

Retirement Plan for CTA Employees

10 South Riverside Plaza
Suite 1625
Chicago, Illinois 60606
(312) 441-9694
Fax (312) 441-0455

NOTICE

TO: Retirement Allowance Committee Members and Alternates

FROM: Pension Department

DATE: February 15, 2000

RE: RETIREMENT ALLOWANCE COMMITTEE MEETINGS

This is to announce that the meetings listed below will be held Tuesday, February 22, 2000 at the Northern Trust Company 50 S. LaSalle Street, in the Director's Dining Room on the 6th floor.

- * The Subcommittee on General Administration at 8:30 A.M.
- * The Investment Subcommittee at 9:30 A.M.
- * The Real Estate Subcommittee at 10:30 A.M.
- * The Retirement Allowance Committee Meeting at 11:30 A.M.

AGENDA

For the 613th Retirement Allowance Committee Meeting of February 22, 2000

1. Meeting will be called to order at 8:30 A.M., Northern Trust Company, 50 South LaSalle Street, Directors Dining Room - 6th floor.
2. Roll Call.
3. Approval of the Minutes of the 612th meeting held January 25, 2000.
4. Investment Subcommittee report.
 - a) Financial Report
5. Real Estate Subcommittee report.
6. Subcommittee on General Administration.
 - a) Announcement of deaths reported since the last meeting.
 - b) Presentation of Pre-Retirement Surviving Spouse Allowances for approval.
 - c) Presentation of new retirement applications for approval.
 - (i) Linda J. Thompson - #23907 (disability) - request for retro-activity to 08-01-99.
 - (ii) Willie E. Hardy - #13902 (disability) - request for retro-activity to 10-01-99.
 - (iii) Joe Brandon - #14435 (disability) - request for retro-activity to 01-01-00.
 - (iv) Ellie M. Head - #7871 - (disability) - request for retro-activity to 02-01-00.

Agenda
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- (v) Clarence Hunt, Jr. - #25065 - (disability) - request retro-activity to 02-01-00.
 - (vi) Penelope Smith-Luelen - #13901 - (disability) - request for retro-activity to 02-01-00.
 - d) Presentation of Death Benefits for approval.
 - e) Presentation of Refunds of Contributions for approval.
 - f) Presentation of Bills and Remittances for approval.
 - g) Doris O'Donnell - D-3398 - returned to work on 02-11-00.
 - h) J. D. Rice - D-3105 - returned to work on 02-11-00.
7. Old Business
 8. New Business
 9. Executive Session
 10. Adjournment

BURKE, WARREN, MACKAY & SERRITELLA, P.C.

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February 1, 2000

VIA FACSIMILE

Mr. John V. Kallianis
Executive Director
Retirement Plan for CTA Employees
10 S. Riverside Plz., Ste. 125
Chicago, IL 60606
Fax Phone: 312/441-0455(54)

Re: Part-Time Union Officers' Pension Earnings

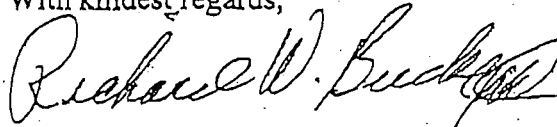
Dear John:

As discussed at the January 25, 2000, Retirement Allowance Committee meeting, it would be appropriate for your office to post earnings for part-time union officers for the period from January 1, 1995 to June 30, 1996, in the following manner:

1. Use W-2 reported earnings from the Authority and W-2 reported earnings from the Union for the period;
2. Request of the Authority and of the Union whatever documentation is available indicating the dates and hours of employment for the period of time. Compare the documentation. If there is a duplication of employment at the same time on the same date, the duplication should be eliminated with a reduction in pension eligible earnings at the hourly rate applicable to authority employment.

This approach in regard to part-time union officers is consistent with the process followed during the past year for said officers. If you have any questions please contact me.

With kindest regards,



Richard W. Burke

RETIREMENT PLAN FOR CTA EMPLOYEES

10 SOUTH RIVERSIDE PLAZA

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CHICAGO, ILLINOIS 60606

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January 18, 2000

Mr. Richard W. Burke
Burke, Warren, MacKay & Serritella, P.C.
330 North Wabash, 22nd Floor
Chicago, IL 60611-3607

Subject: Part-Time Union Officers Pension Earnings

Dear Mr. Burke:

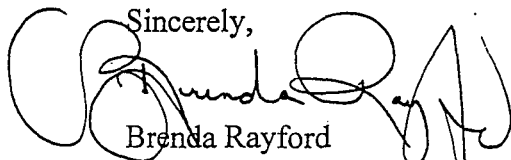
Our office is aware of the fact that the issue regarding pension earnings for Part-Time Union Officers for the period from July 1, 1996 forward has not yet been resolved.

However, according to Arbitrator Healy's award dated March 12, 1998: "It is appropriate to use July 1, 1996 as a reasonable date for establishing a limit."

The Pension Department has not posted any earnings for Part-Time Union Officers for the period of January 1995 to June 30, 1996.

Would it be appropriate for our office to post the pension earnings for the period not involved in the current controversy, January 1995 through June 30, 1996, to Part-Time Union Officers' accounts.

Sincerely,



Brenda Rayford
Deputy Executive Director

cc: J. Kallianis
W. Black
D. Anosike

made their plans on the justified assumption that their total earnings from the union service would be included.

* * * * *

The determination of the limit to be imposed and how it is to be applied is necessarily arbitrary. The Chairman and his Board associates must be guided by the elusive standards of fairness and reasonableness.

The Authority's position is unreasonable and harsh. It ignores completely the 1990 Arbitration Board's significant role in adopting a change applicable to part-time union officers, a change which has led to unintended and unacceptable results. To repeat *ad nauseam*, a change in language did occur and, at least for a period, part-time officers did have the right to rely on the language as written, just as the Retirement Plan, including the Retirement Allowance Committee, relied on the change in drafting a new Rule 14.

Under the circumstances, inclusion of unlimited total earnings should not be adversely affected until the time CTA made known to the Unions that it was ceasing to make contributions. On this the record is not entirely clear. We know the cessation occurred shortly after resumption of contributions following the moratorium which ended March 1, 1995. When Locals 241 and 308 were apprised of this action is uncertain. We know also that Mr. Stevens advised Local 241 counsel by letter on July 29, 1996, of the action the Authority had taken more than a year earlier. It is appropriate to use July 1, 1996 as a reasonable date for establishing a limit.

compensation for full-time and part-time officers meant they would enjoy deservedly some improvement in their pension level. But he never intended the untenable and absurd results which are now surfacing.

Consonant with the 1990 Board's conclusion that a limit should be placed on "total earnings" of International Union officers, the facts in this case not only justify but require some type of limit on "total earnings" for part-time Union officers. This constitutes the response to Issue I.

* * * * *

The CTA requests a calculation of all pension entitlements for all retired and active part-time union officers on the basis of the formula applicable prior to the 1990 Award. This, of course, stems from its conclusion that no change occurred, a conclusion found to be without merit. Further, it seeks to recover any and all overpayments of benefits that have already been paid to such officials, this to be accomplished by adjusting downward future payments until full recovery has been effected. It even seeks to recoup all of the contributions "mistakenly" made by the Authority prior to its cessation of all contributions in March 1995. In its Brief (pp. 15-16) it refers to ERISA standards (though admittedly not applicable by law to the CTA Retirement Plan), to the Internal Revenue Code, and to judicial rulings.

The Unions, though opposing any interpretation which would lead to a revision of the unlimited "total earnings" concept, argues that if a change is made it must be prospective. Any retroactive downward adjustment would be grossly unfair to the numerous part-time officers who are on the threshold of retirement. They have

Contributions to the Plan and benefits provided prior to that date should remain unchanged.

The Chairman believes a further distinction must be made between the period July 1, 1996, and April 1, 1998, the approximate date of this Award. In that interval the uncertainty existed as to the real meaning of "total earnings." Potential union-officer retirees were on notice that a disagreement existed, that the unlimited computation in effect prior to the moratorium was in jeopardy. However, given the language adopted in 1990, and as applied in the few years immediately thereafter, they were justified in thinking that if not unlimited, at least a significant liberalization of the earnings base would be forthcoming. Admittedly the Board's ill-considered and ill-chosen language stimulated many, if not all, of these officers to expand their "total earnings" base by a variety of methods. For this period an intermediate adjustment in the total earnings concept is appropriate.

The Board Chairman believes that the use of a fixed cap of the type introduced in 1953 and as amended on April 21, 1980, is likely to be the least controversial and the best understood method for placing a limit on total earnings. He believes further that the following interpretation of the Board's 1990 ruling is reasonable and fair:

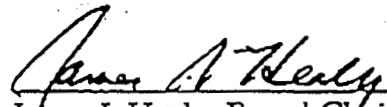
- (1) For the period July 1, 1996 to April 1, 1998, compensation for pension purposes will be based on the original formula, including the 5% automatic add-on to represent average overtime and other pay credits. To this up to an additional 20% adjustment in the base will be provided for work performed by part-time union officers for the local union.

(2) Effective April 1, 1998, compensation will be based on the original formula as stated under (1) above, to which shall be added up to an additional 10% of the base for work performed by part-time officers.

Application of these limits will require adequate documentation to support the additional 20% and 10% of the base in total compensation for pension purposes.

To the extent the foregoing interpretation of the Board's 1990 language is found lacking, the parties are reminded they will have an opportunity to visit this subject anew in their next contract negotiations. If this becomes a bargaining issue the parties will undoubtedly exercise great diligence in thinking through the import and likely consequences of their actions.

SIGNED:


James J. Healy, Board Chairman

March 12, 1998.