



August 31, 2004

**ALL NCFO GENERAL CHAIRMEN**

Dear Sirs and Brothers:

In recent weeks, rumors regarding the future use of the Railroad Retirement assets have swirled in the context of a merger between the Brotherhood of Locomotive Engineers and the Teamsters. The crux of these rumors is that this merger could lead to the use of billions of dollars of the Railroad Retirement assets to provide financial assistance to trucking industry's pension plans. While pinpointing the motivation for such rumors would be mere speculation, what is certain is this -- such rumors are not only unfounded, but their becoming a reality is highly unlikely.

Railroad Retirement is unique and, thus, should not be compared to the pension plans that cover workers in other industries. The railroad industry is the only private industry in the United States whose pension plan was created by federal legislation and is administered by a Federal agency. It is the only private industry pension plan in the United States whose benefits are locked as an entitlement by statute and funded by a special set of federal payroll taxes. Accordingly, any modification of the plan would require new legislation to take effect. This legislation would have to renege on the current system of entitlement benefits or dramatically increase the current level of payroll taxes. Neither is going to happen.

Since its creation in 1935, Railroad Retirement has been modified by legislation on numerous occasions, the most recent and most significant being the Railroad Retirement and Survivors' Improvement Act of 2001. One thing that has held true since its inception is that the system has always been a true partnership between rail labor and rail management. Evidence of this partnership can be seen at all levels -- including equal representation on the Railroad Retirement Board and on the newly formed National Railroad Retirement Investment Trust -- and has always been especially apparent during negotiations with Congress to reform the system. Thus, history tells us that any future decision to divert Railroad Retirement assets to assist the trucking industry's pension plan would not only require an act of Congress, but would first require an agreement

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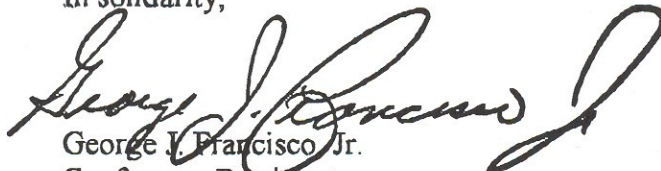
between rail labor and management that assets held in trust for railroad retirees be used in such a manner. This agreement is an essential element of any change in Railroad Retirement. This was the case in 1950, in 1974, in 1983, and most recently in 2001.

With that as a backdrop, consider how absurd the recent rumors really are. A hypothetical union formed by the Teamsters and BLE would have to convince the other twelve rail unions that Railroad Retirement funds should be used to pay the pensions of retired truckers. Rail labor would then have to convince rail management that providing a diversion of billions of dollars to its biggest competitor would be sensible. Then, together, rail labor and management would have to convince Congress that using Railroad Retirement funds in such a manner would be in the best interest of railroad workers, retirees, and their families. From this perspective, it is clear how farfetched these recent rumors really are.

Rail labor and management spent years reforming the system to ensure that the industry and its workers and retirees are financially sound for years to come. Any belief that they would risk all of it to allow for the diversion of these assets to the benefit of the trucking industry is simply misguided.

If you have any further comments or questions, please do not hesitate to contact me.

In solidarity,



George I. Francisco Jr.  
Conference President