

Executive Summary

Mayor Jim Suttle promised to reform a pension system which was on the verge of bankrupting the city of Omaha. The pension liability had grown from 30 million dollars in 2000 to nearly 1 billion dollars by 2011. His key objective was to find a solution outside of court that could be negotiated at the bargaining table. This fire contract addresses Omaha taxpayers concerns about “spiking” and ballooning pensions, while respecting the city fire fighters commitment to preserving safety in our community, responding to past obligations, and fairly compensating them for their service.

The contract achieves significant savings and maintains standards of safety by;

- Ending pension spiking by retirees (the building up of overtime charges to inflate pensions)
- Reducing benefits 11.55% annually
- Providing \$5.4 million in annual budget reductions
- Preventing an almost \$300 million lawsuit against the city to cover an unfunded pension liability
- Maintaining NFPA 1710 National Fire Suppression/Emergency Medical Standards for the safety of citizens
- Restoring management discretion in staffing and equipment deployment
- Adding five years to the retirement schedule for existing fire fighters and 10 years for new hires
- Requiring all employees to pay insurance premiums (a 400% increase in single coverage, and 100% increase in family coverage)
- Firefighters contributing additional cash annually into the pension fund
- Preserving the city’s AAA bond rating, preventing up to 38 million dollars in financial losses to the city

This agreement between the Omaha Fire Fighters Association and the City of Omaha represents needed pension reform, as well as management flexibility in staffing and equipment deployment. It brings actuarial balance to the Omaha fire and police pension system, saving the city nearly 40 million dollars annually from the combined city contract and health care agreements while averting potential financial costs of \$338 million in FY 2011 or 2012 without a contract settlement.

It has been costing Omaha taxpayers \$125,000 a month in accrued pension costs, not to settle our fire contract. These are costs we will not get back (similar to the interest on a credit card). This is money we could be using to fix our roads, support violence prevention programs, job training, workforce development, and summer jobs programs that keep kids off the streets. For example, with the amount of accrued pension costs over the course of 22 months we could have resurfaced 130-140 blocks of residential streets.

Our fire department remains one of the best in the country. It has reduced expenses by more than 6 million dollars since Mayor Suttle took office, and for the first time in more than a decade has been under budget two years in a row. There have been no deaths by fire and no firefighter deaths during this administration.

CIR legislation aimed at bringing reform to the Commission of Industrial Relations will not produce greater benefits to Omaha taxpayers with regard to the city's fire contract. The legislation targets wages and uses comparability factors to measure compensation in contract disputes. The City of Omaha and the Omaha Fire Association are not in a dispute and have already addressed wage and benefit issues. The overall goal with city employee contracts has been to reform a broken pension system that allowed spiking and was costing nearly a billion dollars in unfunded pension liability. These issues are not addressed in the new CIR legislation and neither is ballooning health care costs.

The proposed fire contract does however address spiking and health care, saving taxpayers millions of dollars a year. It also addresses the unfunded pension liability, avoiding a potential 300 million dollar expense the city could be asked to pay in 90 days with a CIR ruling.

Approving this contract is the right thing to do for our taxpayers and for the fire fighters who are committed to our safety. It shows leadership that has not been demonstrated anywhere else in the country.

Dealing in good faith with the City's employees as a respected partner in our city's future is the best strategy. Otherwise, the city could face years of labor unrest, expensive lawsuits, insolvent pension plans, and higher costs which will only impede our progress and prevents us from moving forward.