



Duluth Transit Authority  
Pension Legislation



MN Stat §458A.21, "Creation: There is hereby created a Duluth Transit Authority for the city of Duluth, hereinafter referred to as the authority..."

MN Stat§458A.29: "The employees of the authority shall not be within the civil service classification of the city of Duluth."

This prohibition is unique to the DTA. All other Minnesota small urban systems are permitted to be civil service employees of their local government agency.

ATE Management of Duluth, Inc. ("ATED")  
Private stock to form a wholly owned subsidiary of a parent company, First Transit, Inc.

Duluth Transit Authority  
(no employees)

ATE Management of Duluth, Inc. (ATED)  
Private employer  
Employs approximately 175 union and administrative staff that operates the DTA transit system

The contract between DTA and First Transit expires in October 2022, with no option to renew.



# ATED OWNERSHIP OPTIONS

- The contract between the parent company and the DTA expires in October 2022, the parent company has changed ownership and will not agree to a renewal
- DTA can acquire ATED stock:
  - Acquisition of the ATED stock for a nominal fee enables the DTA to comply with the 1969 legislation and retain ATED employees
  - Enables seamless transition for continued operation of the DTA
  - Saves the DTA money
- Seeking another third party to acquire and hold ATED stock for decades presents a risk for the DTA, any change in ownership structure of a successor stockholder puts the DTA at risk of pension withdrawal liability again
- DTA will be rendered insolvent if the withdrawal liability is triggered



**ATED makes all benefit and pension contributions for DTA staff, including drivers and technicians covered by the collective bargaining agreement with Teamsters Local 346**

**DTA management strongly supports the continuation of the collective bargaining agreement**

**If ATED stock is liquidated upon contract expiration, it will cause the DTA to incur a pension withdrawal liability to the Central States Pension Fund of over \$136 million.**

**If DTA acquires ATED stock and employees become public employees, DTA would then be compelled to pay into PERA (as required by statute) **AND** Central States Pension Fund (as required by the collective bargaining agreement.)**



# COVERED EMPLOYEE PENSION CONTRIBUTIONS

DTA and Teamsters 346 just ratified a new 5-year collective bargaining agreement

Approximately 140 DTA Bus Operators, Maintenance Technicians and Cleaners are represented by the Teamsters Local 346

If DTA employees become public employees, ATED will be required to contribute 7.5% of their salary to PERA in addition to the contribution to the Central States Pension Fund.

Example: A driver that makes \$48,000 per year would receive an annual employer contribution of \$17,576 for their pension *plus* \$3,638.34 to their PERA account

In addition, the driver would be required to contribute 6.5% of their salary, \$3,120 per year to PERA. Total pension contribution is \$24,334, or 50% of their base wage.

**Additional PERA pension contribution requirements results in an estimated \$500,000 *annual* increase in DTA pension costs for union staff.**



## ADMINISTRATIVE STAFF PENSION

- ATED makes pension contributions to the DTA Money Purchase Plan for 34 administrative staff at the DTA
- DTA is requesting that administrative employees be exempt from specific provisions of PERA due to vesting requirements
- Presently there are no exceptions for employees to carry over their vesting into a new public plan
- Without an exemption, employees would have to start over their vesting requirements regardless of the number of years they have been employed with the DTA
- DTA would adopt a new money purchase plan document compliant with MN Statutes



# DTA administrative staff Money Purchase Plan

The DTA Money Purchase Plan contributes 12% of salary for administrative employees, who must match it with a 2% salary contribution.

Of the 34 participants in the DTA Plan, 18 are fully vested and 16 are partially vested

Plan value in September 2021 was \$6.2 million, of which \$5.2 million is employer contributions

Total 2021 employer contributions were approximately \$253,000 on Administrative salary of approximately \$2.1 million.

**Potential impacts to DTA administrative employees in the DTA Money Purchase Plan if compelled to join PERA with the 5-year vesting requirement**

Example: An employee with 10-years seniority and is fully vested in the DTA pension plan would not be eligible for full pension benefits from the PERA contributions for an additional 5-years, even though they were fully vested in their current plan

*Example: an employee with 3-years seniority will not be fully vested in the PERA Plan for an additional 5-years*

Example: an employee that has less than 5-years until retirement will not have fully vested PERA contributions before their retirement.



**DTA is requesting the MN Legislature to exempt ATED union employees from joining PERA upon acquisition of ATED stock and avoid the risk of pension withdrawal liability and negative financial impacts to DTA**

**There are precedents in MN Statutes to exempt transit employees from belonging to PERA**

**Current pension plan contributions for ATED employees are on par with PERA**

**Exempting administrative staff from PERA vesting requirements will assist with employee retention**





# DTA REQUEST

- DTA can acquire the ATED stock and continue the Central States Pension Fund payments on behalf of DTA staff for as long as the Collective Bargaining Agreement is in effect and DTA obligations continue
- Union employees will continue to enjoy the same pension benefits they currently have under this arrangement
- Exempting administrative staff from PERA vesting requirements will provide an equitable adjustment for administrative employees
- DTA will no longer be subject to market pressures to locate a third-party contractor to hold the stock, virtually eliminating the risk for an estimated \$136 million pension withdrawal liability

