

METROPOLITAN TRANSPORTATION AUTHORITY

DEFINED BENEFIT PENSION PLAN

(Effective as of January 1, 1994 and
Amended as of November 2001)

INCLUDING

MTA 20 YEAR POLICE RETIREMENT PROGRAM

AND

M.S.B.A. EMPLOYEES' PENSION PLAN

Dated: New York, New York
January 9, 2002

PREAMBLE

This document sets forth the provisions of the Metropolitan Transportation Authority Defined Benefit Pension Plan (hereinafter referred to as "the Plan"), effective as of January 1, 1994.

The Plan and trust referenced herein are intended to satisfy the applicable requirements for governmental plans and trusts under Section 401(a) of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and it is intended that the trust be tax-exempt under Section 501(a) of the Code. It is also intended that the Plan be treated as a "governmental plan" under the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The Metro-North Commuter Railroad Company Defined Contribution Plan for Management Employees (the "Metro-North Defined Contribution Plan") was merged into the Plan, effective as of July 1, 1995.

The accrued benefits derived from employer contributions (other than participant contributions, whether made on an after-tax or a "pick-up" basis pursuant to Section 414(h) of the Internal Revenue Code) under the Long Island Rail Road Company Money Purchase Pension Plan (the "LIRR Money Purchase Plan") for Employees who became Members under the Plan prior to July 1, 1995 were transferred to the Plan,

Facts About ERISA

The Employment Retirement Income Security Act

The following about the Employee Retirement Income Security Act of 1974 comes from the U.S. Labor Department:

Who is covered. The provisions of Title I of ERISA cover most private sector employee benefit plans. Employee benefit plans are voluntarily established and maintained by an employer, an employee organization, or jointly by one or more such employers and an employee organization. Pension plans--a type of employee benefit plan--are established and maintained to provide retirement income or to defer income until termination of covered employment or beyond. Other employee benefit plans are called welfare plans and are established and maintained to provide health benefits, disability benefits, death benefits, prepaid legal services, vacation benefits, day care centers, scholarship funds, apprenticeship and training benefits, or other similar benefits.

In general, ERISA does not cover plans established or maintained by governmental entities or churches for their employees, or plans which are maintained solely to comply with applicable workers compensation, unemployment or disability laws. ERISA also does not cover plans maintained outside the United States primarily for the benefit of nonresident aliens or unfunded excess benefit plans.

Basic provisions/requirements. ERISA sets uniform minimum standards to assure that employee benefit plans are established and maintained in a fair and financially sound manner. In addition, employers have an obligation to provide promised benefits and satisfy ERISA's requirements for managing and administering private pension and welfare plans. The Labor Department's Pension and Welfare Benefits Administration (PWBA), together with the Internal Revenue Service (IRS), carries out its statutory and regulatory authority to assure that workers receive the promised benefits. The Department has principal jurisdiction over Title I of ERISA, which requires persons and entities who manage and control plan funds to:

- manage plans for the exclusive benefit of participants and beneficiaries;
- carry out their duties in a prudent manner and refrain from conflict-of-interest transactions expressly prohibited by law;
- comply with limitations on certain plans' investments in employer securities and properties;
- fund benefits in accordance with the law and plan rules;

effective as of July 1, 1995. The accrued benefits derived from participant contributions of the foregoing Employees, and the accrued benefits of other employees participating in the LIRR Money Purchase Plan, were not merged into the Plan.

Article 1. Definitions

1.01 "Beneficiary means any person or persons designated in writing by a Member in a manner acceptable to and filed with the Board of Managers to receive the payment or payments involved pursuant to the Plan after the Member's death or, if the Member did not designate any such person or no such person designated by the Member has survived the Member, the Member's spouse who has not renounced survivorship rights in a legally enforceable separation agreement and who has not been declared by court order to have legally abandoned the Member or, if there is no such spouse surviving the Member, the Member's estate. A Member may designate a different person or persons as primary or contingent recipient of different categories of Benefits payable pursuant to the Plan.

1.02 "Benefit" means any retirement allowance or other benefit payable pursuant to the Plan.

1.03 "Board" means the members of the MTA.

1.04 "Board of Managers" means the Board of Managers of Pensions provided for in Section 6.01 of the Plan.

1.05 "Cause" shall mean, with respect to termination of an Employee at the initiation of the Employer, the

Employee's gross negligence or willful misconduct with regard to the Employer.

1.06 "Code" means the Internal Revenue Code of 1986, as from time to time amended. Reference to a specific provision of the Code shall include such provision, any valid regulation promulgated thereunder, and any comparable provision of future legislation that amends, whether prospectively or retroactively, supplements or supersedes such provision.

1.07 "Compensation" means all cash compensation for services paid by an Employer to an Employee pursuant to Sections 1.09(h) or 10.1.03(f) during a period of Split Employment, by a collective bargaining representative to an employee during the Plan Year and except as specifically set forth below, reflected on his or her W-2 for such year, including salary, wages, bonuses and overtime pay. Except as specifically set forth below, Compensation shall not include contributions by the Employer to, or benefits paid under, this Plan or under any other pension, profit-sharing, fringe benefit, group insurance, deferred compensation arrangement or other employee welfare plan heretofore or hereafter established or maintained by the Employer on behalf of Employees and which is excludable from gross income. Compensation shall not include reimbursements or other expense allowances, even if includable in gross income. Contributions by an Employer on behalf of a Member pursuant to a salary reduction agreement under Sections

Article 2. Membership

2.01 Membership Requirements

- (a) Each Employee on December 31, 1994 shall be Member from the Effective Date.
- (b) Each other Employee shall become a Member on the date his or her Employment commences.
- (c) Each Employee who transfers from a position with an employer where he or she is not an Employee to a position where he or she is an Employee shall become a Member on the date he or she becomes an Employee.

2.02 Events Affecting Membership

Membership in the Plan shall terminate under the following conditions:

- (a) When the Member dies; or
- (b) When the Member retires; or
- (c) When the Member ceases to be an Employee.

Article 3. Eligibility for and Amount and Payment of Benefits for Members

3.01 Service Retirement

- (a) A Member shall be eligible for a Service Retirement Allowance upon the Member's termination of Employment if the Member has (i) attained age sixty-two (62) and completed at least five (5) years of Credited Service, (ii) has attained age fifty-five (55) and has completed at least thirty (30) years of Credited Service.

(c) Filing Requirements:

A Member shall file an application for a Service Retirement Allowance with the Board of Managers, on a form acceptable to it, no more than ninety (90) days before the Member's termination of Employment. Subject to Section 3.09, the Service Retirement Allowance shall be payable, if the Member filed such application no later than thirty (30) days prior to such termination, beginning the first day of the month following such termination, otherwise, beginning the first day of the month following the thirtieth (30th) day after the date the application is filed

3.02 Early Retirement:

- (a) Member shall be eligible for an Early Retirement Allowance upon the Member's termination of Employment if the Member has attained age fifty-five (55) and completed at least ten (10) years of Credited Service. Notwithstanding anything herein to the contrary, a Member who incurs a termination of employment for Cause prior to becoming eligible for a Service Retirement Allowance shall forfeit his or her Early Retirement Allowance.
- (b) The Early Retirement Allowance of such a Member shall equal the Service Retirement Allowance of such Member as computed in Section 3.01(b),

reduced in accordance with the following schedule:

- (i) For each of the first twenty-four full months that retirement predates age sixty-two, one-half of one per centum per month; and
- (ii) for each full month that retirement predates age sixty, one-quarter of one per centum per month.

(c) Filing Requirements:

A member shall file an application for an Early Retirement Benefit with the Board of Managers, on a form acceptable to it, no more than ninety (90) days before the date on which the Member elects to have his or her Early Retirement Allowance commence which may be the first day of any month on or after the date specified in Section 3.02(a). Subject to Section 3.09, the Early Retirement Benefit shall be payable if the Member filed such application no later than thirty (30) days prior to such Early Retirement Date, beginning the first day of the month following such Early Retirement Date, otherwise, beginning the first day of the month following the thirtieth (30th) day after the date the application is filed.

3.03 Vested Benefit

- (a) A Member who has five (5) or more years of Credited Service upon termination of Employment

but who is not eligible for a Service Retirement Allowance, an Early Retirement Allowance or a Disability Retirement Allowance shall have a vested right to receive a deferred Vested Benefit. Notwithstanding anything herein to the contrary, a Member who incurs a termination of employment for Cause prior to becoming eligible for a Service Retirement Allowance shall forfeit his or her Vested Benefit. A Vested Benefit shall become payable on the first day of the month the Member attains age sixty-two (62), and shall be computed in the same manner as the Service Retirement Allowance pursuant to subsection (b) of Section 3.01 of the Plan. Alternately, a Member who has ten (10) or more years of Credited Service upon termination of Employment but who is not eligible for a Service Retirement Allowance, an Early Retirement Allowance or a Disability Retirement Allowance shall be entitled to elect to receive payment on account of a deferred Vested Benefit prior to attainment of age sixty-two (62), but no earlier than attainment of age fifty-five (55), computed in accordance with the provisions of subsection (b) of Section 3.02, above.

(b) Filing Requirements:

A Member shall file a notice that he or she intends to elect a Vested Benefit, no more than ninety (90) and at least thirty (30) days before