

CTA AND UNIONS AGREE TO HISTORIC CONTRACT

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Plan Includes Pension and Health Care Reforms

Through an expedited arbitration process, the Chicago Transit Authority and its 17 labor unions have resolved their pension and health care problems for a record-setting five year contract. The unprecedented contract was announced today by Mayor Richard M. Daley along with CTA and union officials.

The contract affects 10,200 CTA employees who make up 88 percent of the CTA workforce. The agreement covers the period of January 1, 2007 through December 31, 2011. The provisions of the award, including pension and healthcare reforms, are contingent on action from the state legislature.

"This is a very important and historic resolution, because it shows that the CTA and its employees are doing all they can to hold down costs and to make sure that customers, taxpayers and state legislators are getting their money's worth," Daley said. "The CTA and its employees have done their part, through this labor agreement and other financial reforms over the last few weeks. Now it's time for the General Assembly to do its part on behalf of the CTA and its 1.6 million daily riders. The leadership of the CTA has now accomplished what our governor and legislative leaders have demanded as a condition for reforming public transit funding."

"CTA management, its employees and the labor unions have all recognized that we have to be part of the solution and address escalating pension and health care costs," said CTA President Ron Huberman. "It is a testament to the commitment of all parties that we were able to expedite the arbitration process and resolve these issues quickly and cooperatively."

"Once enacted, this plan will enable the CTA to reduce its costs, ensure the viability of its pension system, and manage itself more like a business, while working in partnership with its unions. This is a very significant achievement and will lay the groundwork for improvements we want to make going forward," Huberman added. "Through innovative ideas that borrow from best practices in the private sector, such as the proposed health care trust, the CTA has done its part and we are optimistic that our state lawmakers will also act quickly so that we can we implement these reforms as soon as possible."

"We identified the problem with the CTA pension and have devised a solution. All that is left is for state lawmakers to provide the long-term funding resources necessary to implement these reforms," said Chicago Transit Board Chairman Carole Brown. "We want nothing more than to move beyond the cycle of annual crises and refocus our energies on providing a world-class, reliable and affordable transit system."

"The Federation is committed to ensuring that management and labor work together to resolve the issues that they face together, and today is an excellent example of the results that can be achieved when we all work together," said Dennis Gannon, President of the Chicago Federation of Labor.

"Like most arbitration awards, there are items that make the unions happy and those that make the CTA happy," said Darrell Jefferson, President and Business Agent of Local 241, Amalgamated Transit Union. "Overall, for the good of our membership and the people of Chicago, Cook County and the State of Illinois, this is an award which we can and must live with."

The plan is contingent on the CTA receiving authority to issue pension obligation bonds to support the new health care trust fund and the pension plan.

Highlights of the arbitration award include the following:

Retiree Health Care Reform

- Creation of an independent healthcare trust to manage retiree benefits. The trust would be self-sustaining through investments and contributions from both active employees, retirees and their dependents. Currently, no active employees contribute to the fund and only retirees pay only for their dependents.
- In addition to three union and three CTA representatives, the Illinois Auditor General would have a voice on the seven member trust.
- Active employees will begin contributing on a pre-tax basis at least 3% of compensation

Pension Reform

- Would ensure CTA is in compliance with State directive to fund its pension to 90% by 2059.
- In addition to five union and five CTA representatives, the Illinois Auditor General would have a voice on the 11 member trust.
- Eliminates "bloc" voting, which in the past has hindered efforts to control costs. Each member would vote independently.
- CTA contribution increases from 6% of payroll to 12% (3% of this contribution will be credited to the CTA for debt service on pension obligation bonds).
- Employee contribution increase from 3% to 6%.
- Benefit Changes for employees hired on or after January 1, 2008:
 - o Reduced pension at 55 years of age and 10 years (currently 3 years) of service; and
 - o Full pension at 64 years of age and 25 years of service (currently 55/25)

Wages

- A 5 year contract with wage increases for union employees as follows:

2007 - 3% when legislation becomes law

2008 – 3%

2009 – 3%

2010 – 3.5%

2011 – 3.5%