

REPORT FROM THE CEO

A weekly report
from the office
of the CEO

December 11, 1995



As promised, I'm including in this issue some questions and answers about proposed changes to the MTA's retirement program. This information is not final and may change.

Final terms of the proposed changes are subject to the approval of the MTA Board, the Public Employees Retirement System (PERS), the Internal Revenue Service (IRS), and the Social Security Administration and the unions.

Here is the latest timeline with which we're working:

December 8	IRS approves program
December 8-19	Union approval of "free choice" concept
Dec. 20	MTA Board approval of specifics
Dec. 29	PERS approval of MTA contract
January	Personalized employee communication packets sent
February	Employee meetings
March 15	Enrollment deadline
April 1	Effective date of new program
April-June	FICA refund checks mailed

Many details are yet to be resolved, and we ask your patience as we work with all of the organizations to iron out these issues. Here are some of the questions you're asking:

I'm confused about our current retirement program. Who has what?

Former non-contract RTD employees (not members of the UTU, ATU, or TCU) have the plan which has the following provisions: earliest retirement age is age 55 with five years of service; at age 60 the monthly retirement benefit is 1.46% of final average pay per year of service, with a minimum of \$350 per month; the benefit is not indexed for inflation. For employees hired prior to March 1, 1990 other provisions may apply. You can choose a lump sum payout of your benefit.

Former LACTC non-contract employees are covered under PERS. Under PERS, earliest retirement eligibility is at 50 with five years of service; at age 60, the monthly retirement benefit is 2% of final average pay per year of service, with no minimum; the benefit is partially indexed for inflation up to 2% a year. You cannot choose a lump sum payment of your PERS benefit.

What are the current medical benefits for MTA retirees?

Except for former LACTC employees, all MTA employees who retire between age 62 to 65, or with 30 years of service at any age are eligible for fully paid medical benefits from age 62 to 65. At age 65, benefits stop. Former LACTC employees who are eligible for retirement benefits from PERS are also eligible for fully paid medical

benefits in accordance with PERS rules.

Who is overseeing the RTD pension fund investments?

These are overseen by the Investment Board, whose members are appointed by the CEO.

Proposed Retirement Plan Changes

Why is the MTA proposing to change the retirement program?

The Authority has a goal to bring all employees under a single retirement program. This will create administrative simplicity and equity among all MTA employees over time. It will also help create future financial stability for MTA's retirement program.

When would these changes go into effect?

We anticipate the new program may start as early as April 1, 1996. If so, you will have the opportunity to enroll before March 15. Once the new program is implemented, it is expected the changes will be effective back to April 1, 1993, the date the MTA first came into existence.

How would the new program be different from what we have now?

Former LACTC employees would stay in PERS. All other MTA employees would have the option of joining PERS or staying in their current plan. Coverage under Social Security would no longer be available. Employees of MTA previously covered by Social Security would instead be covered by a new Social Security Replacement Plan (SSRP) for retirement (or so-called OASDI) benefits. If the IRS gives approval, employees would also receive a partial refund of their FICA payroll deductions since April 1, 1993.

How would the proposed Social Security Retirement Plan (SSRP) work?

Except for former LACTC employees, all current MTA employees would receive SSRP benefits along with any benefits already earned from Social Security. Your SSRP benefit and your Social Security benefit would be equivalent to the benefits you would have earned under Social Security if you had remained in Social Security. The SSRP will not be available to new hires after April 1, 1996.

If the IRS approves this plan, how much would the FICA refund be per employee?

The exact amount has yet to be determined. Part of the total contributions will go towards paying for the SSRP. Each eligible employee will receive a share of the refund based on FICA taxes paid

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Retirement Plan
Hot Line
at 213-922-6282.

since April 1, 1993.

Will former LACTC employees get a FICA refund, even though they have not paid into Social Security?

No. The MTA has contributed both the employer and employee amounts with respect to former LACTC employees. Because the employees have not paid into FICA, they will receive no refund, nor will they be covered by the SSRP.

Are there any other changes to my payroll deductions?

Yes. Except for former LACTC employees, most of you will receive more take-home pay, because you will no longer be contributing to Social Security but instead to a less costly SSRP. The exact amount of the increase in take-home pay depends on your salary and tax circumstances.

How are LACTC employees affected by these proposed changes?

Former LACTC employees would not be affected. They would continue in the PERS program.

Can any group of employees prevent the MTA from implementing the new program?

Yes. As part of the approval process, the IRS requires that every employee — both union and non-union — be given a choice of whether to join PERS. If any group of employees were prevented from making the choice, the proposed program could not be implemented. We don't anticipate union opposition to the program, because it represents a win-win situation for everyone.

About PERS

What are the basics of the PERS program?

Under PERS, you must be at least age 50 with five years of service to retire. At age 60, your monthly benefit is 2% of final average salary for each year of service. Your retirement benefit has a partial inflation adjustment, up to a maximum of 2% per year. PERS does not provide a "23 and out" or "30 and out" option.

Does the PERS plan have a lump-sum, cash out option?

No. You must take your benefits in installments.

Does PERS offer survivor benefits?

Yes.

How do these proposed changes affect our 401K plan and deferred compensation plan?

They don't affect these other plans. The proposed changes affect only the MTA pension plans.

What happens to RTD frozen sick and vacation time? Can it be converted to service credit for the purposes of PERS?

This time will remain frozen until it is used as sick or vacation time, or until it is paid out at retirement. This time cannot be converted to service credit under PERS.

General Questions

We have set up a Retirement Plan Hot Line at 213-922-6282. We'll log the questions left on the answering machine and answer as many as we can in future *CEO Reports*. Please feel free to send your questions to me in care of Phyllis Tucker.

Open Enrollment is Here!

Important — All MTA employees should have received their Open Enrollment forms in their home mail. If you haven't received them, please call Benefits Administration at 922-7186. If you're requesting a change in your or your family's medical or dental coverage, you must do so by December 15. If you don't wish to add coverage or change

your provider, you don't have to complete the forms and you will continue to be covered by your current provider. If you were enrolled in California Dental, you must select a new provider.

Achieving Agency Teamwork

In a recent issue, I shared with you five communication goals that we will emphasize over and over to taxpayers in the coming months. Last week, I outlined Goal #1 as ridership and the messages we want to send to the public.

Goal #2 is improving agency teamwork, improving productivity and morale and building a higher level of pride throughout the work force. We want to use this enhanced employee identity and purpose to build the relationship with the transit riders we serve.

Our messages are the following:

- MTA employees are our most important asset.
- Providing good service to MTA riders is our first priority. We listen to the public and are responsive to Customer concerns.
- MTA employees are quality-minded transportation professionals.
- MTA employees take individual initiative, are responsible for their actions and are accountable for their work.
- Working together, MTA professionals can make this agency the best transit organization in the United States.

Responsibility for internal communications is being shifted from the Office of External Affairs to Human Resources. Working with other departments, Human Resources will develop continuous two-way communications between employees and agency leadership. Also, we'll employ a combination of newsletters, video programs, bulletin board programs, and leadership visits to MTA locations in talks with employees. We intend to keep Board members and their staffs continuously informed in a timely manner of all important MTA activities and issues and generate regular communications between the MTA staff and the Board.

Employee Recognition Task Force

Speaking of internal communications, my assistant, Phyllis Tucker, in conjunction with Human Resources, has assembled a task force to develop an employee recognition program. Both former predecessor agencies had such programs. Executive officers will select one person from their department who can participate on a short-term basis on the task force. The work must be completed by end of December.

My prayers are with the family of Division 10 bus operator Donald DeBoe who was viciously attacked by two passersby after a tragic accident several weeks ago. According to his manager, Rick Hittinger, Don is "a heck of a man." We are touched by his courage to care about the agency from his hospital bed and wish him godspeed. You have my promise I will do everything I can in my power to see that such an attack never happens again.

—Franklin White

I welcome your comments and questions in response to CEO Report, which is designed to provide employees with direct communication with my office. Please contact my Special Assistant, Phyllis Tucker, at 244-6191. Also, employees can fax comments to 244-6014.

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