



August 27, 2015

Joseph Burns
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150 North Michigan Avenue
Suite 1000
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Richard Murphy
International Vice-President
Amalgamated Transit Union
5025 Wisconsin Avenue NW
Washington, DC 20016

Re: Interurban Transit Partnership and ATU Local 836 Negotiations

Gentlemen:

At last night's Board meeting it appeared that several of your members and members of the community appearing on their behalf were under the mistaken impression that the Interurban Transit Partnership (i.e. The Rapid) wanted to take away employees' current pension benefits. As you might surmise, this was a surprise as that is not The Rapid's position. We write this to confirm The Rapid's actual position with regard to retirement benefits.

Specifically, The Rapid does not want to terminate the existing defined benefit plan. Doing so would unfairly punish retirees and individuals who have provided years of service to our organization. Rather, The Rapid's proposals are intended to address the unfunded liability associated with the existing plan. In this regard, there should be no dispute that the parties' most recent actuarial report shows that the plan is underfunded by more than \$2.6 million and is growing exponentially. Last year alone, that unfunded liability increased by more than \$350,000. In response, The Rapid has been very up front about the fact that the parties' negotiations need to find a way to address both year-to-year increases going forward as well as the current unfunded \$2.6 million liability. Given The Rapid's reliance on community support, the Board believes addressing this liability is essential to the organization's long-term financial health and its ability to continue to provide essential transportation to the community it serves. The Rapid has been very clear about its desire to freeze the existing plan and replace it with a defined contribution plan similar to those in place at the Ann Arbor Area Transportation Authority and the Flint Mass Transportation Authority. Indeed, we actually proposed to increase The Rapid's total contributions toward employee retirement benefits by more than \$100,000 a year to make this change. We believe this increase is a good investment in terms of our employees' benefits package and for the long-term financial health of the organization by addressing the existing unfunded liability.

However, as you are well aware, the terms of the existing pension plan deny The Rapid from freezing the plan or even requiring an employee contribution without the Union's consent. Without the Union's cooperation in finding a solution to address the liability, the only option available to The Rapid is to trigger plan termination provisions by terminating the parties' collective bargaining agreement. Unfortunately, although this strategy would address the liability, it would do so at the expense of our retirees and longest-serving current employees. As such, The Rapid would prefer to avoid this scenario.

Nevertheless, the Board feels very strongly that the growing unfunded liability associated with the pension plan must be addressed. While it would prefer to work with the Union to find a solution, your bargaining positions to-date ultimately leave The Rapid with no other option but to proceed with termination of the plan. In particular, your current refusal to consider freezing the plan and/or any requirement for employee contributions to the existing plan at a level sufficient to eliminate the annual increases in unfunded liability means we are out of options that might save the existing plan. As such, we request that your Union reconsider its current refusal to negotiate terms that may save the existing plan and/or consider a different plan that would not further contribute to the growing pension liability.

Contrary to statements made at the bargaining table, this liability is not "The Rapid's problem". By refusing to consider other options, the Union is essentially confirming that it wants The Rapid to pursue termination of the plan. If that is the choice the Union is making, we will proceed with termination. However, we hope that The Union will recognize that there are other options available and come to the table in good faith and continue negotiations to find a solution that balances employee benefits with responsible financial stewardship of the organization.

Sincerely,



Peter Varga
Chief Executive Officer



Barbara Holt
Board Chair