and current employees view working for the agency. The question is who does MPD's current employees view their agency. In the survey results it is overwhelming the response to the desire for NDPERS and that the city will lose approximately 10% of their police officers if NDPERS is not implemented, lose a potential of another 39% totaling approximately half of the organization. This is something to consider when deciding on organizational image. High turnover is not an image that breeds organizational success.

With the cost of turnover increasing health care cost to families and a negative stigma from a national view recruiting and retaining quality officers will become more difficult in the coming years. It is the recommendation of this research is to consider a defined benefit retirement, reviewing health insurance options for families and supporting reimagining the police department with competitive benefits to include work environment and training/educational opportunities.

**Attached at the end of this research is and email form Finance Director Greg Welch that has information from the City Commissioners meeting on January 20, 2015 when retirement was last discussed. This document should be considered when reviewing the above information and also the attached four pages of documents from the Government Finance Committee, reference to the advantages and disadvantages of different retirement plans should also be reviewed.**

**Supporting Emails**

**City of Bismarck**

**Burleigh County**

**Supporting Documents**

**City of Mandan**

## Jason J. Ziegler

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**From:** Pat Heinert <pheinert@burleighsd.com>  
**Sent:** Thursday, February 11, 2016 10:44 AM  
**To:** Jason J. Ziegler  
**Subject:** RE: PERS Retirement, starting pay and Insurance

Jason

I will be forwarding you some information from Lindsey on Brave the Shave in another email.

As to this one;

1. Burleigh pays 100% of retirement benefits for all employees, we are part of State PERS system on the regular account, not the LE account;
2. Medical benefits, we are through PERS as well and have the Stanford Plan of which the County pays 95% of the premium both single and married. I believe the employee paid \$ 35.66 per pay period (24 pay periods a year) for family plan;
3. 2016 salary range; starting is \$ 44,142 to \$ 49, 178 with a step increase at six months probation (about 3.5% increase). Top of pay line for Deputy is \$ 66, 148. We then also pay for all holidays, so if they work they get regular pay plus time and a half for any hours worked on the holiday, if they are schedule off, they get eight additional hours of regular pay.

Hope this helps.

Pat

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**From:** Jason J. Ziegler [mailto:jziegler@mandanpd.com]  
**Sent:** Wednesday, February 10, 2016 10:52 AM  
**To:** pheinert@burleighsd.com  
**Subject:** PERS Retirement, starting pay and Insurance

Pat,

If you could send me information on what % of the PERS retirement that you pay for your employees along with the amount you cover for your employees single and family plans on Health. Also if I could have your starting pay range.

Also send me the information on Brave the Shave.

Thanks,

Jason

- Bismarck Police Department -

Pension Contribution Rates

Police Pension

City – 14.53% (increased from 13.2% in 2014)

Employee – 9.4%

Total Contribution:  $14.53\% + 9.4\% + 2.9\% = 26.83\%$

City Pension

City – 10.4%

Employee – 5.0%

Total Contribution:  $5.0\% + 10.4\% + 15.30\% \text{ (FICA)} = 30.70\%$

Social Security (FICA)

Social Security – 6.2% for both employee & employer\*

Medicare – 1.45% for both employee & employer

\* Police Pension – No Social Security paid in, Medicare only

Police Pension – Multiplier is 2.5; retirement is 55 yoa

City Pension – Multiplier is 1.75 for service prior to Jan. 1, 2005 and 2.25 for service after Dec. 31, 2004



**CITY OF MANDAN**  
**2015 ELIGIBLE EMPLOYEE BENEFIT SNAPSHOT**

**This snapshot of current benefits. See plan documents or SPD's for details.**

**PAY PERIODS** - Bi-weekly every other Friday.

<b><u>VACATION</u></b> - 1-3 years	3.69 hours per pay period	12 days per year
4-7 years	4.62 hours per pay period	15 days per year
8-12 years	5.54 hours per pay period	18 days per year
13-18 years	6.46 hours per pay period	21 days per year
19-24 years	7.38 hours per pay period	24 days per year
25 years & over	8.31 hours per pay period	27 days per year

Hire date carry over maximum 120 hours.

**SICK LEAVE** – Accrual of 3.69 hours per pay period 960 hour maximum accrual.

**LONG TERM DISABILITY** – 180 day elimination period 66.66% benefit \$6000.00 monthly max.

**SICK LEAVE FOR FAMILY MEMBERS** - Up to 40 hours per year for illness of a family member. Deducted from your sick leave balance.

**PERSONAL LEAVE** – Up to 16 hours per year. No carryover

**FUNERAL LEAVE:** Six days (48 hours) per year may be used for funeral leave as designated in the personnel policy. Balances are not carried over at year-end.

**HEALTH INSURANCE** - Years of service:

0 to less than 1-year	City pays for single policy
1 to less than 2 years	City pays for single plus 10% of family policy
2 to less than 3 years	City pays for single plus 20% of family policy
3 to less than 4 years	City pays for single plus 30% of family policy
4 to less than 5 years	City pays for single plus 40% of family policy
5 to less than 6 years	City pays for single plus 60% of family policy
6 to less than 7 years	City pays for single plus 80% of family policy
7 years or more	City pay for 100% of family policy

Eligible 17.5 Hours

Deduction made the 2<sup>nd</sup> paycheck of the month.

**LIFE INSURANCE CITY PAID** - Term \$25,000 and \$25,000 AD/D policy. Voluntary Life is available to eligible employees.

**DENTAL TDA COMPANION ELITE EMPLOYEE PAID PLAN 2016** - Single \$28.56 Single Plus \$54.40 Family \$90.94.

**City of Mandan Deferred Compensation Plan**  
**#8144**  
**Plan Highlights**

**ELIGIBILITY**

Employees are eligible to enroll in the plan after meeting the eligibility requirements listed below:

- ❖ Attained age 19
- ❖ There is no minimum service requirement

The Plan does not allow participation by employees who are:

- ❖ All full-time and regular part-time employees NOT employed by 1) City of Mandan; 2) Mandan Library; 3) Mandan Park District; or 4) Mandan Airport

**ENTRY DATES**

Upon meeting the eligibility requirements, you may enroll in the Plan on the following dates:

- ❖ Employees are eligible to enter the plan on their date of hire.

However, if you are an Eligible Employee upon date of hire, you may execute an Employee Contribution Election on or before the date you become an Employee, which will be effective on your Date of Hire.

**YOUR CONTRIBUTIONS**

Through payroll deduction, you can make pre-tax contributions from a minimum election of 2% and up to a maximum election of 100% of your eligible pay.

Pre-tax contributions that are deferred from your compensation are subject to the dollar limit for the calendar year as provided by law. The maximum dollar limit applies to the aggregate of all amounts that you contribute to this plan and to any other 457(b) plans of this employer or any other employer during the calendar year.

If you reach age 50 during the calendar year or if this is one of the last three taxable years before you reach normal retirement age, you are eligible to make catch-up contributions. The additional amount you can contribute will depend on your individual circumstances. These limits may be increased from year to year. Please check with the Plan Representative on the limit for the current calendar year.

Changes to your election to contribute will be governed by either your plan document or your employer's administrative policy.

Automatic Enrollment (Negative Election) - If you do not make an election to contribute a portion of compensation to the plan, you will be automatically enrolled in the Employee Pre-Tax Contribution feature with a contribution of 2% of compensation, 4% for Police and Firefighters (defined as Sworn Police Officers and Career Firefighters).

**ROLLOVERS**

The plan will accept rollover contributions from other eligible plans.

**DISTRIBUTIONS**

Money may be distributed from your Plan account in these events:

- ❖ Death
- ❖ Disability
- ❖ Termination of Service

Be sure to talk with your tax advisor before taking a distribution of any money from your Plan account.

**UNFORESEEABLE  
EMERGENCY  
WITHDRAWALS**

Unforeseeable emergency withdrawals are allowed from the plan for financial emergency reasons as defined in the plan document.

**LOANS**

The plan does not permit loans to participants

**VESTING**

Vesting refers to your “ownership” of a benefit from the Plan. You are always 100% vested in your Plan contributions and your rollover contributions, plus any earnings they generate.

**ACCOUNT  
INFORMATION**

You will receive a personalized account statement quarterly. The statement shows your account balance as well as any contributions and earnings credited to your account during the reporting period.

You will also have access to a website and a participant service center designed to give you current information about your Plan account. You can get up to date information about your account balance, contributions, investment choices and other Plan data.

Participant Website  
Participant Service Center

<https://www.myretirementfuture.com>  
800-279-4015 (ext. 206)

**FINANCIAL ADVISOR**

David Fitterer/Rick Kuhn/Troy M.  
Nelson  
Edward D. Jones & Co.

(701) 663-1121  
dave.fitterer@edwardjones.com

The above highlights are only a brief overview of the Plan’s features and are not a legally binding document. If there are discrepancies between the Plan Highlights and the Plan Document, the Plan Document will govern. Please read it carefully and contact your Plan Representative if you have any further questions.

The Plan Sponsor reserves the right to amend, modify or terminate this Plan at any time at its sole discretion.

**NDPERS**  
**Questions**  
**and**  
**Responses**

City of Mandan – Law Enforcement Plan Questions:  
Revised 2/24/2016

**1) What is the funded %?**

- a. Main Plan – 68.6%
- b. Law Enforcement (without prior service) Plan – 92.2%

**2) What is the risk to the city?**

If employer group chooses to leave NDPERS retirement plan at a future date, an actuarial study must be done by the plan's actuary to determine the accrued benefit of all vested employees minus allocated assets from the date of participation. The interest assumption used must be the plan's interest assumption used for funding purposes. Any costs incurred by the fund, resulting from a political subdivision ceasing participation, must be assessed against the political subdivision.

**3) What is the risk to the employee?**

Employee may choose to not take a lifetime monthly annuity benefit and choose to liquidate account balance. The member received 7.5% interest annually compounded monthly on account balance. The member can only refund the member contributions (currently 7% Main Plan and 5.5% in Law Enforcement Plan) along with associated PEP contributions and associated interest. The member cannot vest fully in the employer retirement contributions (currently 7.12% Main Plan and 7.93% in Law Enforcement Plan) and Retiree Health Credit Contributions (currently 1.14%).

**4) What is the health insurance coverage with the plan?**

Member may continue COBRA coverage for up to 18 months after separating from employment. Member may also elect to take dental, vision, and/or Medicare supplement and prescription coverage through NDPERS as a retiree.

**5) Does having a defined benefit plan help with recruiting and retention?**

This is something that must be determined by the employer. We do not have any data from participating Law Enforcement plan employers concerning recruiting and retention.

**6) Who assumes the cost of the plan increase if adjusted? (Employee or Employer)**

It would likely be both but would depend on the action at that time. In previous years, legislation approved employee contribution increases. As part of an annual actuarial evaluation, the NDPERS board sets the employer contribution rate that is actuarially necessary to maintain appropriate funding levels.

**54-52-06.3. Contribution by peace officers and correctional officers employed by political subdivisions - Employer contribution.**

**14) Will the recent state budget cuts have any impact on NDPERS and increase the liability to the city?**

No

**15) If my agency joined PERS would we be considered a NEW NDPERS Employer Group with the breakdown of Employee: 5.5% Employer: 7.93% Employer Health Insurance: 1.14%**

Yes, this is correct: Employee: 5.5% Employer: 7.93% Employer Health Insurance: 1.14%

**16) I know that Grand Forks PD is on the main PERS. How many other police are on the main PERS and why are they not in the LE PERS?**

More political subdivisions are not in the LE plan because it is relatively new. The NDPERS LE plan was offered in August 2003 to political subdivisions, while the NDPERS Main plan has been around since 1977.

**17) If GF hires anyone new do they go into the main PERS plan?**

Yes, as they have not setup the NDPERS LE Plan.

**18) If someone for Grand Forks decided to come work for an agency that has the LE PERS is that transferable and is there a cost if so?**

The member would be enrolled in the PERS plan that the member is eligible and has available through that specific NDPERS employer agency. If they transfer from one agency offering the "Main Plan" only to another agency offering the "Main Plan" and "LE plan", the peace officer would be enrolled in the "LE Plan". The member would become a dual member in the NDPERS system. This allows the member to have a calculated benefit in both plans based upon normal retirement date and years of service in each respective plan. However service credit in both plans may allow the member to vest or reach the "Rule of 85" in the other plan earlier. There is no cost to the member other than the differing contribution rates for each retirement plan specific to each agency.

**19) Is the rule of 85 still good for LE NDPERS or is it rule of 90?**

In the Law Enforcement Plan Normal Retirement Age is age 55 or Rule of 85. In the Main Plan, Normal Retirement Age is age 65 or Rule of 85 for members hired on or before 12/31/2015 (age 65 or Rule of 90 for members hired on or after 1/1/2016)

**Supporting Emails**  
**City of Mandan HR**  
**Finance Department**

## Jason J. Ziegler

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**From:** Kevin Wilson <kwilson@cbipayroll.com>  
**Sent:** Thursday, February 25, 2016 3:44 PM  
**To:** Jason J. Ziegler; Human Resources  
**Cc:** Jim Neubauer  
**Subject:** RE: City of Mandan [c8144] Extra Retirement Plan Costs

No attachment. Yes, that is the response.

Sent from my Verizon Wireless 4G LTE smartphone

----- Original message -----

**From:** "Jason J. Ziegler" <jziegler@mandanpd.com>  
**Date:** 2/25/2016 3:26 PM (GMT-06:00)  
**To:** Human Resources <hr@cityofmandan.com>  
**Cc:** Jim Neubauer <jneubauer@cityofmandan.com>  
**Subject:** RE: City of Mandan [c8144] Extra Retirement Plan Costs

Kevin,

Is there an attachments for this? So if I am reading correctly if \$1,000,000 in assets move the cost of the annual fee paid by the employees would drop by \$1,000.00?

Chief

---

**From:** Human Resources  
**Sent:** Thursday, February 25, 2016 2:14 PM  
**To:** Jason J. Ziegler  
**Subject:** FW: City of Mandan [c8144] Extra Retirement Plan Costs

Chief,

See threads below.

Kevin

HR  
City of Mandan  
205 2nd Ave NW  
Mandan, ND 58554  
Phone 701-667-3217  
Fax 701-667-3223  
[www.cityofmandan.com](http://www.cityofmandan.com)

---

**From:** Dorner, Sharon M [mailto:Sharon.Dorner@edwardjones.com]  
**Sent:** Wednesday, February 24, 2016 9:48 AM

## Jason J. Ziegler

---

**From:** Human Resources  
**Sent:** Thursday, February 25, 2016 2:14 PM  
**To:** Jason J. Ziegler  
**Subject:** FW: City of Mandan [c8144] Extra Retirement Plan Costs

Chief,

See threads below.

Kevin

HR  
City of Mandan  
205 2nd Ave NW  
Mandan, ND 58554  
Phone 701-667-3217  
Fax 701-667-3223  
[www.cityofmandan.com](http://www.cityofmandan.com)

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**From:** Dorner, Sharon M [mailto:Sharon.Dorner@edwardjones.com]  
**Sent:** Wednesday, February 24, 2016 9:48 AM  
**To:** Human Resources  
**Subject:** FW: City of Mandan [c8144]

Hi Kevin,  
Here is some information that I received from Jeanette at Cuna Mutual  
Thanks,  
Sharon

See how Troy ranks 4 years in a row: <http://online.barrons.com/report/top-financial-advisors/1000/northdakota/2015>  
Barron's magazine, "America's Top 1200 Financial Advisors, State by State," Feb.20, 2015. Financial Advisor's rankings were based upon various criteria including but not limited to: industry experience, assets under management, revenue produced for the firm, return on assets, client satisfaction/retention, regulatory/compliance record, quality of practice and philanthropic work. The rating may not be representative of any one client's experience because it reflects a sample of all the experiences of the Financial Advisor's clients and is not indicative of the Financial Advisor's future performance. Neither Edward Jones nor any of its Financial Advisors pay a fee to Barron's in exchange for the rating. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. For more information on ranking methodology, go to [www.barrons.com](http://www.barrons.com).

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**From:**  
**Sent:** Wednesday, February 24, 2016 9:29 AM  
**To:**  
**Subject:** RE: City of Mandan [c8144]

Sharon,

The City of Mandan pays 10 basis points on plan assets in the City of Mandan Deferred Compensation Plan. The annual fee would be reduced by \$100 for each \$100,000 that leaves the plan. The Plan also receives a Full Disclosure Credit but

it's impossible to estimate the change in that amount because that credit is based on the Sub TAs paid by the individual fund companies.

Please let me know if you need anything further.

Jeanette Corbett, QKA, TGPC  
Plan Services Consultant – Customer Operations | CUNA Mutual Group  
800.279.9915, Ext. 8473597 | (F) 620.793.7463  
[Jeanette.Corbett@cunamutual.com](mailto:Jeanette.Corbett@cunamutual.com)

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**From:**  
**Sent:** Wednesday, February 24, 2016 8:46 AM  
**To:**  
**Subject:** RE: City of Mandan [c9144]  
**Importance:** High

Hi Jeanette,  
Kevin is asking for an estimate and needs this by Friday. I am going to copy part of the email and can you help me out with this.

Since the Plan pays the fees, can an estimate be made for every \$100,000 that leaves the plan what the cost is to the remaining plan participants? Cost in terms of yield, fees etc. Call if you have any questions. Need this by Friday. Thanks

Thanks,  
Sharon

See how Troy ranks 4 years in a row: <http://online.barrons.com/report/top-financial-advisors/1000/northdakota/2015>  
Barron's magazine, "America's Top 1200 Financial Advisors, State by State," Feb.20, 2015. Financial Advisor's rankings were based upon various criteria including but not limited to: industry experience, assets under management, revenue produced for the firm, return on assets, client satisfaction/retention, regulatory/compliance record, quality of practice and philanthropic work. The rating may not be representative of any one client's experience because it reflects a sample of all the experiences of the Financial Advisor's clients and is not indicative of the Financial Advisor's future performance. Neither Edward Jones nor any of its Financial Advisors pay a fee to Barron's in exchange for the rating. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. For more information on ranking methodology, go to [www.barrons.com](http://www.barrons.com).

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**From:**  
**Sent:** Tuesday, February 02, 2016 10:14 AM  
**To:**  
**Subject:** FW: City of Mandan [c9144]

Sharon,

So sorry for the delay. I am now the consultant for these plans. Is that attached information what you need?

Thank you.

Jeanette Corbett, QKA, TGPC  
Plan Services Consultant – Customer Operations | CUNA Mutual Group  
800.279.9915, Ext. 8473597 | (F) 620.793.7463  
[Jeanette.Corbett@cunamutual.com](mailto:Jeanette.Corbett@cunamutual.com)

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**From:**  
**Sent:** Tuesday, January 26, 2016 10:35 AM  
**To:**  
**Subject:** City of Mandan

Hi Russell,  
Can you please get me the fees and expenses for the two plans?  
Thanks,  
Sharon

See how Troy ranks 4 years in a row: <http://online.barrons.com/report/top-financial-advisors/1000/northdakota/2015>  
Barron's magazine, "America's Top 1200 Financial Advisors, State by State," Feb.20, 2015. Financial Advisor's rankings were based upon various criteria including but not limited to: industry experience, assets under management, revenue produced for the firm, return on assets, client satisfaction/retention, regulatory/compliance record, quality of practice and philanthropic work. The rating may not be representative of any one client's experience because it reflects a sample of all the experiences of the Financial Advisor's clients and is not indicative of the Financial Advisor's future performance. Neither Edward Jones nor any of its Financial Advisors pay a fee to Barron's in exchange for the rating. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved. For more information on ranking methodology, go to [www.barrons.com](http://www.barrons.com).

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Sharon Dorner  
Senior Branch Office Administrator  
Edward Jones  
1701 Burnt Boat Drive  
Bismarck, ND 58503  
(701) 255-1196  
[www.edwardjones.com](http://www.edwardjones.com)

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## Jason J. Ziegler

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**From:** Greg Welch  
**Sent:** Friday, February 05, 2016 5:50 PM  
**To:** Jason J. Ziegler  
**Cc:** Jim Neubauer; Krissy M. Pfeifer  
**Subject:** RE: Retirement  
**Attachments:** Pension.xlsx

Jason,

Attached is a spreadsheet that I created for you. I only had time to calculate based on 100% participation. At 100% participation, the City would only save \$18,573.

Greg Welch  
Finance Director  
City of Mandan  
205 2nd Avenue NW  
Mandan, ND 58554  
Phone: 701-667-3213  
Fax: 701-667-3223  
Email: [gwelch@cityofmandan.com](mailto:gwelch@cityofmandan.com)  
Web: [www.cityofmandan.com](http://www.cityofmandan.com)

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**From:** Jason J. Ziegler  
**Sent:** Friday, February 05, 2016 11:29 AM  
**To:** Greg Welch  
**Subject:** Retirement

Greg,

If the PD moves to NDPERS they would only be required to pay 9.07% to NDPERS and the employee would pay 5.5%. Can you estimate the amount the city would save if they put only 9.07% compared to 10% of the employees retirement and if you can break it down in increments of if 100% join, 90%, 50%, 30% and 20%. I am not sure if it would be able to break it down also by pay grade for the PD also.

If there are any questions or you want to talk to me about this please let me know.

Thanks,

Jason

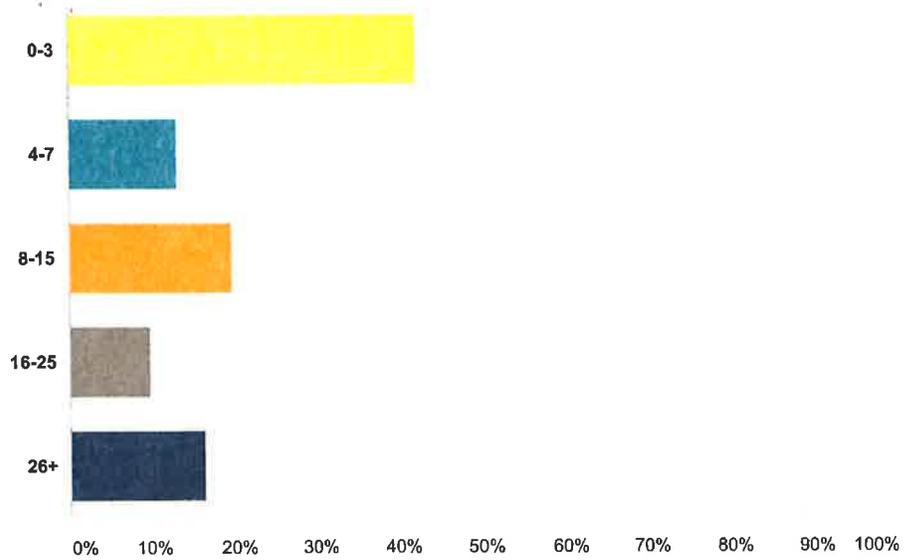
# **Survey Response**

## **MPD Employees**

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### Q1 How many years have you worked for Mandan Police Department?

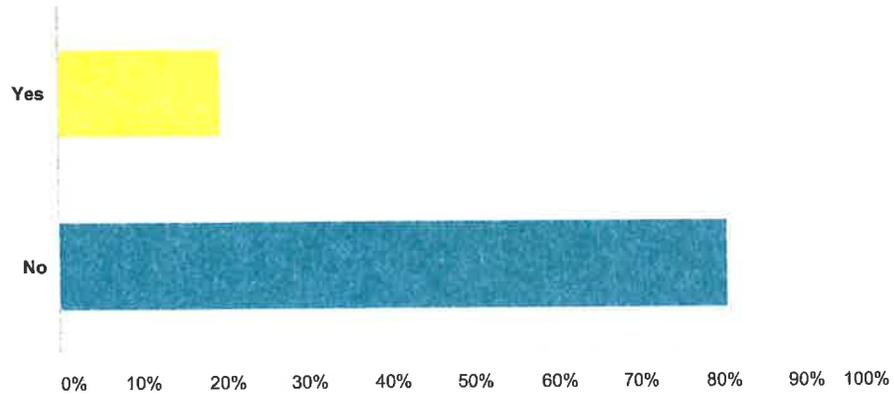
Answered: 31 Skipped: 0



Answer Choices	Responses	
0-3	41.94%	13
4-7	12.90%	4
8-15	19.35%	6
16-25	9.68%	3
26+	16.13%	5
<b>Total</b>		<b>31</b>

### Q2 Do you currently have any years in a NDPERS retirement group?

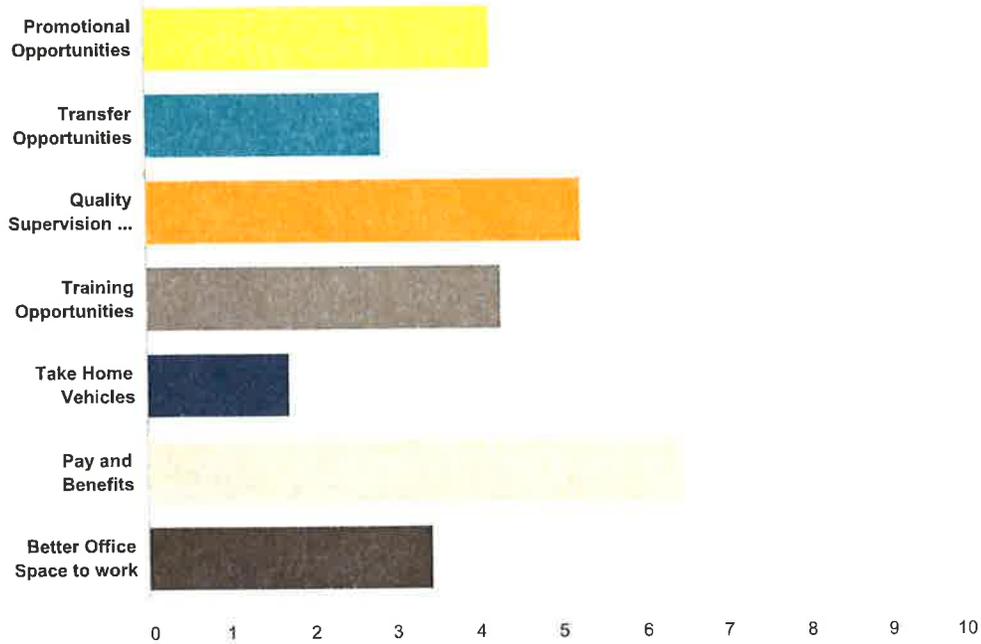
Answered: 31 Skipped: 0



Answer Choices	Responses	
Yes	19.35%	6
No	80.65%	25
<b>Total</b>		<b>31</b>

**Q3 Please rank the following in the order of importance to you 1 being the most important and 7 being the least important.**

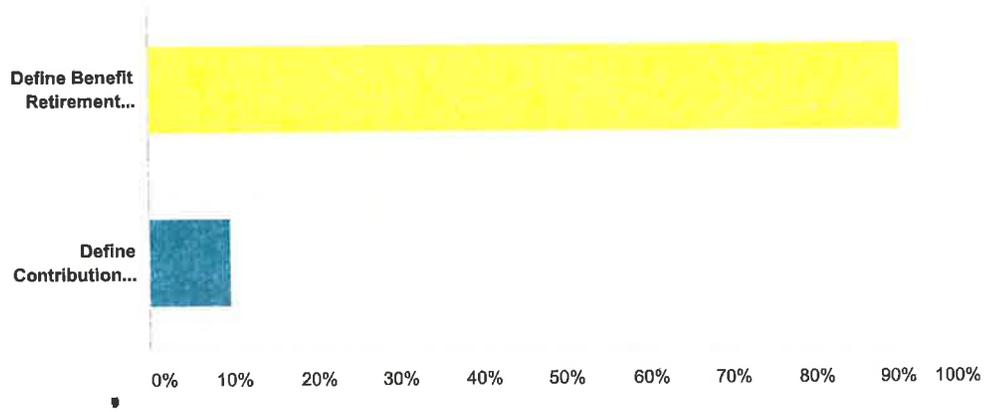
Answered: 31 Skipped: 0



	1	2	3	4	5	6	7	Total	Score
Promotional Opportunities	0.00% 0	16.67% 5	23.33% 7	40.00% 12	6.67% 2	6.67% 2	6.67% 2	30	4.17
Transfer Opportunities	0.00% 0	6.67% 2	3.33% 1	13.33% 4	30.00% 9	36.67% 11	10.00% 3	30	2.83
Quality Supervision and Leadership	10.00% 3	46.67% 14	26.67% 8	3.33% 1	3.33% 1	6.67% 2	3.33% 1	30	5.23
Training Opportunities	0.00% 0	12.90% 4	29.03% 9	38.71% 12	12.90% 4	6.45% 2	0.00% 0	31	4.29
Take Home Vehicles	6.45% 2	0.00% 0	0.00% 0	3.23% 1	6.45% 2	9.68% 3	74.19% 23	31	1.71
Pay and Benefits	80.00% 24	6.67% 2	6.67% 2	0.00% 0	0.00% 0	3.33% 1	3.33% 1	30	6.43
Better Office Space to work	6.45% 2	9.68% 3	9.68% 3	3.23% 1	38.71% 12	29.03% 9	3.23% 1	31	3.42

### Q4 If given an opportunity to choose, which of the following would you prefer?

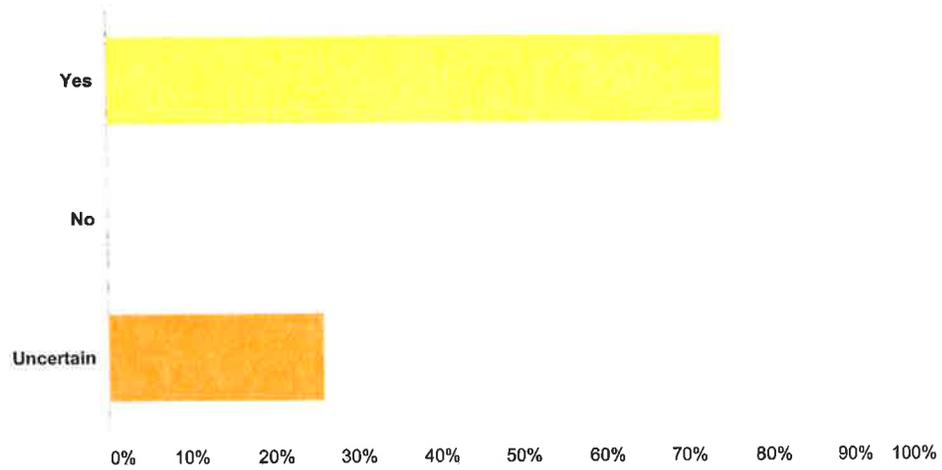
Answered: 31 Skipped: 0



Answer Choices	Responses
Define Benefit Retirement (NDPERS)	90.32% 28
Define Contribution Retirement (457 Deferred Comp)	9.68% 3
<b>Total</b>	<b>31</b>

### Q6 Do you plan on making MPD your career agency?

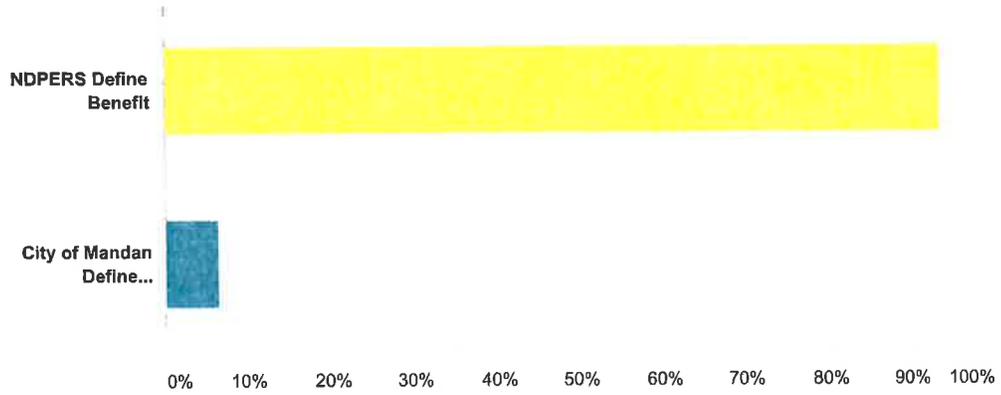
Answered: 31 Skipped: 0



Answer Choices	Responses	
Yes	74.19%	23
No	0.00%	0
Uncertain	25.81%	8
<b>Total</b>		<b>31</b>

### Q7 When it comes to retirement which of the following do you prefer?

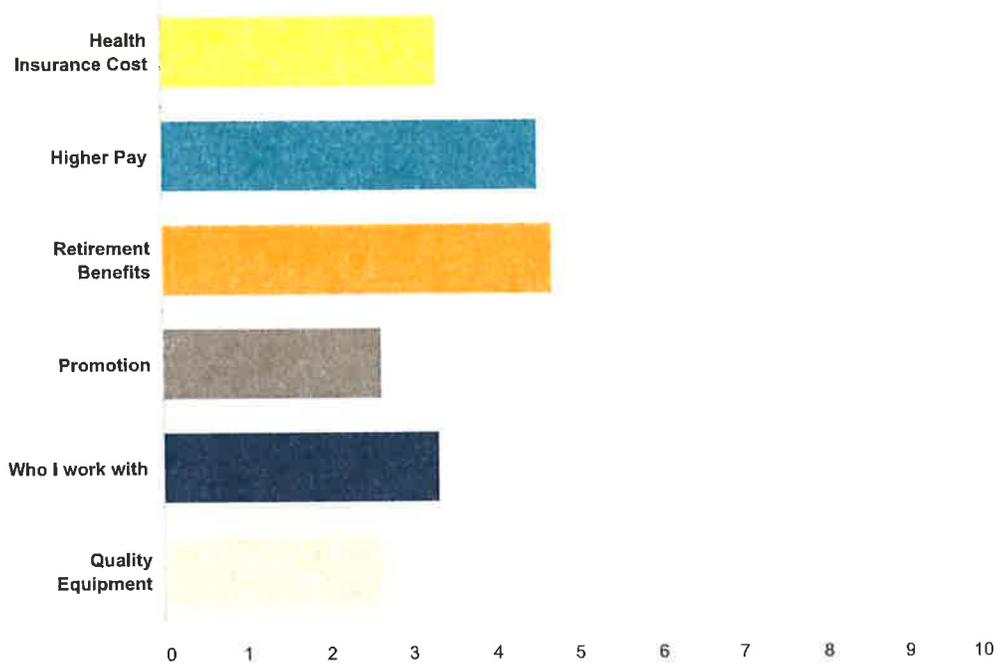
Answered: 31 Skipped: 0



Answer Choices	Responses	
NDPERS Define Benefit	93.55%	29
City of Mandan Define Contribution (457 plan)	6.45%	2
<b>Total</b>		<b>31</b>

**Q8 When choosing what is important to you as a MPD member which is the most important to you: 1 being the most important and 6 being of least important to you?**

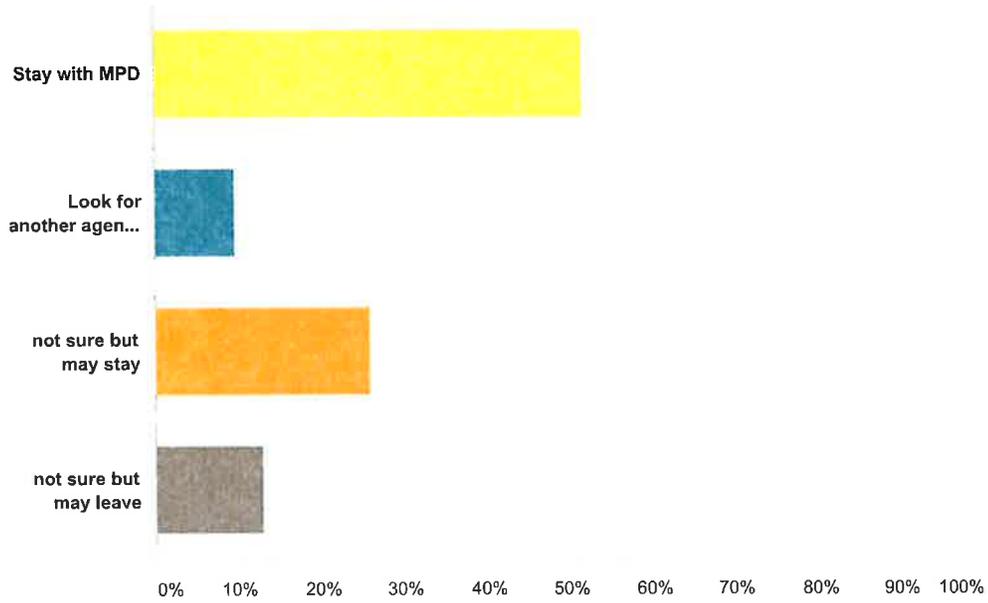
Answered: 30 Skipped: 1



	1	2	3	4	5	6	Total	Score
Health Insurance Cost	10.71% 3	17.86% 5	21.43% 6	10.71% 3	21.43% 6	17.86% 5	28	3.32
Higher Pay	16.67% 5	40.00% 12	33.33% 10	3.33% 1	3.33% 1	3.33% 1	30	4.53
Retirement Benefits	50.00% 15	13.33% 4	10.00% 3	16.67% 5	3.33% 1	6.67% 2	30	4.70
Promotion	6.67% 2	3.33% 1	16.67% 5	23.33% 7	20.00% 6	30.00% 9	30	2.63
Who I work with	17.24% 5	6.90% 2	13.79% 4	34.48% 10	6.90% 2	20.69% 6	29	3.31
Quality Equipment	0.00% 0	20.00% 6	6.67% 2	10.00% 3	43.33% 13	20.00% 6	30	2.63

### Q9 If MPD does not have NDPERS as its retirement, you are most likely to do which of the following:

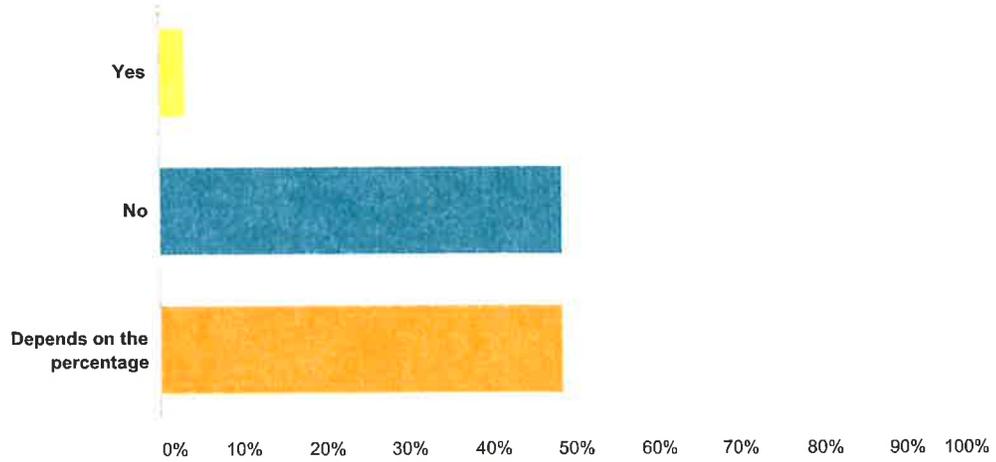
Answered: 31 Skipped: 0



Answer Choices	Responses
Stay with MPD	51.61% 16
Look for another agency with a defined benefit retirement	9.68% 3
not sure but may stay	25.81% 8
not sure but may leave	12.90% 4
<b>Total</b>	<b>31</b>

### Q10 Would your be willing to pay some of the cost of health insurance to help offset the cost for newer employees?

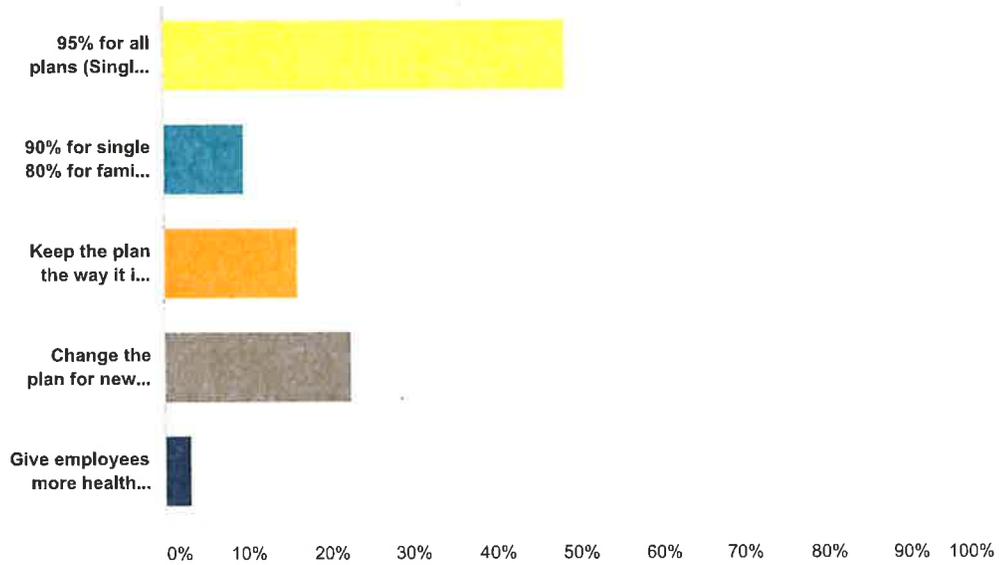
Answered: 31 Skipped: 0



Answer Choices	Responses	
Yes	3.23%	1
No	48.39%	15
Depends on the percentage	48.39%	15
<b>Total</b>		<b>31</b>

### Q11 What is a fair percentage for health insurance cost for employee?

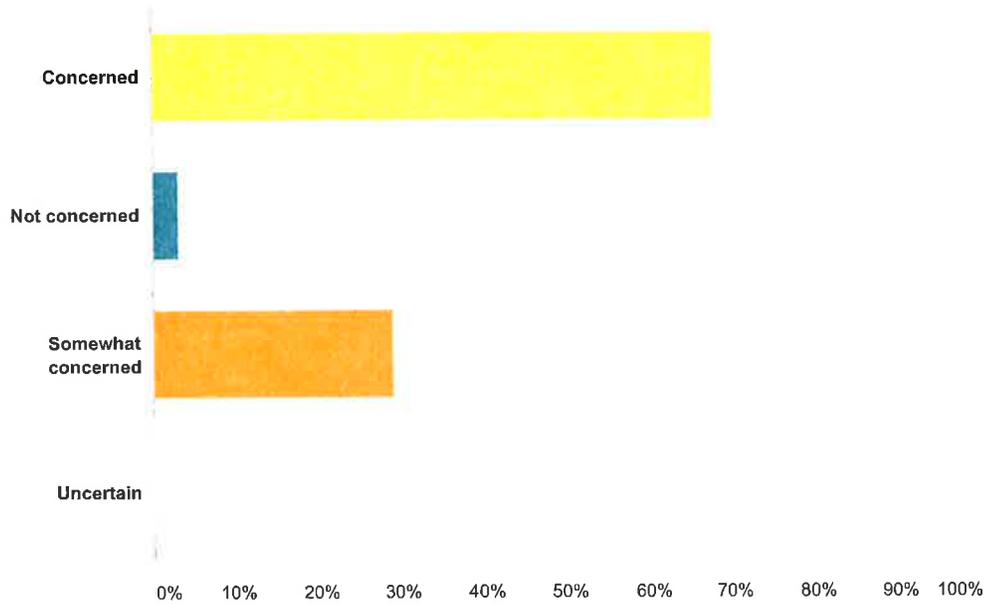
Answered: 31 Skipped: 0



Answer Choices	Responses
95% for all plans (Single and Family) paid by city	48.39% 15
90% for single 80% for family paid by city	9.68% 3
Keep the plan the way it is currently	16.13% 5
Change the plan for new hires only	22.58% 7
Give employees more health insurance options such as higher deductibles to reduce cost	3.23% 1
<b>Total</b>	<b>31</b>

### Q12 How concerned are you with the rising cost of health insurance?

Answered: 31 Skipped: 0



Answer Choices	Responses	
Concerned	67.74%	21
Not concerned	3.23%	1
Somewhat concerned	29.03%	9
Uncertain	0.00%	0
<b>Total</b>		<b>31</b>

# **Email Finance Director**

**Government Finance Committee Documents**

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## Jason J. Ziegler

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**From:** Greg Welch  
**Sent:** Thursday, March 03, 2016 11:39 AM  
**To:** Jason J. Ziegler  
**Cc:** Jim Neubauer; Krissy M. Pfeifer  
**Subject:** RE: Retirement study and Survey  
**Attachments:** Retirement Plan Component Comparisons.pdf; 2014-03 Defined Benefit vs Defined contribution.pdf

Jason,

After reviewing (from a high level) your NDPERS Police Retirement Study, I don't have any substantive comments to make regarding your research or conclusions.

However, I would offer the following information attached based on the City's past correspondence concerning this same topic:

- Retirement Plan Component Comparisons prepared by the North Dakota Legislative Council during February 2014 for the Government Finance Committee. Included are the advantages and disadvantages for Defined Benefit Retirement Plans and Defined Contribution Retirement Plans as well as a comparison of the major components for each Retirement Plan.
- Defined Benefit Plan vs. Defined Contribution Plan prepared by the North Dakota Legislative Council during March 2014 for the Government Finance Committee.

From the Board of the City Commissioners meeting on January 20, 2015, the following issues were noted in the Agenda Documentation relating to the Law Enforcement Retirement Plan:

*Issues that we see in joining a DB plan for Law Enforcement is the loss of control over what the City's employer share of the plan will be in the future. If we were to join the plan, it would be up to the plan administrator to determine the employers share the City of Mandan would not control this part of its budget. In times of market downturns it most likely would be the employer being asked to increase its contribution to the plan in order to keep it actuarial sound. In addition, part of the analysis when determining a borrowing rate for the City, its raters have asked if we have a DB or DC plan. A DC plan is favorable as DB plans have the potential for unfunded liabilities and if that were the case it may have a negative impact on the interest rates in which we borrow money at. We have asked if that impact can be quantified, but, the response has been "it is difficult to quantify without knowing what size the liability is...". The plan, if the City were to join, as of July 2014, has minimal unfunded (Market Value \$2.2M vs \$2.263M) liability with 83 participants in the plan.*

I would encourage you to consider the information above in your correspondence to the Board so that the City Commissioners have everything they need to make an educated and informed decision.

Thanks!

Greg Welch  
Finance Director  
City of Mandan  
205 2nd Avenue NW  
Mandan, ND 58554  
Phone: 701-667-3213  
Fax: 701-667-3223

## RETIREMENT PLAN COMPONENT COMPARISONS

Retirement plans are generally categorized as one of the following types: defined benefit retirement plans, defined contribution retirement plans, or hybrid retirement plans. Most hybrid plans, including cash balance plans, have been created by adopting selected components of defined benefit plans and defined contribution plans. This memorandum describes components of each type of retirement plan and potential advantages and disadvantages of each type of retirement plan.

### DEFINED BENEFIT RETIREMENT PLANS

Defined benefit retirement plans are traditional pension plans that provide a lifelong annuity upon retirement, usually based on final average salary and length of service. Major components of defined benefit retirement plans include:

- Both the employer and employee may be required to contribute, but the benefits are not based on employee contributions.
- The employer, through a pension fund, determines how funds are invested and managed.
- A predetermined formula defines contributions and benefits to be paid out in advance.
- Some plans may include postretirement benefit adjustments, disability and life insurance, and retiree health insurance.
- Some plans may provide cost-of-living adjustments (COLAs).

The calculation used for the defined benefit retirement plan formula is generally an employee's years of service multiplied by a benefits factor multiplied by the employee's final average salary during a specified number of months. The funds in defined benefit retirement plans are controlled by the employer, and any investment risk or any investment rewards are assumed by the employer rather than the employee.

Advantages of defined benefit plans include:

- Guaranteed lifetime income to retired employees.
- More retirement income for career employees.
- Investment management fees are usually lower than defined contribution plans.
- Investment returns, on average, are higher than defined contribution plans.
- Potential inflation protection for employees during career.
- Employer incentive for potential investment gains.

Disadvantages of defined benefit plans include:

- Noncareer employees generally benefit less than career employees.
  - Cost of plan can fluctuate each year. *- All Plans do this*
  - Benefits are not as portable as defined contribution plans. *ND PERS IS Portable and allows (PEP)*
  - Employer is at risk for potential investment losses. *Members > buy in from other systems.*
- Employee For ND PERS*

### DEFINED CONTRIBUTION RETIREMENT PLANS

Defined contribution retirement plans provide individual retirement accounts into which both the employer and the employee make contributions and, with accumulated investment returns, provide the basis for a retirement benefit. Major components of defined contribution retirement plans include:

- Employer and employee both contribute to the account.
- Generally, the employee determines how funds are invested (the investment options may be limited to certain indexes or funds as determined by the employer).
- Employer contributions to the account are guaranteed, but not the future benefits.
- Employer and employee contributions are defined and known in advance, but the *benefits to be paid out are not known until retirement.*

Defined contribution retirement plans are generally established to contribute a certain percentage based on an employee's salary or to match a certain percentage based on an employee's salary in relation to the percentage an employee contributes. At retirement, the balance of the fund is the basis of the employee's retirement benefit. The employer does not guarantee a benefit and usually does not provide postretirement benefit increases or any COLAs. The funds in defined contribution retirement plans are controlled by the employee, and any investment risk or any investment rewards are assumed by the employee rather than the employer.

Advantages of defined contribution plans include:

- Contribution amount is easy to determine, understood, and usually constant.
- More retirement income to noncareer employees we want career employees
- Retirement account balances can transfer from one employer to another.
- Costs are fully funded.
- Employee incentive for potential investment gains.

Disadvantages of defined contribution plans include:

- Less retirement income for career employees.
- Benefits are not related to preretirement working pay.
- Employee risks potentially outliving accumulated assets.
- Employee risks potential investment losses.
- Less incentive to retain employees.

### **HYBRID RETIREMENT PLANS (COMBINATION OF THE TWO PLANS)**

Hybrid retirement plans combine elements of defined benefit retirement plans and defined contribution retirement plans. Generally, employees may be eligible for both a defined benefit plan component and a defined contribution plan component, or both components may be mandatory. Employer contributions generally finance the defined benefit plan component to provide an annuity at retirement, and employee contributions accumulate in an individual retirement account under the components of defined contribution plans.

Any formulas for calculating benefits, control of funds, or any investment risks or investment rewards would be based on how the hybrid plan is structured and what components are included from defined benefit retirement plans and defined contribution retirement plans.

Depending on which components are adopted from defined benefit or defined contribution plans, hybrid plans would share similar advantages and disadvantages of these plans.

Advantages of hybrid retirement plans include:

- More flexibility to meet both employee and employer goals.
- More options for employees at retirement, including lifetime payments or a lump sum payment.
- More portable than traditional defined benefit retirement plans.
- Less investment risk to employees than defined contribution retirement plans.
- Less investment risk to employers than defined benefit retirement plans.

Disadvantages of hybrid retirement plans include:

- May be more complicated than defined benefit retirement plans or defined contribution retirement plans.

### **CASH BALANCE PLANS**

Cash balance retirement plans are a form of a hybrid plan. Like defined contribution retirement plans, they provide each employee with an individual retirement account into which both the employer and employee make contributions. Funds in the employee retirement account are pooled for investment purposes, employee balances are guaranteed, and the employee is guaranteed an annual rate of return. Major components of cash balance plans include:

- Each employee has an individual retirement account.
- Employer and employee both contribute to the account.
- The employee does not choose how the retirement funds are invested.
- The employee accounts are all managed in one commingled fund, and employees are guaranteed a specified return on their accounts.
- The employee may receive additional amounts above the guaranteed annual rate of return depending on the actual rate of return on the commingled fund.
- Upon retirement, the employee receives an annuity based on the account balance and may have additional benefit options, including COLAs.

Advantages of cash balance plans include:

- Plan calculation is easy to determine, understood, and usually constant.
- If the employee leaves before retirement, the employee can take a lump sum payment and roll over to an individual retirement account (IRA).
- Employee can choose between a lifetime annuity or a lump sum payment upon retirement.
- Employees are guaranteed a certain rate of return, and may receive additional amounts if the actual rate of return on pool of funds is higher.
- Employer's potential for investment loss risk is limited.

Disadvantages of cash balance plans include:

- Employer is at a limited risk for potential investment losses.
- Employee does not have ability to control the investment of funds.

The following schedule provides a comparison of the major components of each type of retirement plan:

Features	Defined Benefit Retirement Plan	Defined Contribution Retirement Plan	Cash Balance Retirement Plan	Hybrid Retirement Plan
Employer obligation to make payments end	Lifetime of the employee, and perhaps a survivor	Employee's tenure on the job	Employee's tenure on the job	Depends on how the plan is structured
Cost-of-living adjustment	Most plans offer, depending on an actuarial estimation	No	Most plans offer, depending on fund's overall annual rate of return	Depends on how the plan is structured
What employee receives upon retirement	Promise of a fixed monthly payment	A lump sum that may be converted to an annuity or drawn down, as with an IRA	Promise of a fixed monthly payment	Depends on how the plan is structured
Investment control	Employer	Employee acting within limits established by the employer	Employer	Depends on how the plan is structured
Benefit calculation	Years of service, benefit multiplier, final average salary	Percentage of salary deposited over time, with earnings and possibly employer matching funds	Percentage of salary credited to a commingled account, plus an interest rate set by the employer	Depends on how the plan is structured
Does plan reward longevity or mobility	Longevity (generally)	Mobility (generally)	Either	Depends on how the plan is structured
Can employee supplement money contributed by the employer	No (generally)	Yes	No (generally)	Depends on how the plan is structured
At risk or reward for investment gains or losses	Employer	Employee	Employer, but limited	Depends on how the plan is structured

# Retirement Options - Summary of Results

General comparison of a defined benefit, defined contribution, and a hybrid retirement account based on limited assumptions listed below.

March 2014

**Assumptions**

Description	Defined Benefits	Defined Contribution	Hybrid	Defined Benefits	Defined Contribution
Beginning salary	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Years of service	25	25	25	25	25
Employer contribution percentage	11.12%	11.12%	11.12%	7.12%	4.00%
Employee contribution percentage	3.00%	3.00%	3.00%	0.00%	3.00%
Average annual return on investment	8.00%	8.00%	8.00%	8.00%	8.00%
Average annual wage increase percentage	4.50%	4.50%	4.50%	4.50%	4.50%
Benefits multiplier - Define benefits	2.0%	1.0%	1.0%	1.0%	20.0
Life expectancy - Years in retirement	20.0	20.0	20.0	20.0	20.0

**Prior to Retirement**

Description	Defined Benefits	Defined Contribution	Hybrid	Defined Benefits	Defined Contribution
Ending annual salary	\$ 115,041	\$ 115,041	\$ 115,041	\$ 115,041	\$ 115,041
Total employer contributions	\$ 198,226	\$ 198,226	\$ 198,226	\$ 126,922	\$ 71,304
Total employee contributions	\$ 53,478	\$ 53,478	\$ 53,478	\$ -	\$ 53,478
Investment income - Preretirement	\$ 421,174	\$ 421,174	\$ 421,174	\$ 212,377	\$ 208,797
Total retirement funding available at retirement	\$ 672,878	\$ 672,878	\$ 672,878	\$ 339,298	\$ 333,580

**Scenario 1 - Annual Retirement Payouts Equal for All Plans**

Description	Defined Benefits	Defined Contribution	Hybrid	Defined Benefits	Defined Contribution
Retirement payout per year	\$ 55,079	\$ 55,079	\$ 55,079	\$ 27,539	\$ 27,539
Life expectancy / Years funds available	20.0	47.5	DB-20 / DC-43.58	20.0	43.58
Total retirement funding available at retirement	\$ 672,878	\$ 672,878	\$ 672,878	\$ 339,298	\$ 333,580
Investment income post retirement (Less:) Retirement payout estimate - Lifetime	\$ 1,040,288	\$ 1,942,877	\$ 1,397,850	\$ 531,372	\$ 866,478
	\$ (1,101,578)	\$ (2,615,755)	\$ (1,750,846)	\$ (550,789)	\$ (1,200,058)
Payout savings / (Costs) for employer	\$ 611,589	N/A	\$ 319,881	\$ 319,881	N/A

**Scenario 2 - Life Expectancy Equal for All Plans**

Description	Defined Benefits	Defined Contribution	Hybrid	Defined Benefits	Defined Contribution
Retirement payout per year	\$ 55,079	\$ 67,539	\$ 61,022	\$ 27,539	\$ 33,482
Life expectancy / Years funds available	20.0	20.0	20.00	20.0	20.0
Total retirement funding available at retirement	\$ 672,878	\$ 672,878	\$ 672,878	\$ 339,298	\$ 333,580
Investment income post retirement	\$ 1,040,288	\$ 677,895	\$ 867,439	\$ 531,372	\$ 336,067
Retirement payout estimate - Lifetime	\$ (1,101,578)	\$ (1,350,773)	\$ (1,220,436)	\$ (550,789)	\$ (669,647)
Payout savings / (Costs) for employer	\$ 611,589	N/A	\$ 319,881	\$ 319,881	N/A