



TRANSPORT WORKERS UNION

OF GREATER NEW YORK • AFL-CIO • LOCAL 100

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April 22, 2015

Honorable Melissa Mark-Viverito
The Speaker of New York City Council
250 Broadway, Suite 1856
New York, NY 10007

Dear Speaker Mark-Viverito,

I write today to continue to urge you to support the correction of a glaring inequity for 2,200 workers employed by MTA Bus.

As you know, the Bloomberg administration, in 2005-06, negotiated an agreement with the MTA to take over operation of the seven private bus lines in Queens under a subsidiary known as MTA Bus.

This was not a precedent in the history of NYC. In 1962, a similar agreement was negotiated to convert the private bus lines in Manhattan and the Bronx (at the time the largest private bus companies in the world) to public operation under the MTA agency known as the Manhattan and Bronx Surface Transit Operating Authority (MABSTOA).

In 2005-06, as in 1962, there was an expectation of contractual and pension parity by the workers and the Union. Fairness and equity for MABSTOA members has been the norm for decades – including pension – which was accomplished by transitioning the existing private pension into a new public sector plan that mirrored the NYCERS benefits and requirements in place for all other transit workers.

This has not been the case for MTA Bus members. The Union has worked to achieve contractual wage parity for this group of workers, who wear the same MTA uniform, do the same job, face the same scrutiny and discipline, and face the same dangers as their brother and sister Bus Operators and Maintainers employed by the MTA throughout the City. However, the pension situation remains a serious problem that has only gotten progressively worse since the takeover in 2005-06.

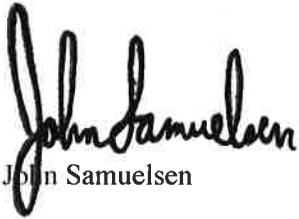
As we have previously discussed, on average, an MTA Bus member retiring today with 25 years of service at the required age would receive \$708 per month less (\$8,500 per year less) than their counterparts covered by NYCERS and the MABSTOA pension plans. Apply that over the life of the pensioner and his/her spouse and you can see this stark difference ever more clearly.

This disparity unfortunately gets worse each year because the MTA Bus private pension provides benefits based on a static multiplier of \$105 times years of service, whereas the NYCERS and MABSTOA plans (and all City and State plans) benefits are calculated based on final average salary. At the time of the MTA takeover in 2005-06, MTA Bus workers were already behind, and that disparity has deepened since then.

Attached with this letter you will see a report on the actuarial findings (as requested) of cost to the City budget for enhancing the multiplier to bring MTA Bus members closer to equity with other workers at the MTA covered by TWU Local 100. However, the simplest and most just solution would be to transition MTA Bus workers into the MABSTOA plan. Placing the MTA Bus Company workers into the existing MaBSTOA pension is the number one contract demand of TWU Local 100. It would permanently end the disparate treatment of this vital segment of the MTA workforce. It is fair and it is reasonable. It's the right thing to do. Equal wages and pensions for the exact same work.

Your assistance in arriving at the best result for all parties is vital and will be deeply appreciated.

Sincerely,

A handwritten signature in black ink that reads "John Samuelson". The signature is written in a cursive, flowing style.

John Samuelson

President, TWU Local 100

Encl.: Review of the Pension Benefit Increases for Members of TWU Local 100 in the MTA Bus Division

JS/csw
TWU-100



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April 15, 2015

Mr. John Samuelsen
President
Transport Workers Union Local 100
195 Montague Street
9th Floor
Brooklyn, NY 11201

**Re: Review of Pension Benefit Increases for Members of TWU Local 100 in the MTA
Bus Division**

Dear Mr. Samuelsen:

As requested, Segal has reviewed the methodologies and calculations related to increasing the benefits multiplier for those members covered by the MTA Bus Division. Our work efforts were limited in scope to reviewing the calculations prepared by NYCTA's actuary, Robert J. LaMontagne from Milliman. Such results are presented in their correspondence dated March 17, 2015. Milliman provided cost estimates for improving the annual per year of service benefit multiplier from \$105 for each year of service by \$10 dollar increments to \$115, \$125 and \$135 for each year of service.

The total costs are the sum of two components that include:

- a normal cost component that is representative of the expected annual ongoing costs to provide an improved benefit to current members for the current year of service; and
- a component based on one year's costs related to the amortization of the increase in the unfunded liability as a result of applying the benefit increase to all prior years of service.

Segal's review compared the change in expected costs from the current plan's baseline for the three improved benefit amounts. Further, the portion of costs attributable to the amortization of the unfunded liability is based in part on the time period over which the liability is being amortized and funded. The Milliman cost estimates provide three methodologies for establishing the basis in determining the amortization period, each leading to a different cost result.

Review, Conclusions and Other Considerations

Segal reviewed the plan designs and the calculations, and concluded that the results appear reasonable.

As background information, we were also supplied with a data file of the 2,085 active TWU members valued as of July 1, 2014 and a summary of the total group normal cost, actuarial accrued liability, present value of benefits and present value of future service at the current \$105 benefit level and at the proposed \$115 benefit level. Although we have not specifically verified these total costs, we were able to determine that the amounts appear to be reasonable given the participant counts and demographics, the actuarial assumptions, and the benefit level. These total figures were used to verify the reasonableness of the reported cost increase for the various proposed improvements.

Further improving the benefit, for example to \$145 per year of service in accordance with the Milliman methodology and results, would yield an increase in annual expense (in millions) of \$13.945, \$10.238, or \$9.222 depending on the amortization policy of the actuarial accrued liability and future service liability, which are reported as 10-year/future working lifetime; 21-year/future working lifetime; and 21-year/21-year, respectively. The linear nature of the actuarial cost determination is due to the flat dollar nature of the plan design, and the actuarial assumptions and the funding methodology used. It does not recognize any potential changes in retirement experience as a result of the increased benefit. Those variances, to the extent applicable, would be recognized as experience gains or losses related to retirement in future valuations.

The Milliman memo states that the liability-weighted average future working lifetime on the active members is equivalent to an amortization period of approximately 11 years. Based on the present value of future service provided to us, we determined that was equivalent to an 11.2-year amortization period. The memo then goes on to state that "because of this and the pattern of benefit increases associated with collective bargaining agreements in past years, an amortization period longer than 10 years on the increase in the actuarial accrued liability is not recommended." However, there is no "right" or "required" amortization period. The plan sponsor can choose any amortization period they deem appropriate based on financial, political or other considerations.

Based on the data file provided to us, we were able to verify the participant count and the average age and service indicated in the memo. We were also able to very closely match the reported cost increase for each of the three proposed annual cost increases and for each of the three proposed amortization schedules associated with those increases. Note that it appears that the costs include a 3.5% increase presumably to account for an assumed mid-year payment of the annual cost.

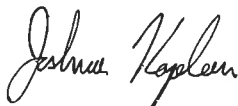
Next Steps

The benefit increase reviewed above represents an enhancement to members. However, the pension plan is still fundamentally different than the final pay plan that is currently offered to other NYCT Local 100 members either through MaBSTOA or NYCERS tiers 4 or 6. The most notable difference is that compensation is not recognized in the benefit formula, thus negatively impacting those members whose compensation changes significantly during their career. Although obtaining accurate compensation data has been challenging, we would encourage Local 100 to continue working with the Authority to obtain and refine usable data so further analysis may be continued, in order to provide pension parity across the membership.

Please let us know if you have any questions.

Sincerely yours,


Howard Goldsmith
Senior Vice President


Joshua Kaplan, FSA, MAAA, FCA
Vice President & Actuary