

Enclosed please find a copy of the pension study I referred to in our last conversation. I apologize for the delay in sending it to you. There is substantial confusion among the Metro North unions as to the form and content of this and other pension studies.

This study represents a no additional cost defined benefit conversion of the defined contribution plan at Metro North. It also allows each employee to keep their total defined contribution accrual. It does not count the time between January 1, 1987 and December 31, 2002 as benefit service time but does count all time in service before 1987 regardless of whether the Carrier was a predecessor railroad, Conrail or Metro North. Once those assumptions are made the actuaries determined that a defined contribution of .58% per year of service would be funded.

By including all prior service and discounting the period of coverage under the defined contribution plan the value of the 4%/7% employer contributions are effectively transferred from the junior employees to the senior employees. Even after these assumptions are made shifting the value to the senior employees and the employees retain all of their Vanguard accruals the benefits of this proposal, even for the most senior members with the most in the defined contribution plan, do not equal those of the management plan counting service beginning in 1988. And, the benefits for the junior employees, who don't count benefit service under this plan during the Vanguard period, are radically inferior.

That said, this study has provided a foundation from which to compare all other plans under consideration. And it does not compare in anyway favorably with the MTA Management plan, especially for the more junior employees. It is however cost free from

management's. The cost would be substantial for our junior employees. It is structured to resolve certain political problems for the ACRE unions but creates more problems than it resolves.

The MTA management plan has clearly superior benefit levels for all classes of employees when calculating benefit services beginning in 1988. However, converting to it would involve the plan absorbing all Vanguard accounts. This, of course, creates political problems of its own. Vanguard account holders hold differing values and those with more in their accounts do not want to, in effect, contribute more than those with less even if they themselves will be left with substantially superior benefits.

This conversion became much more difficult politically as a function of the last round of negotiations on Metro-North when the rosters were split by contributing more for those with 19 years of service. The last round contributed to the disparity in accounts that now makes converting the pension all that more difficult politically.

Anyway, here is the study itself, you can compare it to the benefits of the management plan yourself and you will see that even with the weighting toward all years of service at the expense of the junior employee that it does not provide as high a level of benefits as the MTA management plan. I am working on a spreadsheet that will allow any employee on Metro North to plug in their expected date of retirement and be given the level of benefits available under the management plan. When that spreadsheet (Excel) is complete I will be glad to share it with you.

Looking forward to speaking with you again I am

Sample Cases As of December 31, 2002

Assumed Salary	Date of Hire	Age at Date of Hire	Current Age	Benefit Service at Age 55*	Benefit Service at Age 60*	Assumed Defined Contribution Account at 12/31/2002**	Regular Benefit At Age 55***	Regular Benefit At Age 60***
\$80,000	1968	20	54	20	25	\$103,800	\$13,600 (\$ 7,500)	\$29,400 (\$15,900)
67,000	1973	25	54	15	20	\$ 87,000	10,100 (6,300)	22,400 (13,300)
59,500	1978	30	54	10	15	\$ 66,300	7,100 (4,800)	16,200 (10,200)
55,000	1978	20	44	20	25	\$ 38,900	8,200 (4,600)	17,700 (9,900)
38,000	1995	21	28	27	32	\$ 13,000	11,900 (3,400)	24,900 (7,200)
35,000	1999	22	25	30	35	\$ 5,800	11,300 (1,800)	23,100 (3,700)

*Includes all service from date of hire, except for the period January 1, 1987 through December 31, 2002, through the projected retirement ages.

**Based on the current contribution rate of 4% for the first 19 years and 7% thereafter and an assumed rate of return of 5% annually during the period January 1, 1987 through December 31, 2002.

***Total benefit based on 0.58% of 3 year Final Average Salary multiplied by years of Benefit Service plus the defined contribution account converted to an annual annuity. The amount in parenthesis represents the portion of the total attributable to the conversion of the defined contribution account