



ASSOCIATION OF COMMUTER RAIL EMPLOYEES

January 27, 2004

All Members
Association of Commuter Rail Employees
Local Division 9

Re: Contract ratification vote for calendar years 2003-2006

Dear Brothers and Sisters :

Enclosed you will find the memorandum of understanding (contract) outlining the negotiated changes we have made to our collective bargaining agreement. These changes cover the calendar years 2003-2006 and will remain in effect until another agreement is negotiated and ratified. You will also find information on the defined benefit pension and a ratification ballot along with ballot instructions and a return ballot envelope.

We are very pleased to present you with this agreement and strongly believe that this contract should receive overwhelming support from our membership. The key element of this contract is the movement from a defined contribution pension plan to a defined benefit pension plan. At a time when major companies are moving their pension obligations from defined benefits plans to less costly defined contribution plans we have negotiated this much sought after benefit against the current trend. Furthermore, while successfully securing this benefit moving forward, we also succeeded in capturing full service credits back as far as 1983. This is unprecedented in the railroad industry and will provide security to you and your family during both your working career and retirement.

As everyone is fully aware, the Transit Authority agreed on a wage package comprising of a \$1,000 signing bonus and 0, 3%, 3%. The Long Island Railroad accepted a wage package of a \$1,000 signing bonus and 0, 3%, 3%, 3%. This was the wage package we were confronted with in this round of negotiations and the only possibility of changing it would have been a legal strike under the provisions spelled out in the Railway Labor Act. This process, if we were ever able to attain a release under the Railway Labor Act, would have taken close to three more years. Our other option was to set the wage package to the side and attempt to negotiate a defined pension benefit improvement which when coupled with the wage package would create a contract our committee could proudly present to the membership for ratification. We have been successful in our strategy and we believe that this contract is the best agreement that has ever been negotiated at MTA Metro-North Railroad.

We must remember that the 1996 agreement which delivered improved sick time, vacations, personal days, and engineer certification that was negotiated on the eve of a strike deadline, was hailed by people like TWU International President Sonny Hall as "the best contract in the railroad industry in 20 years." That contract had a wage package of 10% over four years. While this wage package is 1% less than the 1996 contract over the 4 year life of the contract, the pension improvement in this contract provides a much greater value to our members than an increased wage package possibly could. It once again proves that

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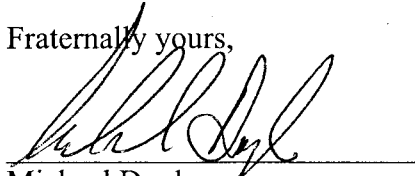
valuable benefits can do more than merely balance a wage package.

The defined benefit pension will not only provide income replacement so that our members will shortly make as much in retirement as when working, it will provide full pension benefits at 55 years of age and 30 years of credited service. It will also provide full medical benefits for your family until you are medicare qualified at age 65. At that time, if your spouse is younger they will receive the HIP HMO option or the equivalent value to apply to any health plan they choose. The defined benefit pension also provides valuable disability annuities (whether injured on the job or off) and death benefits to further secure your family's future.

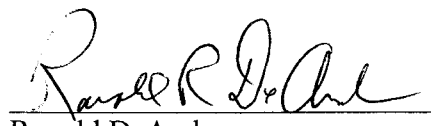
One last point about the negotiations. The cost of this pension on Metro-North far exceeded the cost on the Long Island Railroad for a number of reasons. We had to go back to 1983 versus 1988 on the LIRR and Metro-North employees have an average age of 44 with 14 years of service while the post 1988 employees at the LIRR had an average age of 32 years with 7 years of service (employees hired on the LIRR prior to 1988 participated in another pension plan created in 1967 and closed out in 1988). Each prior service year has an attached cost and the closer participants in a pension plan are to collect benefits the more costly the plan is to fund. This led your negotiators to agree to funding mechanisms such as uncapping the 3% employee contribution and medical premiums for future hires in order to secure the pension. By pushing off a small cost of the pension into the next round we received .9% value for uncapping the employee 3% contribution in 10 years. This will be the first issue we address in the next round of negotiations. We can assure you that no one will ever pay past the original 10 year cap period.

Once again, we believe this is the best contract that has ever been presented to any group of employees since Metro-North was created in 1983. It provides a level of benefits and security to you and your family unparalleled in the railroad industry. It is an agreement that will not only improve your jobs but will change both the culture and the way we think about our jobs. Under this agreement, senior members will retire sooner and in greater numbers so junior members can look forward to holding more desirable, higher paying jobs, with weekends off and summer vacations. Without question, this contract benefits everyone and your committee is proud to present it to you. We are confident that our members will overwhelmingly support this groundbreaking agreement.

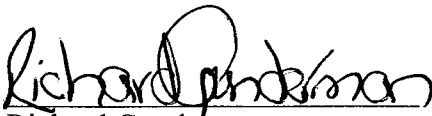
Fraternaly yours,



Michael Doyle
General Chairman



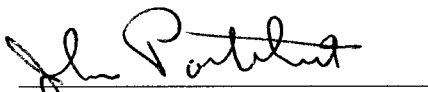
Ronald DeAndrus
Vice General Chairman



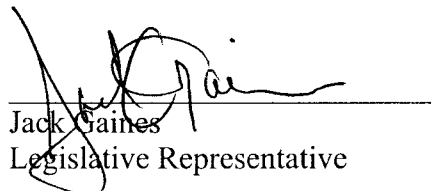
Richard Gunderman
Local Chairman - GCT



Thomas Cooper
Local Chairman - Harlem



John Potthast
Local Chairman - Hudson



Jack Gaines
Legislative Representative

MEMORANDUM OF UNDERSTANDING

BETWEEN

MTA METRO-NORTH

And

ASSOCIATION OF COMMUTER RAIL EMPLOYEES

Division 9

Representing Engineers

The parties hereby agree to the following amendments and changes to the Collective Bargaining Agreement for the period January 1, 2003, through December 31, 2006.

This Memorandum of Understanding is subject to ratification by the membership of the Association of Commuter Rail Employees, Division 9 - Engineers, and final approval by the Metropolitan Transportation Authority Board of Directors.

THIS AGREEMENT is made this 15th day of January, 2004, by and between the Metro-North Commuter Railroad ("Metro-North") and the employees represented by the Association of Commuter Rail Employees - Division 9.

ARTICLE I – GENERAL WAGE INCREASES

SECTION 1 – LUMP SUM PAYMENT

Following membership and MTA Board ratification, Metro-North will pay a one-time non-recurring lump sum payment of \$1,000 to each employee who meets the eligibility requirements specified below in Section 5.

SECTION 2 – SECOND GENERAL WAGE INCREASE

Effective January 1, 2004, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2003 shall be increased by three percent (3%).

SECTION 3 – THIRD GENERAL WAGE INCREASE

Effective January 1, 2005, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2004 shall be increased by three percent (3%).

SECTION 4 – FOURTH GENERAL WAGE INCREASE

Effective January 1, 2006, all rates of pay irrespective of the method of payment (hourly, daily, etc.) in effect on December 31, 2005 shall be increased by three percent (3%).

SECTION 5 – ELIGIBILITY FOR WAGE INCREASES

In order to be eligible to receive the above referenced lump sum payment, the employee must have been on the payroll between January 1, 2003 and December 31, 2003. Employees who were on the payroll during 2003 for less than twelve (12) months (retirees, new hires or otherwise off pay status) for one (1) month or more shall have their lump sum prorated based on the number of months on the payroll over a denominator of twelve (12). Fifteen (15) days or more on the payroll in a month shall constitute a month of service.

Example: An employee retires on September 1, 2003. Such employee had eight (8) months on the payroll and shall receive 8/12ths of the lump sum amount.

Employees who were terminated or voluntarily resigned during 2003 shall not be entitled to the lump sum payment or any pro rata share of the lump sum payment.

ARTICLE II – DEFINED BENEFIT PENSION PLAN

Effective January 1, 2004, employees hired between January 1, 1983 and December 31, 2003, and who are participants of Metro-North Agreement Defined Contribution Pension Plan (also known as the “Vanguard Plan” or “Plan”), shall cease making employee contributions to said Plan and Metro-North shall also cease making contributions to said Plan.

Such employees and all employees hired after December 31, 2003 shall commence participation in a new defined benefit program within the MTA Defined Benefit Plan (“New Program”) and such New Program shall have the same terms and conditions as those applicable to non-represented employees of Metro-North in the MTA Defined Benefit Plan except as follows:

1. Current employees as of January 1, 2004 shall receive service credit for service rendered on or after January 1, 1983, based on their date of hire at Metro-North and all employer contributions and the earnings attributable to such contributions credited to such employees in the Vanguard Plan for such service shall be transferred to the MTA Defined Benefit Plan.
2. All employees shall make three percent (3%) member contributions to the New Plan. All 2004 retroactive wage adjustments for all employees will be contributed directly into the new defined benefit program.
3. Employee contributions and the earnings from these contributions made to the Vanguard Plan shall remain in the Vanguard Plan. The parties agree to seek approval from the Internal Revenue Service to allow employees to transfer, at the employee’s request, their contributions from the Plan to the MTA Deferred Compensation Plan.

ARTICLE III – BENEFITS

Health Insurance Premiums

All new employees hired after full and final ratification of this Agreement will contribute to the premium cost of the health insurance plan at the same rate paid by Metro-North management employees, including future adjustments.

Vision Benefits

Effective July 1, 2004, the level of Vision Benefits for ACRE Division 9 Members will be equal to those for Metro-North Railroad Management employees.

Life Insurance

Effective upon the full and final ratification of this Agreement the existing Company paid Life Insurance benefit of \$100, 000 is eliminated.

ARTICLE IV – WORK RULE CHANGES

Rule 9 (Guaranteed Extra Board)

Amend Rule 9(d) to provide that Passenger Engineers who mark off for sickness or personal reasons will be held off the Board for twelve (12) hours and will then be placed at the bottom of the Extra Board.

Rule 36 Personal Leave

Effective January 1, 2004, the extra floating (birthday) holiday for employees with thirty (30) or more years of continuous service is eliminated.

Rule 34 - Holidays

Effective upon the full and final ratification of this Agreement the existing holiday provision will be amended, allowing for Veteran's Day to be replaced with the Day after Thanksgiving.

Vacation Selection (Vacation Wheel)

In order to more equitably allocate vacation use, effective with the Vacation selection for 2005, the existing practices for selecting vacations will be modified. The new procedures will require all employees (in seniority order) to select one (1) of their vacation week selections for a week in the fourth quarter of the year (September 1-December 31 excluding Thanksgiving and Christmas weeks). After all employees have selected a week in this fashion, then the ordinary seniority based vacation selection will continue for the remaining vacation allocation.

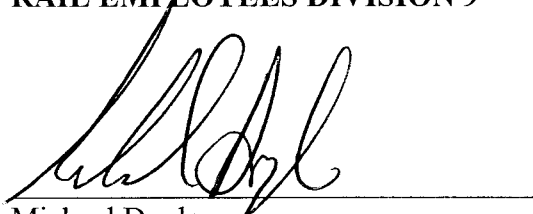
ARTICLE V – MORATORIUM

(1) The Agreement shall be effective January 1, 2003 and shall remain in effect through December 31, 2006 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(2) The parties to this Agreement shall not serve or progress prior to July 3, 2006 (not to become effective before January 1, 2007) any notice or proposal for the purpose of changing agreements.

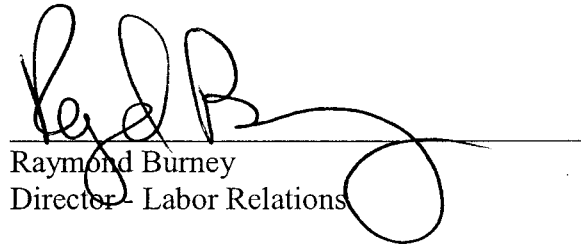
This Memorandum of Understanding is subject to ratification by the membership of the ACRE Division 9 and final approval by the Metropolitan Transportation Authority Board of Directors.

**FOR ASSOCIATION OF COMMUTER
RAIL EMPLOYEES DIVISION 9**



Michael Doyle
General Chairman, ACRE Division 9

FOR METRO-NORTH



Raymond Burney
Director - Labor Relations



Ronald DeAndrus
Vice General Chairman, ACRE Division 9