UTA Retirement Study Presentation

Transportation Interim Committee

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Presenters

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Legal Analysis

- UTA’s enabling statue has always required the UTA to bargain with the ATU over pensions; current CBA requires a DB pension plan.
- Transition to URS Plan requires legislative action and UTA plan amendment.
- In the absence of union agreement, challenge is likely: DB plans are important to the union.
- Transit workers have avenues for challenge that are unique to them.

Legal Analysis: FTA Section 13 (c)

- Section 13(c) of the Federal Transit Act provides labor protections for transit workers who work for entities like the UTA that receive federal grants.
- Section 13(c) conditions receipt of federal grants on DOL certification of (1) preservation of rights (including pension rights) under existing CBAs; and (2) continuation of bargaining rights.
- Union has argued that changes to pension plans to comply with statutory mandates violate both 13(c)(1) and 13(c)(2).

Legal Analysis: FTA Section 13 (c)

- Section 13(c) challenges could take the form of objection to grants at DOL; this is the approach taken to challenge California’s pension reform.

- Other possible 13(c) challenges:
  - Litigation challenging the state legislation as breach of contract
  - 13(c) claims alleging “worsening” of terms and conditions of employment

Financial Analysis – Plan Overview

UTA provides the following retirement benefits

- 2%/year of service annuity (Defined Benefit or “DB”)
- Up to 2% match on employee deferral (Defined Contribution or “DC”)

URS Tier 2

- Hybrid: 1.5%/year of service annuity with COLA, with residual DC contribution OR
- DC Only: 10% annual contribution to DC
- Employees contribute to Hybrid if annual cost over 10%

Financial Analysis – Feasibility

- UTA retirement benefits are comparable to URS Hybrid Plan
  - Higher UTA accrual rate mostly offset by URS cost of living adjustment.
- Closing the plan to new entrants is least disruptive of transition options from an employee vantage point. “Soft” freeze also provides an option with minimal disruption while moving all employees to the URS plans.
- Hard freeze is most disruptive option from employee vantage and less commonly used in the public sector, unless moving to a defined contribution only approach.

Financial Analysis - Costs

- The URS Tier 2 plans are slightly more costly (10%/payroll) than the UTA plans (9.1%/payroll) when all assumptions are met over the long-term.
- Past benefits are UTA’s biggest cost driver and transition will not impact that over the short-term.
- UTA will cost less when investment and demographic performance is good and cost more when investment and demographic is poor. URS will remain at 10% and any additional costs above 10% from the URS Hybrid Plan are born by the employees.

Financial Analysis - Benchmarking

- Benefits are at upper end of competitive range. Benefits are comparable to legacy benefits provided by two other peers.
- Retirement benefits not differentiated by pay level, so comparable benefits by job position. However, management and executives get less benefits from Social Security as a percent of pay.
- UTA’s cost and unfunded liabilities are lower than most of its peers