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Divided council approves police contract, costs and all Higher taxes are expected, but a councilman calls it the best long-term solution.

OMAHA POLICE CONTRACT: HOW THEY VOTED Spiking taken out of pension equation

Author(s): Maggie O'Brien and Paul Goodsell **WORLD-HERALD STAFF WRITER** **Date:** August 18, 2010 **Section:** News

A city tax increase may be nearly impossible to avoid now that the **Omaha** City Council has approved a new labor contract with **police**. Tuesday's 4-3 vote came after weeks of phone calls, lobbying and public feedback on Mayor Jim Suttle's controversial **police** contract proposal.

A few audience members booed as council members cast their votes.

"It's a sad day for **Omaha**," a man hollered as he left the council chambers.

In a statement released within minutes of the vote, Suttle's office thanked the council for its support.

"This contract takes our city another step closer to financial solvency and represents a reform in the way we approach city finances," Suttle said. "We must continue to work together to make difficult but responsible decisions."

The contract, which runs through 2013, includes wage freezes for 2009 and 2010 but also includes raises in the last three years of the deal. For 2011, those raises are estimated to cost city taxpayers \$7.9 million.

The city also must kick in an extra \$13 million each year to help shore up the troubled **police** and fire **pension** fund.

In total, the city will have to come up with an additional \$21.4 million

next year to pay costs associated with the new contract.

Suttle has said new city revenue sources are necessary for the city to come up with enough money to put into the fund, which has a long-term estimated shortfall of \$620 million.

As part of his 2011 budget package, the mayor has pitched a new 4 percent tax on restaurant, bar and catering bills.

Council members have spent the past couple of weeks looking for alternatives to Suttle's budget plan, which also includes a wheel tax increase and a property tax hike.

However, they acknowledged that it will be tough to find enough service cuts to offset the higher costs.

The council is scheduled to vote on the budget next week.

"In my opinion, (the **police** contract) will cause a tax increase," said Councilman Pete Festersen, who voted against the agreement.

It was the city's higher contributions into the **police** and fire **pension** fund that especially irked the three council members who voted against the deal.

Councilwoman Jean Stothert said the contract puts an unfair burden on taxpayers.

"The cost to the taxpayer over the terms of this contract is great," she said.

However, Councilman Ben Gray, who voted yes on the deal, said voting down the contract would have ended up costing taxpayers more money down the road.

He said a federal judge could eventually order the city to make an even higher contribution to the **pension** fund, or the state labor court could require the city to give **police** larger raises.

"I won't play Russian roulette" with taxpayer dollars, Gray said.

The contract eliminates **pension** spiking, and it calculates new officers' **pensions** based on regular pay only. **Police** also will contribute more under the new agreement - about \$1,300 per year for an officer earning the average salary of \$63,000.

The agreement includes a later retirement age - 50 instead of 45 - for new and midcareer **police** officers to receive full retirement benefits. Veteran officers with 20 or more years of service could still retire at

age 45 with full benefits.

The contract also includes a new supplemental retirement program designed to encourage veteran officers to stay on the job longer.

Officer Aaron Hanson, president of the **police** union, said he understands that the contract was hard for some taxpayers to swallow. But he echoed Gray in saying that Tuesday's contract approval "will save the City of **Omaha** millions and millions of dollars. This is a tough situation for everybody."

Omahans who attended Tuesday's meeting remained unconvinced. The audience mood inside council chambers was tense as council members laid out the reasoning behind their votes.

Audience members applauded the council members who said they wouldn't support it, despite Council President Garry Gernandt's requests that they lay off the clapping and cheering.

One man asked Gernandt, a retired **police** officer, to abstain from voting. Recently, Gernandt was told by the City Law **Department** and the Nebraska Accountability and Disclosure Commission that voting on the contract would not create a conflict of interest.

Stohtert and Councilman Franklin Thompson tried to persuade their colleagues to support four amendments to the deal, including one that would require that an officer's retirement **pension** not exceed 85 percent of his or her regular pay. That amendment, as well as the three others, failed.

The council had rejected an earlier version of the **police** pact in April.

More recently, Suttle's revised contract drew harsh criticism at community forums and a City Council hearing, and a group of business owners aired advertisements in opposition.

On Monday and Tuesday alone, the council offices received nearly 300 calls from residents voicing their opposition. Just 50 called to voice support.

"We were all kind of expecting this," said Dave Nabity, a spokesman for the **Omaha** Alliance for the Private Sector, which aired TV and radio commercials urging residents to oppose the **police** contract. "I don't think the public is going to take this very well."

The agreement still is subject to approval by the **police** union. Union members could start voting on the contract as soon as Monday. If union members approve, the contract would probably take effect 15 days later.

Hanson said he expects his members to sign off on the deal. However, he said, "it's not a slam dunk."

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OMAHA POLICE CONTRACT: HOW THEY VOTED

To approve: Garry Gernandt, Ben Gray, Chris Jerram and Thomas Mulligan

To reject: Franklin Thompson, Pete Festersen and Jean Stothert

Spiking taken out of **pension** equation

The new contract would eliminate **pension** spiking by **police** officers, a practice that has outraged the public and contributed to the shortfall in the **police** and fire **pension** fund. The City Council voted 4-3 Tuesday to approve the contract, which still must be ratified by **police** union members.

Q. What is spiking?

A. Spiking occurs when **police** officers artificially boost their income in their final years before retirement in order to qualify for larger **pension** benefits.

Q. How have they done this?

A. By working extra overtime hours in the years when **pension** benefits are calculated. Or by banking overtime and comp time hours for years and then cashing them in when **pensions** are calculated. Either method creates an artificially high total compensation number, which results in an artificially high **pension**.

Q. Was this legal?

A. Yes. The union contract and city policies allowed it.

Q. How would the new contract change things?

A. For current employees, **pensions** would continue to be based on regular pay plus overtime pay. But overtime would be averaged over an officer's career, rather than based on a single peak year.

For example, if an officer works 25 years and earns no overtime pay in the first 24 years but earns \$25,000 in overtime in the final year before retiring, only \$1,000 would count toward the **pension**. Under

the old system, all \$25,000 in overtime would count.

Similarly, banked overtime and comp time pay would be averaged over an officer's full career before being counted toward the **pension**.

Q. What about new hires?

A. Overtime pay would not be included in their **pension** calculations at all.

Q. What else would change?

A. The regular pay portion of the **pension** calculation would be based on an average of the highest three years. Until now, **pensions** have been based on the highest single year of the past five. Also, new and midcareer officers would have to wait longer until retiring with full benefits.

Q. Would this affect **police** retirees whose **pension** benefits were inflated through spiking?

A. No. By law, their **pensions** cannot be reduced.

- Paul Goodsell

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