



Founded
December 29, 1899

Transportation Communications International Union



God Bless America

Robert A. Scardelletti
International President

March 30, 2010

TO: ALL TCU UNION REPRESENTATIVES AND MEMBERSHIP

Dear Sisters and Brothers:

Over the past year, an organization calling themselves the Rail Workers United (RWU) has distributed false information to TCU and other rail union members, advocating unaffordable benefit changes to Railroad Retirement that, if adopted, would bankrupt the Railroad Retirement Trust Fund.

The RWU has solicited signatures on petitions to support their proposals, ignoring advice from the Railroad Retirement Board that the cost of what they seek would place the continued viability of our entire retirement system in jeopardy.

They have initiated a campaign to harass the Railroad Retirement Board's Labor Member by encouraging railroad workers to flood the Labor Member's office with emails and faxes. Labor Member V. M. Speakman, Jr., is a friend to all rail workers. He is our champion on the Railroad Retirement Board. He has devoted his life to protecting our benefits under Railroad Retirement laws.

The RWU's proposed changes would not benefit current retirees and only assist those seeking retirement in the near future. In the process, they would jeopardize current retirees' benefits, and undermine the future benefits of members who deserve to have our retirement system viable for many decades to come.

TCU does not recognize Rail Workers United as a legitimate organization representing rail workers. The representatives of rail workers are the unions certified to do so under the laws of our nation.

As you are aware, TCU was at the forefront of the battle to enact the Railroad Retirement and Survivors' Improvement Act of 2001. Those reforms improved what was already one of the finest retirement systems in the country. The Act reduced the retirement age to 60 for employees with 30 years of service, increased the surviving spouse annuity, reduced vesting requirements, and put in a provision to automatically reduce or increase tax rates, depending on the projected solvency of the system.



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One of the Act's most important and unique features was that it put all the risk on rail employers should fund levels ever fall below certain prescribed levels. We negotiated a provision with the carriers, which then became codified in the law that employees and employers would share equally in Tier II tax reductions, if funding levels reached agreed-upon target levels. However, should funding levels decline, employee Tier II taxes could never be increased above the tax rate that existed when the bill was enacted: 4.9%. On the other hand, Tier II taxes paid by the carriers would automatically be increased well beyond where they were when the bill was enacted, if necessary, to keep the fund solvent.

In order to make any changes in the Railroad Retirement laws, Congress would have to act again.

In the past, changes to Railroad Retirement were possible only if, both, the rail unions and carriers agreed. The RWU proposal would be aggressively opposed by the rail carriers, as it would result in major increases in their tax rates. It would be incredibly reckless for rail labor to unilaterally seek changes in the current law, especially at this time of economic downturn. The carriers would surely respond with unilateral attempts to remove the provision that puts the economic risk on them, and probably would use the opportunity to attack our disability benefits as well.

At a time when the railroad industry is racked with the loss of thousands of jobs, no one could predict what Congress would do if rail labor launched a unilateral campaign to reduce the retirement age or change other benefits that would be funded entirely by the carriers, or by taxpayers, if the carrier tax limits were exceeded. This would be especially dangerous at a time when Congress is under pressure to "reform" Social Security by reducing benefits and/or increasing the retirement age.

V. M. Speakman, Jr., Labor Member of the Railroad Retirement Board had the Board's Chief Actuary estimate the costs of the two main proposals of the ten changes proposed by the RWU. The estimates involved the financial impact of (1) permitting employees attaining age 58 with 30 years of service to be eligible to retire with unreduced Tier I and Tier II benefits commencing January 1, 2010, and (2) permitting spouses the ability to retire with unreduced benefits at age 50 if the employee retired or died after January 1, 2010.

The present value of the cost of these two proposals alone is approximately \$15.4 billion. Mr. Speakman's letter to Ronald Friend, dated September 30, 2009 (see attached), points out that, if these changes were made at the present tax rates, the National Railroad Retirement Investment Trust and Railroad Retirement Account would become insolvent by 2030.

Just recently, the Railroad Retirement Board Labor Member provided further information to me in a letter dated March 23, 2010 (copy attached), regarding the Rail Workers United's inquiries on proposed changes to the Railroad Retirement Act and the Trust Fund. The Labor Member begins his letter as follow:

RRB LABOR MEMBER'S STATEMENT ON RWU PROPOSALS

"Under either employment scenario (moderate and pessimistic), implementation of these proposals would hasten the depletion of the Trust Fund resulting in insolvency. There is no scenario where implementation of these proposals is economically viable, even when we project the costs while eliminating the cap on Tier II taxes. Moreover, the proposal to eliminate the cap on the Tier II tax will affect 27 percent of the workforce, essentially resulting in this group of workers subsidizing the proposed changes for those workers and family members affected by these proposals."

This letter and its attachments will be posted on the TCU website (www.TCUnion.org) for all members to review. This information conclusively affirms that implementation of the proposed changes by RWU would completely bankrupt the Railroad Retirement Trust Fund. To be frank, the RWU has no conception of the financial consequences of the changes they are seeking.

In conclusion, TCU will **not** put at risk the hard-won benefits of our current and future retirees with respect to proposing any changes in Railroad Retirement benefits.

In solidarity,



Robert A. Scardelletti
International President

Attachments



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-2092

MAR 23 2010

V. M. SPEAKMAN, JR.
LABOR MEMBER

OFFICE OF LABOR MEMBER

Mr. Robert A. Scardelletti
International President
Transportation-Communications International Union
3 Research Place
Rockville, MD 20850

Dear Mr. Scardelletti:

As we previously discussed, I have asked the agency's Chief Actuary to estimate the financial impact of Mr. Friend's proposed changes to the Railroad Retirement Act on the Trust Fund.

Under either employment scenario (moderate and pessimistic), implementation of these proposals would hasten the depletion of the Trust Fund resulting in insolvency. There is no scenario where implementation of these proposals is economically viable, even when we project the costs while eliminating the cap on Tier 2 taxes. Moreover, the proposal to eliminate the cap on the Tier 2 tax will affect 27 percent of the workforce, essentially resulting in this group of workers subsidizing the proposed changes for those workers and family members affected by these proposals.

Enclosed are two sets of tables that document the impact through calendar year 2082.

ANALYSIS UNDER ASSUMPTION 2

The first set of tables uses the moderate employment assumption, also known as Assumption 2. Table 1 shows the progress of the Trust Fund with no changes. Table 2 shows the progress of the Trust Fund with the cap on taxable income removed and the tier 2 benefit cap unchanged. Table 3 shows the progress of the Trust Fund with the cap on taxable income removed and the cap on the tier 2 benefit removed.

Removing the cap on taxable income and leaving the tier 2 benefit cap in place will result in a negative Trust Fund balance in 2023 and will remain in a deficit until 2071. Removing the cap on both the taxable income and the tier 2 benefit amount will drive the Trust Fund into the red in 2020. By 2082, the end of the 75-year actuarial projection period, the Trust Fund will be in debt by \$789 billion. In each scenario, the maximum tier 2 tax rate will reach the maximum 27% in 2019.



ANALYSIS UNDER ASSUMPTION 3

The second set of tables uses the pessimistic employment assumption, also known as Assumption 3 and reflects data in the same manner as the tables used for Assumption 2. We believe using Assumption 3 is the more realistic approach. Our experience with the 1980 tax increases demonstrated that tax increases resulted in greater unemployment which Assumption 3 reflects.

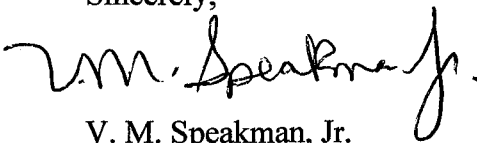
Removing the cap on taxable income and leaving the tier 2 benefit cap in place will result in a negative Trust Fund balance in 2018. By 2082, the Trust Fund will have a deficit of almost \$2.6 trillion. Removing the cap on both the taxable income and the tier 2 benefit amount will also result in a negative Trust Fund balance in 2018 but the deficit will be \$1.1 billion as compared to \$144 million if the tier 2 benefit cap remains in place. By 2082, the deficit will be nearly \$3.5 trillion. In each scenario, the maximum tier 2 tax rate will reach the maximum 27% in 2019.

It is clear that implementing these proposed changes would require significant tax increases and reduced benefits to offset the increased costs. Moreover, it is important to note that under current law the agency's Chief Actuary is required to report to Congress any Trust Fund shortfall and recommend proposed changes which could ultimately place the continued viability of the entire retirement system in jeopardy.

Given the interest in this issue expressed to us by other rail labor organizations, we intend to share this analysis with the other Rail Labor Chiefs.

Please let me know if you have any questions or need additional information.

Sincerely,



V. M. Speakman, Jr.

Labor Member

Enclosures



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-2092

SEP 30 2009

V. M. SPEAKMAN, JR.
LABOR MEMBER

OFFICE OF LABOR MEMBER

Mr. Ronald D. Friend
213 Fay Avenue
Marietta, OH 45750

Dear Mr. Friend:

This is in response to your letter of September 8, 2009, in which you requested a cost analysis of the resolution adopted by the Railroad Workers United International Steering Committee. This resolution contains ten recommendations generally dealing with enhanced retirement and other fringe benefits for railroad workers.

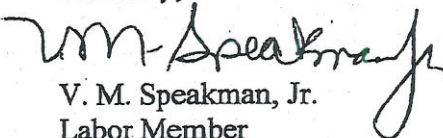
The Railroad Retirement Board's Chief Actuary has examined two of the main proposals outlined in this resolution. First, he has estimated the financial impact of permitting employees attaining age 58 with 30 years of service to be eligible to retire with unreduced tier I and tier II benefits, commencing January 1, 2010. In addition, he has estimated the impact of permitting spouses to be able to retire with unreduced benefits at age 50, if the employee retired or died after January 1, 2010.

The Chief Actuary estimates the cost of these proposals to be 4.82% of tier II payroll. The present value of tier II payroll over a seventy-three year projection is \$319.8 billion. Thus, the present value of the cost of these proposals is approximately \$15.4 billion (4.82% X \$319.8 billion).

Furthermore, if such changes were enacted into law without any changes to the present tier II tax rate or compensation base, the Chief Actuary estimates that in 2021 the tier II tax rate would reach the maximum rate presently provided for in law (27%), and remain there well into the century. Furthermore, even at the maximum rate, by 2030 insolvent the National Railroad Retirement Investment Trust would be depleted and the Railroad Retirement Account, from which tier II benefits are paid, would become insolvent.

I trust that the above information will be of assistance to you.

Sincerely,


V. M. Speakman, Jr.
Labor Member

cc: Rail Labor Chiefs