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Suttle hopeful for approval POLICE PACT ENDS 'SPIKING' Union leader says contract 'fulfills our commitment' Proposed Police Union Contract and Wage Freeze

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Calling it a historic day for **Omaha**, Mayor Jim Suttle announced a new police contract today that he says would help fix the city's troubled police and **fire** pension fund. Suttle said the new police contract eliminates "spiking," a practice that allows officers to boost their pension benefits by working extra hours in their final years on the job.

Under the new agreement, pension payments would be based on an officer's career average of overtime.

That and other reductions in police benefits would save \$13.5 million a year in pension costs.

Suttle said the city's taxpayers also would have to come up with that same amount annually to help shore up the fund, which faces a long-term future shortfall estimated at \$500 million.

The new contract would lock in a wage freeze for this year and next year. Officers would receive raises for 2011, 2012 and 2013, based partly on what seven comparable cities pay police.

The contract is subject to approval by both the police union membership and City Council.

Tom Marfisi, the city's human resources director, said the council would receive the contract in about a month and probably would vote on it by the end of this year or in early 2010.

"I'm certainly hopeful that both groups will ratify this," Suttle said.

Officer Aaron Hanson, president of the police union, said union leaders agreed to sit down months ago to address pension and other issues. This contract, he said, "fulfills our commitment to the residents of our city."

City Council President Garry Gernandt said now that negotiations are over, council members have to look at the proposal in-depth.

"A lot of hard work has been done over several months," he said. "I'm glad we're at this point right now. I believe the council has to see the number lines" and review the figures.

Suttle said he is still negotiating with the **fire** union on the pension provisions of its new contract. In the past, the police and **fire** contracts have had similar pension provisions.

Hanson said the end of pension spiking should make the public and officers both feel good. He said officers will know that their pensions will be "based on blood, sweat and tears and time spent away from my family" and nothing else.

The agreement "does a lot of things all in one package," Suttle said in an interview today.

Suttle said the police agreement follows the recommendations of a pension task force created earlier this year by former Mayor Mike Fahey. The task force had recommended that the city and employees each contribute \$15 million to shore up the fund - the city in the form of higher payments and employees in the form of benefit reductions.

Suttle said that he consulted with task force Chairman Robert **Bates** before agreeing to the \$13.5 million figure and that **Bates** had said that amount was close enough.

Suttle said it was essential that police officers agree to reduced benefits to address the shortfall. Marfisi said he has not yet calculated the impact of the changes on individual police officers' pensions.

To come up with the city's pension contribution, the mayor is hoping to persuade the Nebraska Legislature to let **Omaha** residents vote on a half-cent increase in the local sales tax rate. The task force had said that would generate about \$45 million a year - more than enough to cover **Omaha's** annual \$13.5 million contribution.

The agreement includes a later retirement age - 50 instead of 45 - for new and midcareer police officers who want to receive full retirement benefits.

The contract also introduces a new program, called DROP, or

Deferred Retirement Option Plan, intended to keep veteran officers on the job longer.

Under the program, officers would officially retire but continue to work. Pension payments that they normally draw upon retirement would go into a special account to be paid later in a lump sum. The officers would benefit from any investment gains, but could not lose money in the accounts.

Suttle acknowledged that some other cities, including San Diego, have experienced financial losses from DROP programs. But **Omaha's** plan includes safeguards, such as a review after five years, to help prevent that, he said.

Marfisi said DROP also benefits the pension fund because the retired officers, as well as the city, would continue to pay into the system through the officer's regular paychecks.

"It's a win-win all around," Suttle said.

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Proposed Police Union Contract and Wage Freeze

Length of contract: Five years, 2009-2013

Wages

2009, 2010: No raises

2011, 2012, 2013: Amount of raises not set. Increases would be based in part on police pay increases in seven cities: Denver; Fort Worth, Texas; Oklahoma City; St. Paul, Minn.; Wichita, Kan.; Cincinnati; Tulsa, Oklahoma.

Pensions

Eliminates practice known as "spiking," which allowed officers to boost their pension benefits by working extra hours in their final years on the job.

Instead, pension payments are based on an officer's career average of overtime.

Many officers would have to retire later to receive full pension payments. For new or midcareer officers, they must work 30 years, instead of 25, and reach age 50, not 45.

DROP (Deferred Retirement Option Plan)

Puts in place a new program that provides financial incentives for officers to stay on the job, even though their pension benefits are maxed out.

Officers could officially retire but would keep working for the city.

Officer's pension payments would go into a special account that later would be paid out in a lump sum, with any investment gains.

Program would be reviewed after five years to check whether it's cost-neutral for the city.

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