



Metro-North Railroad

MIRROR OF NYS TIER IV

December 29, 1994

Re: Metropolitan Transportation Authority Defined Benefit Plan

Dear Non-Represented Employees:

Effective January 1, 1994, MTA is making some important improvements to its retirement program. Initially, the improved benefit will be available to non-represented employees at Metro-North and the LIRR. These improvements are the result of a recent study which concluded that the current program should be modified to meet the evolving needs of MTA management employees and to align more with practices and trends of New York City and State agencies.

To address these issues, MTA is establishing a new defined benefit plan. The new Plan will be modeled after the defined benefit retirement plan provided under State law to New York State employees who became members of the New York State and Local Employees' Retirement System on or after July 26, 1976 (i.e., Tier IV members).

The program will be available to non-represented employees employed by Metro-North on or after December 31, 1994.

The new Plan contains the following components:

- Service Retirement Benefits
- Vesting
- Disability Benefits
- Death Benefits

You will be eligible to receive the new service retirement benefit upon (1) your attainment of age 62, if you have ten or more years of credited service at that time or (2) your attainment of age 70 if you then have five or more years of credited service. The benefit is also available on a reduced basis as early as age 55 with 10 years of credited service, and on an unreduced basis if you have 30 or more years of credited service. Vesting takes place after 10 years of credited service.

If you have less than 25 years of credited service, you will receive a benefit equal to 1-2/3% times your final average salary times your years of credited service. If you have 25 or more years of credited service, your benefit will equal 2% times

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your final average salary times your years of credited service up to 30 years, plus 1-1/2% times your final average salary times your years of credited service in excess of 30 years.

Your retirement benefit will be offset (reduced) by 100% of your Tier 2 Railroad Retirement benefits. Since Railroad Retirement benefits are offset, the new Plan will not require any employee contributions, except for those employees at the higher end of the current salary range (those earnings more than approximately \$100,000 per year). Hence, most of you will receive greater retirement benefits at no greater an expense than under your current plan.

Future accruals under the Metro-North Defined Contribution Plan will stop as of December 31, 1994. If you are not yet vested in your benefits under the Defined Contribution Plan, you will continue to earn vesting credit in these benefits as you continue working for Metro-North.

Service credit under the new Plan will start January 1, 1994 or on your date of employment if you were hired after that date. Your benefits for service in 1994 under the Metro-North Defined Contribution Plan will be offset from benefits under the new Plan.

After a six month waiting period, you will also receive additional service credit under the new Plan for your past Metro-North service before January 1, 1994, subject to making an employee contribution if you are at the higher end of the salary range, and you will be able to purchase credit for past non-vested NYS/NYC agency service. There will be a two year waiting period to be eligible for this past service credit for new hires after December 31, 1994.

Your benefits under the Metro-North Defined Contribution Plan for service before January 1, 1994 and benefits under the Metro-North Cash Balance Plan for service by former Conrail employees from 1983 to 1989 will be offset from benefits under the new Plan to the extent past service for that period is recognized under the new Plan.

The new Plan will provide an enhanced death benefit for your beneficiaries (up to three times your annual salary), plus a retirement income if you become disabled after 10 years of credited service.

If you leave prior to full vesting in the new Plan, you will receive a return of your accumulated contributions, if any.

After a six month waiting period, former Conrail employees who were employed by Metro-North on December 31, 1994 and are members of the Metro-North Cash Balance Plan will be entitled to a minimum benefit from all sources under that Plan.

We will be providing you with more information about this new Plan and its effect on your retirement next year.

This is only a summary of the new Plan. If there is any difference between this summary and the new Plan, the terms of the new Plan will govern.

I would like to take this opportunity to wish you and your family a happy holiday season and to thank you for a successful 1994.

Sincerely,

A handwritten signature in cursive script, appearing to read "Don Nelson", with a long horizontal flourish extending to the right.

Donald N. Nelson  
President