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Attorneys and Counselors

Pension Reforms: The History & Severity

Surviving the Third Rail: Making Pension Reform Work

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The Problem

2006

- Pension Fund – 30% Funded –
Projected to go bankrupt by 2013
- Employees Paid 3%
- CTA Paid 6%
- 55 YOA – 3 YOS - Reduced Pension
- 55 YOA – 25 YOS - Full Pension
- Average Pension - \$23,040
- Unfunded Liability was \$2.1 billion with
approximately 10,000 participants

Retiree Health Care

- Paid out of Pension Fund
- 401(h) says no more payments if R.H.C. contributions equal 25% of pension contributions
- 2006 – CTA at 24.9%
- 2008 – no longer have money to pay
- 100% coverage – employees paying 20%
- 55 YOA and 3 YOS – for eligibility

- Legislative – Speaker Madigan and Auditor General

- Collective Bargaining Process
 - Interest Arbitration
 - Contribution Rates for Pension and Retiree Health Set through Collective Bargaining

- RTA / CTA

Unions

- ATU
 - Rail
 - Bus
- CFL – Dennis Gannon
- Coalition Unions

Management

- RTA – Jim Reilly
- CTA – Carole Brown / Ron Huberman

Legislative

- Speaker Michael Madigan

Others

- Actuaries
- Consultants
- Bond Attorneys

Pension

- Pension Board: 11 Members
- ↑ Employee Contributions: 3% → 8.345% (initially 6%)
- ↑ CTA Contributions: 6% → 16.69%
 - But credit for bond debt, so 10.35%
- Pension Obligation Bonds: \$1.1 billion
- Funding Ratio: 30% → 75% (90% by 2059)

Eligibility

- Reduced Pension: 55/3 → 55/10
- Full Pension (YOA/YOS): 55/25 → 64/25 (new hires)

Retiree Health Care Trust (“RHCT”)

- Now a RHCT – similar to VEBA in private sector – 7 Trustees
- Now 100% Funded – reviewed annually
 - Any increase in benefits then increase in premiums, contributions or decrease in benefits
- Implemented 3% contribution for Retiree Health Care from Actives
- No longer paid out of CTA’s employer funding obligations
- Annuitant Contributions went from 20% in 2007 to 45% today
- Coverage – was 100% in- or out-of-network
- Now no better than 90% in-network and 7% out-of-network
- POB - \$528 million

- Auditor General – The “Adult Supervision”
 - Keep on road to 90% funding by 2059 – determines contributions so no more “Pension Holidays”
 - Certified compliance annually
 - Dip below 60% in any year prior to 2040 – A.G. or Trustees must require additional contributions
 - Review and Revise RHCT and Auditor General submits an annual report