

Date: August 1, 2002
 To: Mike Doyle
 From: Jim Ekberg
 Subject: News by the Acre

“Many of our newer members are surprised to hear that they already have a plan that enables them to retire at 55 years of age with 30 years of service.” This statement may be true. Let us see if our newer members will have the financial resources needed to retire at such an early age like we are being lead to believe.

The Vanguard pension plan was instituted by Metro-North for all employees in 1988 and had nothing to do with the collective bargaining process. Basically it was set up to enhance management pension benefits, most management pensions at Metro-North were below other MTA management pensions at their other agencies. Metro-North management has since dropped out of the Vanguard pension and gone into the Tier 4 State pension.

The Federal Government realizes that Social Security and Railroad Retirement will not be able to support all of the retirees as they become eligible for benefits. To lift the burden on Social Security and find new ways to pump money into this system without appearing to raise taxes, Congress decided to raise the ceilings on the amount of money made and not on the percentage of payroll taxes. This is why our tier 1 & 2 tax ceilings raise by about \$5,000 each year.

If I as a junior engineer do not now or for the rest of my career max out on my tier 1 & 2 taxes, will I be entitled to receive my full Railroad Retirement benefits? If I retire at age 55 instead of age 60, how much of a reduction in Railroad Retirement benefits will I be forced to give up? Will any restrictions be placed on me?

“Metro-North automatically contributes 4 percent of your earnings into the plan. When you attain 19 years of service, the contributions increase to 7 percent. The adjustment to 7 percent was instituted due to the fact that the plan was not available until 1988. Since our goal was to increase the Pension Benefits of members reaching their retirement ages who did not have ample time to allow their Vanguard accounts to mature, the only alternative we felt remained was to boost their Vanguard Contributions for the remaining time they have prior to retirement.”

Initially Metro-North proposed a hike for everyone’s Vanguard contribution from 4% to 5 1/2 %. Our negotiating committee decided that this formula was not politically rich enough to get the senior engineers vote, so they changed it under the disguise of financial retirement help for our senior members. We have:

Sr. Engineers salary average \$100,000 with 4% Vanguard contribution equals \$4,000

Jr. Engineers salary average \$ 60,000 with 4% Vanguard contribution equals \$2,400

This committee decided that an engineer who makes \$40,000 more in salary than me and receives an additional \$1,600 more than me in his Vanguard account needs some additional financial help. With their new formula:

Sr. Engineers salary average \$100,000 now with 7% Vanguard contribution equals \$7,000

Jr. Engineers salary average \$60,000 still with 4% Vanguard contribution equals \$2,400

This senior engineer is still making \$40,000 more than me in salary, but now receives an additional \$4,600 more than me in his Vanguard account.

If you multiply these differences by say ten years, they become staggering. Where is the need for financial subsidizing of senior engineers?

The following chart was handed out to the membership explaining how the junior engineers Vanguard account would look for the next 35 years. Lets examine this chart and see how we are doing. The last three columns added to this chart is to compare how a junior engineers total would be if they had received a flat 5 1/2% rate increase.

Year	Wages	Vanguard %	Vanguard \$	Total \$	Flat %	Vanguard \$	Total \$
1999	80,000	4	3,200	3,200	5 1/2	4,400	4,400
2000	82,400	4	3,296	7,146	5 1/2	4,532	9,825
2001	84,872	4	3,394	11,594	5 1/2	4,668	15,942
2002	87,418	4	3,496	16,599	5 1/2	4,808	22,825
2003	90,400	4	3,601	22,220	5 1/2	4,972	30,577
2004	92,741	4	3,709	28,522	5 1/2	5,101	39,246
2005	95,523	4	3,820	35,577	5 1/2	5,254	48,950

2006	98,388	4	3,935	43,463	5 1/2	5,411	59,797
2007	101,339	4	4,053	52,268	5 1/2	5,574	71,908
2008	104,379	4	4,175	62,087	5 1/2	5,741	85,414
2009	107,510	4	4,300	73,026	5 1/2	5,913	100,460
2010	110,735	4	4,429	85,200	5 1/2	6,090	117,205
2011	114,057	4	4,562	98,738	5 1/2	6,273	135,826
2012	117,478	4	4,699	113,780	5 1/2	6,461	156,516
2013	121,002	4	4,840	130,482	5 1/2	6,655	179,488
2014	124,632	4	4,985	149,014	5 1/2	6,855	204,977
2015	128,370	4	5,134	169,563	5 1/2	7,060	233,241
2016	132,221	4	5,288	192,337	5 1/2	7,272	264,564
2017	136,187	4	5,447	217,562	5 1/2	7,490	299,259
2018	140,272	7	9,819	250,119	5 1/2	7,715	337,671
2019	144,480	7	10,113	286,255	5 1/2	7,946	380,179
2020	148,814	7	10,417	326,339	5 1/2	8,185	427,200
2021	153,278	7	10,729	370,775	5 1/2	8,430	479,193
2022	157,876	7	11,051	420,008	5 1/2	8,683	536,664
2023	162,612	7	11,382	474,529	5 1/2	8,944	600,169
2024	167,490	7	11,724	534,878	5 1/2	9,212	670,319
2025	172,514	7	12,075	601,649	5 1/2	9,488	747,788
2026	177,689	7	12,438	675,495	5 1/2	9,773	833,317
2027	183,019	7	12,811	757,137	5 1/2	10,066	927,721
2028	188,509	7	13,195	847,365	5 1/2	10,368	1,031,898
2029	194,164	7	13,591	947,052	5 1/2	10,679	1,146,835
2030	199,988	7	13,999	1,057,156	5 1/2	10,999	1,273,617
2031	205,987	7	14,419	1,178,732	5 1/2	11,329	1,413,441
2032	212,166	7	14,851	1,312,941	5 1/2	11,669	1,567,621
2033	218,530	7	15,297	1,461,061	5 1/2	12,019	1,737,604

According to this chart, we are to receive “3% annual wage increases with a conservative 10% market gain.” Lets see if these projections have any truth to them. Since negotiating our contracts with Metro-North from 1992 to the present, our annual wage increase has only averaged 2.68%. Not quite the 3% that we are lead to believe. 1992-2 1/2%; 1993-2 1/2%; 1994-3 1/2%; 1995-2%; 1996-2 1/2%; 1997-3 1/2%; 1998-2%; 1999-2%; 2000-3%; 2001-3%; 2002-3%. Why was this chart made up assuming a 3% wage increase when the facts show otherwise? This chart shows a wage of \$80,000 for a junior engineer in 1999 during his first year of service. How many 70% junior engineers achieved this feat? Also shown is a conservative market return of 10%. The returns of the industrial averages have been negative for the past few years. How was this conservative return calculated?

Comparing this 4% - 7% program against a flat increase of 5 1/2% for the entire membership, junior engineers lose valuable pension money every day they work. With interest compounding daily they will never be able to catch up with the monies lost under this retirement system even with a 7% increase in their later years. Junior engineers have been cheated out of \$276,643 in retirement money. Enough money to pay for 208 weeks (4 years) of additional vacation.

If the starting wage for a junior engineer is incorrect, the 3% wage increase is incorrect and the conservative 10% market gain is incorrect, what can we say about this chart. Should we hold this committee accountable for what they say and publish? If these monetary goals are not a reality and we do not have this pension money how do we retire at age 55 with 30 years of service? Why should our retirement be based on the whims of the stock market.

This years salary projection is \$87,418. Our base pay with certification is \$69,225. Then I have to make \$18,193 in overtime. This means I have to work an additional 46 days. $\$31.95 \text{ hr.} \times 8 \text{ hr.} = \$255.60 \text{ day} + \$10.65 \text{ certification} = \$266.25 \text{ day} \times 5 \text{ days week} = \$1331.25 \text{ week} \times 52 \text{ weeks} = \$69,225$ $\$87,418 \text{ minus } \$69,225 = \$18,193 \text{ of overtime. } \$31.95 \text{ hr} \times 1.5 = \47.93 Certification $\$10.65 \text{ divide by } 8 = \$1.33 \text{ add to overtime rate} = \49.26 Divide overtime of \$18,193 by overtime rate of \$49.26 and you get 369.32 hours. Divide this by 8 hours and you get 46 days. Why should I have to give up this extra time away from my family to meet your salary requirements?

Since Metro-North has decided to hire and train far too many engineers, can someone tell us for sure what is going to happen to the overtime in our runs. How are we supposed to get out on our relief days to accomplish these salary goals and meet our retirement needs? The only guarantee we have is a days pay, 8 hours. Metro-North can phase out all of the overtime and no meals without any recourse from us. How can Metro-North accommodate all of these new engineers without sacrificing overtime?

If I am 25 years old and just starting out as an engineer and listen to this reasoning for additional monies given to the senior membership. If the senior guy is 50 years old and retires at say age 65, then for 15 years he has received 7% and I only 4%. Now I still have to work another 4 years at 4% before I can go up to 7%. During these four years if all of the senior guys are retired, then who am I helping by being stuck at 4%? What if I am a 50 year old engineer with only 4 years on the railroad. By the time that I am ready to retire, I will never have had the opportunity to receive the full 7% in my Vanguard account. I have been forced to work my entire career at 4%. How is this helping to provide for my retirement needs? What if I just decide to leave the railroad before I put in 20 years? This extra 1 1/2% would have come in handy.

“This agreement has the unanimous support of Mike Doyle, Richard Gunderman, Ronald DeAndrus, John Potthast, Richard Engel, Brain Palmer, Thomas McGrath and Fred Kelly all support ratification of this agreement.” How come not one person had the vision to see that this type of thinking was not in the best overall interest for our current and future junior engineers. Once again junior engineers are made to pay for the short term financial gains of a few senior engineers. It may have been and still may be in this committees own best interest, but are current and future junior engineers really going to have the resources needed to retire at age 55?

Currently senior engineers have the ability to max out on their tiers during their entire railroad careers. They will be able to retire with full Railroad Retirement benefits. In the foreseeable future very few junior engineers will be able to max out on their tiers. The government will most likely reduce our Railroad Retirement benefits since we have not fully contributed to these retirement accounts. We will be forced to use this pension plan to supplement our reduced retirement benefits. Will the monies shown here to be in our pension account become a reality?

First we instituted a 70% pay program for new junior engineers. Now we have instituted a two tier pension program for new junior engineers. Can someone point out any benefits, except for votes from senior members, what any junior engineer gained by giving up such a huge part of their salary and pension benefits? When we have finished cannibalizing the junior engineers, whom do we turn on next?

If someone would like to respond be sure to include answers to the following :

- 1- How much of a reduction in Railroad Retirement benefits will I suffer by retiring at age 55 instead of 60 and would any restrictions be placed on me?
- 2- If I do not max out on my Tier 1 and Tier 2 taxes, how are my retirement benefits going to be affected?
- 3- You have last years salary figures. Show us the earnings of the lowest paid 70% junior engineer and the earnings of the highest paid senior engineer. Now show us how much money went into their Vanguard accounts. Explain the financial needs of this senior engineer.
- 4- Explain the differences between the two account balances and how beneficial it is for junior engineers.
- 5- Explain 3% salary increase, 10% market return and salaries for the next 35 years.
- 6- Explain our reliance on overtime to meet these goals. Is this going to be a realistic in the future?
- 7- If in 15 years all of the senior guys have retired. Who are current junior engineers helping with this two tier pension system? How about any engineers hired after 2014?
- 8- The flat 5 1/2% increase to the Vanguard Account looks like it was the best way to go. What is going to be done to correct this injustice?
- 9- Was this two tier pension the best deal for both our present and future union membership? What about Tier 4?
- 10- We got locked into this contract due to the LIRR, what pension plan or enhancements did they receive?