

**BEFORE  
EDWIN H. BENN  
ARBITRATOR**

**In the Matter of the Arbitration**

**between**

**Chicago Transit Authority**

**and**

**Local 241 – Amalgamated Transit Union,  
Local 308 – Amalgamated Transit Union**

**2007 – 2011 Agreement**

**OPINION AND AWARD**

**APPEARANCES:**

**For the Chicago Transit Authority**

**Karen Rowan, Esq.  
James P. Daley, Esq.**

**For Local 241 Amalgamated Transit Union**

**Joseph J. Pass, Esq.**

**For Local 308 Amalgamated Transit Union**

**Anita Tanay, Esq.**

**Dated: June 26, 2007**

## OPINION AND AWARD

This case comes before this panel of arbitrators at the request of the parties for an expedited hearing and decision. The parties' request is occasioned by certain proposed legislative action being contemplated by the Illinois government, which is designed to remedy a long standing financial problem with the parties' pension and retiree health and welfare funding. From the evidence and arguments of the parties, it is clear that the parties' Pension Fund and retiree health insurance is in dire financial straits and in desperate need of major additional funding. The cause of this financial plight is not due to any actions of the current employer or union administrations but results from a variety of reasons stretching back to the mid-1980's.

The Illinois Legislature, with the input and support of interested parties, is considering an immediate solution for these major problems. In order to assure the Illinois Legislature and the Governor that the parties' collective bargaining agreement will not conflict and will be consistent with the objectives of providing financial stability to the CTA and the employees' pension and retiree health and welfare insurance, it is incumbent that an immediate decision by the Board of Arbitration occurs. Therefore, the parties have agreed that the jurisdiction of this panel to issue an arbitration award in this matter is expressly conditioned upon the passage into law of legislation which contains substantially the terms and conditions set forth in the attached Exhibit A. In the event such legislation is not passed into law, this Award shall be void and of no effect whatsoever. Therefore, based upon the conditions set forth above, the Board of Arbitration awards as follows:

I. Term of Agreement:

January 1, 2007 – December 31, 2011

**II. Wages:**

2007 -	3% wage increase effective when the legislature passes the funding package and it becomes law
January 1, 2008 -	3% wage increase
January 1, 2009 -	3% wage increase
January 1, 2010 -	3.5% wage increase
January 1, 2011 -	3.5% wage increase

**III. Retirement Plan:**

- A. Counsel for the parties shall be permitted to participate in all Funds meetings.
- B. A one-time ad hoc pension adjustment of not more than 2.5 million dollars will be effective for retirees and/or survivors upon mutual agreement of the parties on or about July 1, 2008.

**IV. Other Matters:**

No other changes to the Agreement shall be made except those in Exhibit A attached to this Award.

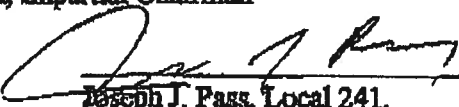
Except where specifically stated otherwise, each of the foregoing terms of this Arbitration Award will be effective on the date of the Award. The Wage and Working Conditions Agreement between the CTA, Local 241 and Local 308 shall be amended in whatever manner necessary to accomplish the findings of this Board of Arbitration.

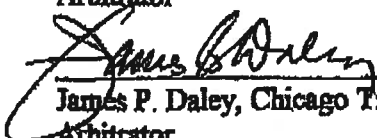
Except to the extent granted herein or otherwise resolved by the parties during the arbitration proceedings, all proposals made by the Authority and the two Unions are denied.


As may be expected, in the Board's deliberations there were many disagreements among the Board members concerning the merits of the many proposals and the manner in which these proposals should be resolved. The signing of the Award, therefore, does not necessarily reflect full assent to all terms of the Award by each of the parties' arbitrators.

  
Edwin H. Bean, Impartial Chairman

  
Karen Rowan, Chicago Transit Authority  
Arbitrator

  
Joseph J. Pass, Local 241,  
Arbitrator

  
James P. Daley, Chicago Transit Authority  
Arbitrator

  
Anita Tanay, Local 308,  
Arbitrator

**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.