



Founded
December 29, 1899

Transportation Communications International Union

*Challenging
the future
with over a
century
of pride!*

Robert A. Scardelletti
International President

May 30, 2000

Mr. V. M. Speakman, Jr., Labor Member
U. S. Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611

Dear Mr. Speakman:

I would appreciate if the following questions could be forwarded to Frank Buzzi, the Board Actuary, for response. Thank you.

1. The BMWE has stated that, "When BMWE was involved in the negotiations, the only portion of Railroad Retirement funds considered for investment purposes were those contained in Tier II (the private pension-like component of Railroad Retirement)."

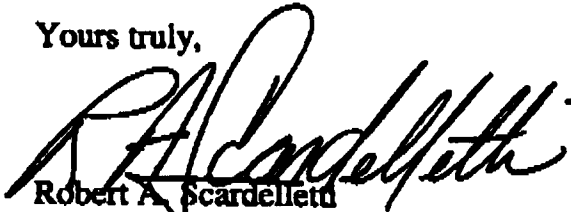
From the outset of labor/management negotiations on railroad retirement, you have furnished numerous actuarial analyses to the parties, including many in response to queries directed to the Board by BMWE alone.

Is it your recollection that your initial and ongoing projections for the labor/management negotiations on railroad retirement were based on the assumption that only tier 2 funds would be invested in private securities?

2. What would be the impact of enacting the survivor benefit provision of the current agreement with no other change? Projections done in February 1999, seem to indicate that under employment assumption 2, and assuming

a 6% return on investments, the railroad retirement accounts balance to benefit ratio under this scenario would fall to less than 1. That projection was based on a prospective-only survivor benefit improvement, which would have been less costly than the survivor benefit improvement ultimately agreed to.

Yours truly,



Robert A. Scardelletto
International President

cc: D. Lucci



UNITED STATES GOVERNMENT

MEMORANDUM

FORM G-112 (1-82)

RAILROAD RETIREMENT BOARD

June 5, 2000

TO : V. M. Speakman, Jr.
Labor Member

FROM : Frank J. Buzzi *Frank J. Buzzi*
Chief Actuary

SUBJECT : Questions from Transportation Communications International Union

This is in response to the questions contained in a letter dated May 30, 2000, from Mr. Robert A. Scardelletti of the Transportation Communications International Union.

1. Is it your recollection that your initial and ongoing projections for the labor/management negotiations on railroad retirement were based on the assumption that only tier 2 funds would be invested in private securities?

The projections made for the labor/management negotiations assumed an 8% rate of return for both the Railroad Retirement and the Social Security Equivalent Benefit Accounts. This assumption was requested by the parties based on proposed expanded investment authority for the combined account assets.

2. What would be the impact of enacting the survivor benefit provision of the current agreement with no other change? Projections done in February 1999, seem to indicate that under employment assumption 2, and assuming a 6% return on investments, the railroad retirement accounts balance to benefit ratio under this scenario would fall to less than 1. That projection was based on a prospective-only survivor benefit improvement, which would have been less costly than the survivor benefit improvement ultimately agreed to.

The projections done in February 1999 were based on employment assumption 2 of the 1998 actuarial report, which showed the balance to benefits ratio would fall under 1. Employment assumption 2 reflects our intermediate employment assumption and has generally been used as the basis for cost estimates.

Recent projections for the labor/management negotiations have been requested by the parties

to be based on employment assumption 1. This request was based on the assumption that rail employment will continue to exceed our intermediate employment assumption as has occurred in the recent past. The confidence of the parties in assuming favorable future employment is demonstrated by the willingness to accept automatic tax increases if actual experience falls short of expectations.