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Mediation Ends Longstanding Firefighter Pension Dispute in New Orleans.

In several cities where pension reform has failed, this type of problem-solving has proved beneficial.

Earlier this month, New Orleans Mayor Mitch Landrieu stood with Nick Felton, president of the firefighters union, at a press conference calling for voters to approve a small property tax increase. The symbolism was significant. Felton and Landrieu had been on opposite sides in a bitter battle over firefighter pension funding and backpay for the past half-decade. The tax increase they're asking for would help the city meet its part of a deal that would put an end to the longstanding dispute.

What finally got both sides to budge in a fight that predates Landrieu's administration was going through a roughly 14-month mediation. The process involved a pension task force made up of business and community members who worked with consultants to find a unanimous plan for saving the failing pension.

New Orleans is now the third city to turn to this type of help for pension reform, and the process is so far proving successful in places where tensions are running high and strong-arming — by both sides — has failed. New Orleans has been the toughest test yet, said consultant Vijay Kapoor, who has been a mediator for pension task forces in Chattanooga, Tenn., and Lexington, Ky. "The first time we brought everyone together, it lasted 20 minutes before [each side] was shouting," Kapoor said. "We decided to meet separately after that."

The issues and resentments on both sides were deep. Despite several court rulings, the city still had not paid firefighters the \$75 million it owed them in backpay. The dispute had been going on so long — the original lawsuit dates back to the mid-1990s — that dozens of firefighters have died without getting what they were owed. At one point in 2014, Landrieu had agreed to pay the settlement, but then balked, saying the city first had to get relief from its mounting pension bill.

That pension, which Kapoor said was in the "worst shape I'd ever seen for a public fund of its size," was nearing insolvency and putting unprecedented pressure on the city's budget. In 2016, the city's actuarially required contribution was set for \$60 million — more than five times its entire parks department budget. The high bill is because the pension has about one-fifth of the money it needs to meet its liabilities.

From the city's viewpoint, the pension's leaders were mainly to blame. In the 2000s, the pension board sucked millions out of the fund via botched investments and now-defaulted loans to the entertainment industry. When Landrieu took office in 2011, he cited the city's fiscal crisis as his reason for continuing the previous administration's underfunding of the pension. Still, not putting more money into the system at a time when the stock market has gained two-thirds in value only worsened the pension's financial state.

Kapoor, who was hired in 2014 as a consultant by the New Orleans Business Council, said it took months for the two sides to even agree on the numbers — this, despite the help of an actuarial firm.

Six months into negotiating a funding plan, it became clear that the firefighters union wouldn't agree to anything until the city paid what it owed in backpay. Without a unanimous agreement, the outside task force dissolved. Still, the parties kept working at a solution.

Late last year, the long process paid off. The two sides struck a deal that puts in place a 12-year payment plan for the \$75 million in backpay, including \$21 million upfront; triples the city's contribution to the pension plan to about \$32 million this year and guarantees that payments will stabilize going forward; eliminates retirees' cost-of-living increases until the pension is nearly fully funded; and gives the city oversight of the fund's investments and governance.

Kapoor believes New Orleans' complicated story shows how this type of problem-solving could be beneficial for other cities facing sticky pension issues, but others note that mediation should be a last resort. "If we thought we could have gotten the city council to pay out [the backpay] more quickly," said Pension Board Treasurer Thomas Meagher III, "then we would have proposed legislation and gone that route."

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BY LIZ FARMER | JANUARY 14, 2016

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