

**FRAMEWORK FOR LEGISLATION
ON CTA PENSION/RETIREE HEALTH CARE**

**I
RETIREE HEALTH CARE**

Legislation creates a Retiree Health Care Trust (a VEBA or similar trust) for all participating Employees, which includes the following terms:

- Governance of Trust by 7 Trustees: 3 union Trustees, 3 CTA (or other management) Trustees, and the Auditor General or his designee
- Retiree Health Plan limited to a plan no better than the current Option II – the 90%/70% to Insurance Plan

Pension Obligation Bond - \$450 Million deposited in “seed” money to the Retiree Health Care Trust, conditioned upon the Auditor General’s certification that the bargaining parties have substantially implemented the Trust according to the terms set forth below:

- Effective July 1, 2008 Annuitant Contribution to Health Care: up to 45% of total amount expended under the Plan in prior Plan (may be based on years of service, single, couple or family, or medicare/pre-medicare)
- CTA will deplete the 401(h) account before the Retiree Healthcare Trust funds are used. In the event that the 401(h) account is depleted, the Healthcare Trust will be obligated to pay claims no earlier than July 1, 2008. But in any event, the Healthcare Trust shall take sole responsibility for payment, claims and plan administration effective January 1, 2009.
- Employees shall pay a “payroll tax” contribution equal to 3% of compensation (can be derived from benefits such as sick pay, holiday pay or salary)
- Trustees monitor the Trust funding levels and the actuarial present value of projected benefits expected to be paid
 - To the extent that funding is insufficient, Trustees may increase contribution levels or decrease benefit levels
 - To the extent that there is a surplus, Trustees may decrease contribution levels or increase benefit level

II **PENSION**

Legislation establishes the following terms:

- Governance – 11 members: 5 CTA members, 5 union members, and the Auditor General or his designee; elimination of bloc voting
- 12% Employer Contribution/ 6% Employee Contribution and with Employer “pick-up.” Trustees determine any increases with a 2/3 employer to 1/3 employee ratio.
- CTA Debt Service on \$1 Billion as credit against its Employer Contribution up to 6%

Pension Obligation Bond - \$1 Billion to fund pensions conditioned upon the Auditor General’s certification that the bargaining parties have substantially implemented the terms set forth below:

- For Employees hired after January 1, 2008, reduced retirement allowance upon attainment of 55 YOA after 10 YOS
- For Employees hired after January 1, 2008, full retirement allowance upon attainment of 64 YOA after 25 YOS

III

All of the above contingent on appropriate Legislative Funding.