

METROPOLITAN TRANSPORTATION AUTHORITY
DEFINED BENEFIT PENSION PLAN
EFFECTIVE JULY 17, 1998

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INTRODUCTION

Most people look forward to retirement as a time to relax and do many of the things they didn't have time for during their working years. And that takes money. In fact, experts estimate that during retirement, most people will need annual income of 70 to 80 percent of their pre-retirement pay to live comfortably. How much you'll need will depend on your individual situation and the retirement lifestyle you plan to enjoy.

The Metropolitan Transportation Authority Defined Benefit Pension Plan (the "Plan") is one of several resources you'll tap to provide retirement income. Along with your own personal savings, the Plan can help you accumulate the income you'll need to meet your financial goals during your retirement years.

The Plan is referred to as a "defined benefit" pension plan. Basically, this type of plan provides you with a specific dollar amount of monthly income when you retire. The exact dollar amount is determined based on a combination of length of service credited under the Plan and rate of pay.

The Plan has been amended, effective July 17, 1998, to add three new benefits:

- Five Year Deferred Vested Benefit (see page 5),
- Increased benefits if you have 20 or more years of Credited Service (see page 9), and
- Death benefit protection for your beneficiary if you die after you leave the Company with 10 or more years of Credited Service and you are eligible for a Deferred Vested Benefit (see page 19).

The Board of Managers of Pensions believes these changes make the plan more responsive to the needs of all of its members.

WHO IS ELIGIBLE

You become a member of the Plan on the effective date (January 1, 1994) if you are a Metro-North management employee on the payroll of Metro-North on December 31, 1994, or an LIRR management employee hired on or after January 1, 1988, and on the payroll of LIRR on December 31, 1994.

Otherwise you become a member on your first day of employment. Generally, eligibility for benefits requires five years of Credited Service.

WHO PAYS THE COST

The Company makes all contributions to the Plan on your behalf, except as follows: If Railroad Retirement Tier II employee contributions are less than the pre-tax cost of employee contributions required under the New York State Tier IV retirement system, you may be required to make a contribution. For 1998, this means that you may be required to make a contribution if your compensation exceeds \$120,000. Each calendar year this compensation figure will change.

All of your contributions to the Plan are on a "pickup" basis, that is, prior to payment of income taxes on the contributions. However, your "picked up" contributions will be subject to Federal Employment Taxes.

The Employer contributions to the Plan are actuarially determined.

If you were a member of the previous defined contribution plan, any employer contributions credited to your account were transferred to the Plan to help fund the additional benefits you will receive. If you leave after vesting under the previous defined contribution plan (i.e. after attaining age 62 or completing five years of service under the Metro-North Defined Contribution Plan or after attaining age 65 or completing 10 years of service under the LIRR Money Purchase Plan), you will be entitled to a minimum benefit equal to your Employer-derived benefit from that plan.

HOW SERVICE IS CREDITED

You receive Credited Service for periods of employment with the Company on or after January 1, 1994, according to the following provisions:

- Credited Service includes both full-time and part-time employment. You are considered a part-time employee if, in any Plan Year, you are required to work at least 70 percent, but less than 100 percent, of the normal hours worked per week by a full-time employee in your job classification.
- If you are an employee for a full Plan Year (including part-time employees), you receive credit for the full Plan Year. If you are an employee for part of the Plan Year, your Credited Service is pro-rated based on the portion of the Plan Year in which you worked.

A Note About Military Leave. You will receive Credited Service for a period of military service up to the maximum period prescribed by law, provided you were an employee when you entered military service. You may purchase Credited Service for this period by filing an application with the Board of Managers.

HOW PAST SERVICE IS CREDITED

Subject to the conditions described below, prior service with MTA or any MTA-affiliated agency and any service under NYCERS or NYSLERS, or any other New York State or New York City Plan will be recognized under this Plan. For purposes of determining your benefit, past service is granted for service in the following categories:

- all past service as a management employee with Metro-North;
- all past service as a management employee under the LIRR Money Purchase Plan; and
- all nonvested past service as a management employee with MTA or any MTA-affiliated agency and any agency which is a member of NYCERS or NYSLERS or any other New York State or New York City Plan. (However, vested service in such a plan will be included in determining whether you are vested in the new Plan.)

For purposes of determining the amount of your benefit, no past service will be granted:

- if you were on the payroll as of December 31, 1994, unless you are credited with at least six months of Credited Service after December 31, 1994.
- if you were hired after December 31, 1994, unless you are credited with at least two years of Credited Service completed after your date of hire.
- for any service with Conrail or any predecessor railroad.

If you transfer from a category of employment with Metro-North or LIRR where you are in an agreement position to a management position, you may not purchase any past service credit for the period for which you were in an agreement position, but such service will be included in determining whether you are vested in the Plan.

A Note About Purchasing Credit For Past Service: In some cases, you will need to “purchase” credit for past service. No interest will be charged for purchasing Metro-North and LIRR past service credit. The purchase of the credit may generally be made through payroll deductions.

You may purchase any vested or non-vested past service you have with Metro-North or LIRR by paying the contribution, if any, which would have been required had this Plan been in existence for each year for which past service credit is being purchased. If you received a distribution of your Employer-derived benefit under the Metro-North Defined Contribution Plan or the LIRR Money Purchase Plan, you will be required to return that amount, plus interest. You may purchase any non-vested past service credited under NYCERS, NYSLERS or any other New York State or New York City Plan, or under the tax qualified plan of any other MTA-Affiliated Agency by returning any refunded contributions or contributions available for refund, plus interest.

You must file an application for past service within 120 days after you become a member of the Plan. You must complete the required period of Credited Service before your past service will be used in determining the amount of your benefit.

WHEN YOU CAN RETIRE

Normal Service Retirement

If you take Normal Service Retirement, you will receive an unreduced Normal Service Retirement Benefit. You are eligible for a Normal Service Retirement Benefit if you have satisfied one of the following conditions:

- are age 62 and have completed at least 5 years of Credited Service, or
- are age 55 and have completed at least 30 years of Credited Service.

Early Service Retirement

You are eligible for an Early Service Retirement Benefit on a reduced basis, if you are age 55 and have completed at least 10 years of Credited Service. There is one exception: If you are terminated for cause before becoming eligible for a Normal Service Retirement Benefit, you forfeit your right to an Early Service Retirement Benefit.

Deferred Vested Benefit

When you become vested, you are eligible for Plan benefits even if you leave the Company before you retire. If you terminate employment before you reach age 62, you are eligible to receive a Deferred Vested Benefit if you have five or more years of Credited Service. Benefits will be payable beginning at age 62, or at age 55 on an actuarially reduced basis, but to receive a benefit before age 62, you must have completed at least 10 years of Credited Service.

If you are terminated for cause before becoming eligible for a Normal Service Retirement Benefit, you forfeit your right to your Deferred Vested Benefit.