

Public and Private Sector Compensation:

What is Affordable in This Recession and Beyond?

Panel II: Workforce Sustainability Going Forward

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Private Sector Approaches Can Inspire Public Sector Solutions

The CTA Experience

- Voluntary Employees' Beneficiary Association
 - 26 U.S.C. § 501(c)(9)
 - General Motors / U.A.W. Agreement
 - Goodyear / U.S.W. Agreement
- Section 115 Trust
 - 26 U.S.C. § 115
 - Chicago Transit Authority



Importance of Addressing Both Healthcare and Pension Benefits

- CTA Pension was on Verge of Failure
 - Pension Underfunded
 - Section 401(h) Payments Due



Importance of Addressing Both Healthcare and Pension Benefits

- How Failure was Averted (P.A. 95-708)
 - Pension Fund Reforms
 - CTA contribution increased from 6% of payroll to 12%; employee contribution increased from 3% to 6%.
 - \$1.110 billion in pension obligation bond proceeds deposited into pension fund to bring it to approximately [72%] funded.
 - Pension fund must stay above 60% funded through 2039, and reach 90% funded by 2060.
 - Governance reforms by elimination of “bloc” voting (each member would vote independently); 11 member Board of Trustees established: five union, five CTA, and expert member selected by RTA Board.
 - Benefits changes for employees hired on or after effective date of bill.



Importance of Addressing Both Healthcare and Pension Benefits

- How Failure was Averted (P.A. 95-708)
 - Retiree Healthcare Reform
 - An independent healthcare trust is established to manage and provide retiree benefits and is seeded with \$528.8 million in bond proceeds.
 - As early as January 1, 2009 and no later than July 1, 2009, the Trust is solely responsible for providing retiree health care benefits.
 - Contributions by active employees would be at least 3% of compensation on a pre-tax basis (previously they contribute nothing) bringing total pension and health care contribution to at least 9%.
 - Retirees and their dependents would contribute up to 45% of the cost of coverage (previously retirees contribute nothing and dependents pay approximately 20% of the costs of coverage).
 - Health care is available to retirees at 55 years of age and after 10 years of service (previously 3 years).
 - Retiree benefits would be no greater than 90% in network, 70% out of network (previously benefits include 100% indemnity coverage option).
 - Auditor General annually submits financial report to General Assembly.



Key Components of Success

- Additional Dedicated Funding
 - Provided by the Illinois General Assembly
- Collective Bargaining & Interest Arbitration
 - 5-year collective bargaining agreement.
 - 3% -- 3% -- 3% -- 3% -- 3.5% -- 3.5%.
 - This plan resulted from arbitration, not negotiation.

