TRIMET

January 2, 2013

During its December 10 meeting, members of the CRC Washington State Legislative Oversight Subcommittee raised questions about TriMet's Other Post Employment Benefits (OPEB) and debt service. CRC funding cannot be used to fund TriMet retiree or debt service. The CRC project is funded with dollars dedicated to capital investments and these dollars cannot be used to fund transit operations. TriMet's OPEB liability has no impact on the CRC project budget.

Potential OPEB Liability: TriMet has a *potential* liability of $850 million for retiree health care benefits and these estimated costs are based on more than 30 years of contracts with union employees. Containing future OPEB obligations is the agency's highest priority and is anticipated to occur over several contract negotiations. In 2012, the agency won an important arbitration ruling that lowered future union health care costs. TriMet continues to pursue additional reductions as it negotiates the next union contract. The agency is committed to achieving sustainable retiree health benefits moving forward.

Pension benefits: TriMet has paid 100 percent of its annual pension obligations every year, even while its contributions increased 131 percent during the last decade. In 2012, the agency took a significant step toward bending the cost curve on the pension liability, winning an arbitration ruling that allowed it to modify the defined benefit pension with a fully funded defined contribution plan for new union employees. This change mirrors retiree benefits provided to TriMet's non-union employees for more than a decade and enables the agency to create a sustainable pension program. TriMet's current unfunded union defined pension liability is $266 million, assuming a 7.75 percent return on investment. During the next three years, TriMet will phase in a 7 percent rate of return assumption on its union defined benefit pension and fully fund the unfunded liability over the working life of the remaining active participants. For comparison, TriMet's union defined benefit pension benefits are comparable to the reformed Oregon Public Employee Retirement System (PERS), providing a replacement ratio of about 50 percent for a 30-year employee.

TriMet's Debt Service: The CRC project is in no way funding TriMet debt service. TriMet's Board of Directors adopted a policy which limits the annual debt service on payroll tax bonds to no more than 7.5 percent of the agency's continuing revenues. TriMet is in compliance with this policy. Nearly 50 percent of TriMet's annual debt is paid for by a stream of Metropolitan Transportation Improvement Program (MTIP) funds pledged to TriMet by Metro for rail projects. The other debt is backed by federal, state and regional grants as well as payroll taxes. All the debt is highly rated—payroll tax backed bonds are rated Aa1 by Moody's and AAA by Standard and Poors, while grant receipt bonds are rated A2 by Moody's and A by Standard and Poors.