

Retirement perk plays major role in city contracts

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COLUMBUS — Polls have shown that Ohioans like the idea of requiring public workers to pay the full freight of their pension contributions even if voters are suspect of the state's disputed collective bargaining law as a whole.

A small percentage of government workers statewide receive the benefit of their employers covering all or a portion of that cost, but the so-called "pension pickups" have been a mainstay of labor contracts in the city of Toledo for decades, a rarity for a major Ohio city.

Workers argue that the pickups weren't their idea, but rather were offered in exchange for smaller salary increases because the city believed they would save taxpayers money in the long run by keeping down the wage base upon which overtime, workers compensation, pension, and other costs are calculated.

Some local governments made that point in the spring, urging lawmakers not to ban the option of pension pickups as part of Senate Bill 5.

Toledo Mayor Mike Bell has tried — with some success under current law — to extricate the long-entrenched pickups from Toledo contracts. All of the city's contracts prohibit pension pickups for employees hired after Jan. 1, 2009, presumably putting the practice on the long-term road to extinction.

'Broader discussion'

A decision by the State Employment Relations Board earlier this year sided with the city when, after rejecting a fact finder's report, it implemented its own offer to Teamsters Local 20 that is gradually cutting the city's pickup of those workers' pension obligations from the full 10 percent of their salary to 4 percent.

"This is part of the broader discussion," Deputy Mayor Steve Herwat said. "We can only pay our employees within the means we have available. If that means we have to eliminate pension pickups to stay within those means, then that's what we have to do, along with a greater contribution toward health care.

"The mayor is steadfastly opposed to laying anybody off because that means reducing services while citizens are still paying the same amount of taxes," he said.

The city has estimated it pays \$6.7 million a year from its general fund for pension pickups, \$11.4 million total across all funds.



Dale Butland says most public employees pay the full 10 percent of their pensions.
THE BLADE

Mr. Bell, elected mayor as an independent, has been the only mayor of a major Ohio city to endorse Senate Bill 5. He has appeared in an ad urging Ohioans to ratify the law.

Critics, however, argue that the pension pickups are a “red herring” in the debate over Senate Bill 5, Ohio’s wide-ranging new law that weakens government workers’ collective-bargaining power.

Among other provisions, the law would prohibit all public employee strikes, limit subjects for negotiation, require employees to pay at least 15 percent of health-care premiums, scrap binding arbitration as the means to force resolution of public safety contract disputes, and prohibit automatic deduction of “fair share” fees from the paychecks of those who refuse to join workplace unions.

Voters already are casting ballots for the Nov. 8 election on Issue 2, a referendum on whether Senate Bill 5 should stand or fall.

An issue of flexibility

“Ninety-four percent of all public employees pay the full 10 percent of their pension,” said Dale Butland, spokesman for Innovation Ohio, a liberal research group. He noted in most cases, workers traded away all or portions of salary increases at their employers’ request in exchange for the government paying all or part of their 10 percent share of pension contributions.

‘PENSION PICKUPS’: what are they?

- In Ohio, most public employees are required to pay 10 percent of their salaries toward their pensions.
- In some cases, local governments have opted to cover, or “pick up,” all or part of the employees’ pension contributions, on top of what the local government pays toward the workers’ pensions.
- Under a provision of Senate Bill 5, picking up employee pension contributions would be prohibited in new labor contracts.

“They find it cheaper to do it that way,” Mr. Butland said. “In exchange for a wage freeze, they do the pension pickup. That way, they don’t have to pay for withholding or pay additional pension monies on it. Coincidentally, that belies what the other side says when they talk about Senate Bill 5 being all about giving local governments flexibility. This is taking flexibility away.”

Changes locally

A new three-year contract agreement, negotiated under existing law, with Toledo's largest union, the American Federation of State, County, and Municipal Employees-Local 7, would reduce the size of city pension pickups from 10 percent of employees' paychecks to 3 percent by 2013 with the workers picking up the difference.

That's the equivalent of about \$2,575 a year for the average worker, although the agreement calls for the city to offset part of that with annual checks of \$750 the first two years.

"There is a fallacy that's been put out there that pension pickups were in lieu of raises," Mr. Herwat said.

He said that during the two three-year contracts in place between 1993 and 1999, salaries climbed even as pickups were introduced and increased.

"When you compound those figures, that's 18.71 percent over six years," he said. "Certainly, when times were good, there were creative ways to reimburse employees. But these are unprecedented times. In 2007, we raised \$169 million in income tax. Two years later, that fell to \$141.5 million. We're predicting in 2012, \$153.4 million. If that's the case, it's still \$16 million less in revenue than in 2007."

Sources said pension pickups in Toledo date to the mid-1980s but have become more common over years as governments have wrestled with budget woes.

A trade-off

Donato Iorio, attorney for the Toledo Police Patrolman's Association and Firefighters Local 92, said it would be wrong to characterize pension pickups as benefits above and beyond pay hikes, stressing that the former were trade-offs for the latter.

"Wages didn't go up at the same rate of inflation or, most importantly, the same rate that wages would increase at other police departments across the state," he said. "You have to pay a competitive salary or lose the best police and firefighters to competing jurisdictions and departments."

Even with the pickups, he said, compensation for Toledo's police and firefighters in many years has trailed that of other major Ohio cities, nearly all of which offer no pickups. For instance, in 2000, police officers across the state saw an average pay increase of 3.95 percent, according to SERB data. That compares to a salary increase in Toledo of 3 percent plus a 0.5 increase in pension pickup.

He said workers would have preferred strict pay raises over pension pickups because the raises would have meant more money in the long run in additional overtime and pension payments tied to the base wage.



Donato Iorio says wages for police and fire in Toledo have trailed those in other big Ohio cities. *THE BLADE*

Because of contract language barring pickups for new hires, he said about 100 firefighters out of about 500 pay their full 10 percent share.

“We didn’t bring [pickups] to the table,” said Dan Desmond, vice president of Toledo Firefighters Local 92. “They might offer a 2 percent raise and a 1 percent pension pickup. We would rather have had a 3 percent raise ... Now they’re using the public to say how outrageous this is when it was their ask[ing] in the first place.”

Looking forward

If Issue 2 passes, Senate Bill 5’s provisions would not be retroactive to contracts in place, so pension pickups would continue in Toledo, at least until the AFSCME Local 7 contract and others that immediately follow its blueprint run their course.

Under the terms of the American Federal of State County, and Municipal Employees deal affecting 701 employees earning an average of \$36,820 a year, Mr. Herwat said the city will save \$244,000 in the first year when the city’s pickup of the employees’ share drops from 10 percent to 7 percent. Those savings factor in the off-setting \$750 annual rebate checks.

SENATE BILL 5

Ohio voters will decide the fate of Senate Bill 5 when they vote on Issue 2 on the Nov. 8 ballot. Among its provisions:

- Prohibits strikes by all public employees.
- Limits subjects of negotiation to wages, hours, terms and conditions of employment, and, in cases involving public safety employees and some nurses, safety equipment.
- Requires public employees to pay at least 15 percent of health-insurance premiums.
- Prohibits local governments from picking up any portion of an employee's share of pension contributions.
- Eliminates final binding arbitration as the means to end contract disputes involving public safety employees and replaces it with a system for all public employees involving mediation, fact finding, a public hearing, and final vote on proposals by the legislative body of the government employer.
- Eliminates automatic longevity or step-pay increases in favor of a performance pay system.

- Expands the definition of "supervisor" exempted from collective bargaining to include some police and fire officers as well as some college and university professors.
- Prevents the automatic deduction of "fair share" fees, in lieu of dues, from paychecks of those who refuse to join the workplace union.
- Makes it easier for workers to seek to have a bargaining unit decertified.
- Reduces accumulation of sick leave and caps the cash payout at retirement for unused sick days.
- Caps vacation leave.

The net savings would climb to nearly \$1.3 million when the pickup falls to 3 percent. The savings would climb to \$1.8 million in the third year when the rebate checks end, although the contract calls for the union to later negotiate wages for the third year after two years of freezes.

The State Teachers Retirement System confirmed that some of the biggest beneficiaries of pension pickups are school superintendents and other administrators, who, as management, are not subject to the terms of Senate Bill 5.

Sue Cave, executive director of the Ohio Municipal League, said the organization has not taken a position on Senate Bill 5 because its local official membership is all over the place on the issue. She said that officials initially pursued pension pickups because they did save money.

“But once you have it in effect and once you’ve bargained it, then you have to bargain it again to get rid of it or reduce it,” she said. “Once it’s there, it kind of stays.”

Points of emphasis

Mr. Butland of Innovation Ohio criticized supporters of Senate Bill 5 for playing up the more popular provisions dealing with health care and pensions.

“They want people to believe that this is all about a few reasonable reforms, like asking everyone to pay 10 percent toward their pension and 15 percent of their health insurance,” he said. “But if that’s what this bill was about, then that could have been done in two to three pages. This bill is 302 pages long. What are the 300 other pages about? They’re about busting unions and destroying workers’ rights.”

Although Senate Bill 5 would prohibit employers from picking up their employees’ share of their pension contributions, the actual contribution levels required by both are spelled out elsewhere in state law.

The State Teachers Retirement System said 8 percent of members have all or part of their share picked up by employers. The Public Employees Retirement System, the largest of Ohio's public pension funds, said just 9 percent of employers statewide pick up some portion of their workers' pension contributions.

The Public Employees Retirement System noted that all members are required to contribute 10 percent of their salaries toward their pensions, whether they personally pay it or it is picked up by their employers.

Original article:

<http://www.toledoblade.com/State/2011/10/16/Retirement-perk-plays-major-role-in-city-contracts-2.html>