

City of Omaha Professional Firefighters Association, Local 385 Agreement 2010-2013



Proposed Labor Agreement Review of Key Contract Elements

8/09/2011



Commission of Industrial Relations

Omaha World Herald Headlines:

- ***CIR law no guarantee of tax relief***
 - *Published 7/17/2011*

- ***Ashford: CIR changes no panacea***
 - *Published 7/9/11*

- ***W-H compared Omaha, 7 Cities***
 - *Published 7/17/11*

Omaha Professional Firefighters Association Agreement Summary



“This Agreement with the Omaha Professional Firefighters Association Represents Major Reform of Staffing, Equipment Deployment and Pension Provisions, Bringing Actuarial Balance to the Omaha Fire and Police Pension System.”



What Are The Issues?

- ❑ **Stopping Spiking by Retirees**
- ❑ **Raising the Retirement Age**
- ❑ **Addressing the Unfunded Pension Liability**
- ❑ **Restoring Flexibility in Fire Department Staffing**
- ❑ **Restoring Flexibility in Equipment Deployment**
- ❑ **Restoring Management Discretion**



What This Agreement Achieves

Proper Balance of Savings & Safety

- **11.55 % in Firefighter Benefits Concessions***
 - **First Significant Concessions in over 30 Years**
- **\$5.4 Million in Planned Fire Budget Reductions for FY 2011**
- **Actuarial Balance of the Fire & Police Pension Fund**
 - **\$13.5 Million in Annual Combined Police & Fire Savings***

** Actuarially Calculated by Milliman*



What This Agreement Achieves

Staffing:

- **City has Discretion to Establish:**
 - Daily Staffing
 - Staffing by Rank
 - Overall Staffing
- **Staffing Levels Have Been Reduced Through Attrition**
- **4 Firefighters on Pumps & Trucks & 2 Firefighters on a Medic Unit (CIR)**
 - City May Operate 3 Person Rigs for Training, Public Events & Demonstrations, First Three Hours of a Shift
- **Not Required to Maintain Captains on Medic Units (CIR)**
- **Annualized Savings of \$3,640,000**



What This Agreement Achieves

Staffing:

□ City Re-organizing the Bureau

- Whenever an Employee Leaves or Transfers
 - Management will be Able to Select Qualifications & Rank of Replacement
- Employees Injured Off-Duty
 - Medically Capable to Work Light Duty
 - Chief Determines Position Availability
 - Employee Must Expend Leave Balances if Position Not Available
- Process Began March 2011



What This Agreement Achieves

Equipment Deployment:

- **All References to Minimum Numbers of Apparatus Deleted from Contract**
 - Fire Management has Discretion to Take Rigs Out of Service
 - City Will Continue to Meet NFPA 1710 National Fire Suppression/Emergency Medical Standard
- **Annualized Savings \$101,000**



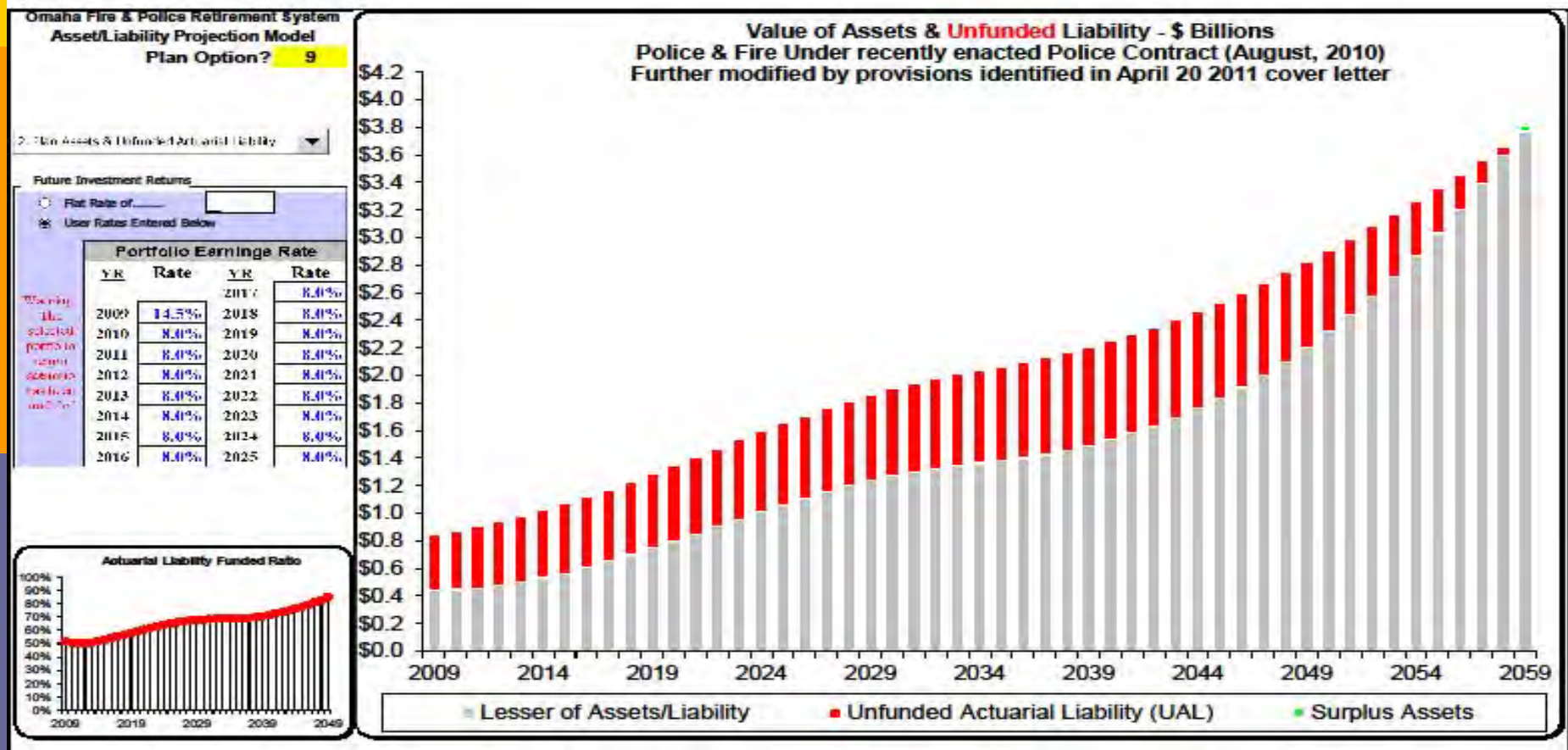
What This Agreement Achieves

Pension:

- **Minimum Retirement Age Increase**
 - Current Employees Must Work 5 Years Longer
 - New Hires Must Work 10 Years Longer
- **Current Contract Avg. Retirement Age = 50 Years**
 - Using 2011 Actual Retirements
- **New Contract Avg. Retirement Age = 52 Years**
 - Based Upon Years of Service & Age
- **Average Age of Recent New Hires = 31 Years**
 - Using Last Three Recruiting Classes



Actuarial Balance Achieved



This work product was prepared solely for the City of Omaha Police & Firefighters Retirement System. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.



What This Agreement Achieves

Pension:

□ **11.55% Firefighter Payroll Benefit Concessions to Reduce Pension Liability**

- **4.90%** Career Overtime Average
- **1.90%** 3 Year Averaging
- **3.70%** Increases in Retirement Eligibility Schedule
- **.75%** Increased Active Firefighter Payroll Contribution
- **.30%** Misc. Retirement Benefit Changes

** Actuarially Calculated by Milliman*



What This Agreement Achieves

Pension:

- **11.55% Firefighter Payroll Benefit Concessions ***
 - **4.90%** Reduction Achieved from Computing all Sworn Officers Career Overtime Average (COTA)
 - **1.90%** of Payroll Benefit Reduction by Using the Highest 78 Bi-Weekly Pay Periods Within the Employee's Final 130 Final Pay Periods of Service (*3 Year Averaging*)
 - **3.70%** of Payroll Benefit Changes from Increases in Retirement Eligibility Schedule

* *Actuarially Calculated by Milliman*



What This Agreement Achieves

Pension:

- **11.55% Firefighters Payroll Benefit Concessions***
 - **.75%** Reduction Achieved From Increased Payroll Contributions by Active Firefighters
 - **\$543.14 Average Increased Annual Contribution Per Firefighter**

** Actuarially Calculated by Milliman*



What This Agreement Achieves

Pension:

- **11.55% Firefighter Payroll Benefit Concessions***
 - **.30% Reduction Achieved from:**
 - In-The-Line-Of-Duty Disability Benefit before 25 Yrs. of Service Reduced from 55% to 50%
 - Disability Payment for Active Employees Who Die in the Line of Duty Reduced From: 52% to 49% < 25 Yrs. Of Service
72% to 69% > 25 Yrs. Of Service
 - Lump Sum Survivor's Death Benefit Reduced from \$5,000 to \$1,000
 - Pension for New Hires Will Use Base Pay Only
 - Widow's Pension for New Hires Reduced from 90% to 50%

* Actuarially Calculated by Milliman



What This Agreement Achieves

Pension:

□ City Contributions to Reduce Unfunded Pension

Liability of \$572.7 Million*

- 2011: 11.95% Cash Contribution
 - Payable No Later than 1st Payroll Period of 2012
- 2012: 11.95% Cash Contribution
- 2013: 11.95% Cash Contribution

□ Leading the Nation in Pension Reform

- To Our Knowledge, Omaha is the Only City Requiring Both New Hires and Current Employees to Participate in Pension Reform
- *Actuarially Calculated by Cavanaugh MacDonald - January 1, 2011 Fire & Police Pension Valuation*



Pension Contributions

	Employee Contribution			City Contribution ⁽¹⁾ ⁽²⁾			Total
	Basic	Benefits Reduction	Total	Basic	Increased Contrib.	Total	
Current	15.40%		15.40%	16.62%		16.62%	32.02%
Additional	.75%	10.80%	11.55%	0%	11.95%	11.95%	23.50%
Proposed	16.15%	10.80%	26.95%	16.62%	11.95%	28.57%	55.52%

(1) *An additional contribution of 4.4% of payroll began in December 1995 pursuant to legal judgment (Callabro)*

(2) *The City is required to pay \$1,327,500 annually from 1979 through 2028 for a previous legal judgment on prior service*



What This Agreement Achieves

Wages/Benefits:

- **0% General Wage Freeze for 2010**
 - Annualized Savings of \$2,604,276
- **0% General Wage Freeze for 6 Months of 2011**
 - Annualized Savings of \$1,284,500
- **Fire Achieves Comparability in Wages** (*Average Wage*) (*CIR*)
 - 6 Months of 2011
 - Cost \$1,284,500
 - 2012
 - Annualized Cost \$3,576,114
 - 2013
 - Annualized Cost \$3,576,114



What This Agreement Achieves

Wages/Benefits:

□ Blended Insurance Premium

- Active Employees Help to Offset the Higher Retiree Experience
- Single Coverage (**400% Increase in Premiums**)
 - Old Premium = 0% (CIR)
 - New Premium = 0% - 2011 2.5% - 2012 4% - 2013
- Single +1 Coverage (**100% Increase in Premiums**)
 - Old Premium = 3% (CIR)
 - New Premium = 3% - 2011 5% - 2012 6% - 2013
- Family Coverage (**100% Increase in Premiums**)
 - Old Premium = 3% (CIR)
 - New Premium = 3% - 2011 5% - 2012 6% - 2013
- All Active Participants Will Pay a Premium
- **Annual Savings of \$205,679**



What This Agreement Achieves

Wages/Benefits:

- **Retiree Health Insurance Reform**
 - All Future Retirees will be Placed on the Current Active Employee Healthcare Plan for Coverage (***Federal Court Settlement***)
- **The City Does Not Have to Pay the First 12 Hours when Firefighters Work Out-of-Class**



What This Agreement Achieves

Deferred Retirement Option Plan Proposal: (DROP)

- **Retirement-Eligible Member Elects to Retire, but then Continues to Work for the Fire Department**
 - Retention of Experienced Talent
 - Retirement Pension Checks are Maintained in an Account in the Pension System & May Earn Interest as Determined by Pension Board
 - DROP Members Continue to Pay into the Pension System
 - No Additional Pension Credit
 - Account is Paid out in a Lump Sum at the End of the DROP Period to the Member with any Interest Earned
 - **Zero Cost to the City**
 - Three Year Review



What This Agreement Achieves

Agreement Goes Further Than CIR Changes

- **If There is a Contract, There is No Dispute**
- **If No Contract, CIR Will Set Wages & Benefits**
 - Decision Would be Made Using Old Rules for 2009, 2010 & 2011
 - CIR Will Not Stop Spiking or Affect the Pension Deficit
 - Must be Solved Through Negotiation
 - No CIR Decision Until End of 2012 or 2013



What This Agreement Achieves

\$13.5 Million Combined Savings Including Police Contract

- Unprecedented Union Concessions



The Votes Are In

- ❑ **The Omaha Personnel Board has voted **5 to 0** In Support of the Firefighters Contract (*July 7, 2011*)**
- ❑ **The Omaha Firefighters Association, Local 385 Voted to Ratify the Firefighters Contract (*August 1, 2011*)**

It costs too much. Why not wait for better times?

Extra annual cost (\$millions) if proposal is delayed*...

	<u>Delay 1 yr Pay 19 yrs</u>	<u>Delay 3 yrs Pay 17 yrs</u>	<u>Delay 10 yrs Pay 10 yrs</u>
Extra Annual Contributions to make up deferred contributions	\$1.3	\$5.0	\$35.0
Estimated Annual Contributions needed to pay for spiking and higher benefits in deferred years	<u>\$0.5</u>	<u>\$1.7</u>	<u>\$13.0</u>
Total Annual Extra Contribution needed in remaining years*	\$1.8	\$6.7	\$48.0

•This is on top of the 13.5% annual extra City contribution provided in the Contract proposal

Milliman Presentation to City Council August 10, 2010



Value Of Voting Yes

The Cost of Waiting: *(Estimate)*

□ Actuarial Benefits Analysis <i>(9 Comparable Cities)</i>	\$ 180,000
□ Legal Fees, 2010 CIR Case	250,000
□ Legal Fees, 2011 CIR Case	250,000
□ Legal Fees, 2013 CIR Case	500,000
□ Legal Fees, Appeal 2013 CIR Case	400,000
□ Loss of 2010/2011 Frozen Wages	3,888,776
□ Delay of Actuarial Balance <i>(Additional Annual Contribution to Make up Deferred Contributions)</i>	6,700,000
□ Potential Legal Suit to Force Funding	<u>286,500,000</u>
Total Estimated Cost	\$298,668,776

Contract Summary

- ❑ **Pension Spiking Ends**
- ❑ **Annual Benefits are Reduced 11.55%**
- ❑ **\$5.4 Million in Annual Budget Reductions**
- ❑ **Management Discretion in Staffing/Equipment Deployment Restored**
- ❑ **Current Firefighters work 5 Years Longer**
- ❑ **New Hires work 10 Years Longer**

Contract Summary

- **All Firefighters Required to Pay Healthcare Premiums**
 - 400% Increase in Single Coverage
 - 100% Increase in Family Coverage
- **Firefighters Contributing Additional Cash into Pension Fund**
- **Actuarial Pension Fund Balance Achieved**



The Elephant In The Room



Unfunded Police/Fire Pension Fund

Omaha Professional Firefighters Association Agreement 2010-2013

