

"An Injury To One Is An Injury To All"

## Pennsylvania Federation

121 North Broad Street - Suite 503  
Philadelphia, Pennsylvania 19107  
phone: (215) 569-1285  
fax: (215) 569-0676



Office of the General Chairman  
Jed Dodd

August 23, 2002

To: All Federation Committees  
From: Jed Dodd  
Re: Boilermakers' Pension Plan for Members is a Fraud;  
But Still a Good Deal for BMW Officers

Dear Brothers and Sisters:

For months, Grand Lodge has been promising that if we merge with the Boilermakers, the Boilermakers pension fund will permit all of our members to get rich. That promise has collapsed, as the merger supporters are now forced to admit in the enclosed letter. As the letter proves: (1) the Boilermakers pension is not guaranteed; (2) has not been finally negotiated and approved; and (3) can be reduced at the trustees' option. So much for that "important new benefit" to a merger with the Boilermakers.

However, it is still helpful to review the facts about the IBB pension "offer" to BMW members, just in case it should once again be placed before us. The several different plans being offered to the *officers* of our Union are in fact fabulous, and this failed pension for members will not affect the incredibly lucrative retirement deals being offered to the BMW officers. The *membership* pension, however, on a closer analysis, does not stand up to the claims of its' supporters.

### **Membership Wage Cuts Required to Fund Boilermakers Plan; Railroad Retirement Benefits Would Be Reduced to Participate in the Plan**

While the membership pension offer has collapsed, we were being offered participation in the "Boilermakers-Blacksmith National Pension Trust" as part of the

merger, *if* the Boilermakers' small railroad membership ratifies a tentative contract that would allow for our participation. However, even if that agreement was a reality (and it is not), those who work for railroads that are not in National handling would have to negotiate new agreements to participate in the plan. Moreover, everyone who bargains their way into the plan would have to take wage cuts of up to \$1.00 an hour to fund the plan. This so-called fabulous plan is essentially a small supplemental pension at best, *funded by our own contributions through wage cuts.*

Despite Grand Lodge assertions to the contrary, the wage cut that would be taken to divert money to the Boilermaker plan would also reduce your Railroad Retirement pension benefit. It is outrageous that Grand Lodge would put out material that states that the IBB pension plan would have no effect on the Railroad Retirement benefit when it absolutely would result in a reduction. And with the high number of retirements looming in our industry and the relentless downsizing of the workforce by management, many will never work long enough to benefit very much from this scheme or to benefit from it at all. Even if it were a reality, and even they must now admit that it is not, it is not the "get rich quick" proposition that merger supporters would like us to believe.

**Plan Is Borderline Underfunded and Cannot Sustain BMW Participation**  
**Current Cash Assets Barely Cover Current Liabilities**  
**In 1997 The IBB Plan Was Underfunded**

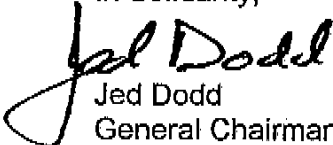
As for the IBB pension plan itself, both the IBB and the BMW supporters of the merger tell us that the plan is loaded with cash and ready to sustain participation of tens of thousands of BMW members who would obtain up to 15 years of past service credits in the plan. Let's review the actual condition of the IBB plan. Public documents obtained from the U.S. Department of Labor, information taken from the plan itself, and comments from merger supporters all combine to paint a worrisome picture. While the plan in 2001 held about 5.4 billion dollars in assets, this is a decline from a high of 6.2 billion dollars in 2000. The decline is apparently due to the steady increase in benefits paid out, along with the decline in value of plan investments. In 1997, the plan was slightly under-funded, meaning that for that year the plan had fewer assets than would have been needed to pay out all retiree claims. The IBB plan covers about 67,000 members and retirees, an amount which has been more or less stagnant for years.

While the latest asset numbers are not available, the current stock market decline undoubtedly has had an extremely negative effect on the health of the plan. In fact, as the attached letter from merger supporters indicates, this is the reason that management gives for refusing to finalize the deal for the members' participation in the plan. While the IBB pension plan is not bankrupt, it is also not so healthy or over-funded that it could sustain the estimated \$300 million dollars in possible costs associated with the participation of BMW members.

In the event that the IBB plan went bankrupt, it would be taken over by the Pension Benefit Guaranty Corporation, which would restructure the benefits and pay out only a percentage of the benefit that the IBB is representing to the members that it would pay. There has been a 425% increase in unfunded liabilities by pension plans in the last year. Some plans do get into trouble, unfortunately, and some do go under. In fact, at a meeting of the IBB Executive Council on September 10, 2000, it was revealed that a pension consultant hired by the IBB *advised against providing the 15 years past service credits to members of the IBB because it would jeopardize the health of the pension plan.*

In summary, the IBB pension offer is being grossly overblown by merger supporters. It is for these same reasons that the so-called fabulous deal has fallen apart with railroad management. Railroad management does not want the risk associated with a plan that promises more benefits than it can pay. The current health of the IBB plan is questionable, and the BMW scheme appears to be a vehicle for the IBB to find an influx of new participants and revenue for their stagnant plan.

While the enclosed letter from the merger supporters of the BMW attempts to put the best spin on the failed deal as possible, the fact remains that the management currently refuses to participate in the pension deal for the members of the Union because they do not want the liability for this scheme.

In Solidarity,  
  
Jed Dodd  
General Chairman

Mac A. Fleming  
President



William E. LaRue  
Secretary-Treasurer

**Brotherhood of Maintenance of Way Employees**  
*Affiliated with the A.F.L.-C.I.O. and C.L.C.*

August 22, 2002

All Grand Lodge (Elect) and  
System Officers

Dear Sirs & Brothers:

This is to advise you of information reported to Grand Lodge in a telephone conversation with Joe Stinger and Len Beauchamp of the IBB on Tuesday, August 20, 2002, regarding the Carriers notifying the IBB, that because of a stock market driven decline in value of approximately 16% of the Boilermakers Pension Trust, they are, at this time, unable to follow through with their previous tentative agreement with the IBB regarding the implementation of the Boilermakers Pension Trust to the Railroad Division members as part of their contract settlement. Likewise, this will delay implementation of the IBB Pension Trust to BMWWE members as provided in the proposed merger agreement with the BMWWE.

What this means is that the language contained in the proposed merger agreement between the BMWWE and IBB regarding the implementation of the pension will necessarily be put on hold until market conditions improve. It is also important to note that the IBB Pension Trustees could adjust past service credits as they apply to all future participants because of funding. While we hope that past service credit will continue as current under the Plan, it is not guaranteed.

It has been made clear by the IBB that they are not abandoning, nor does this change the agreement with the BMWWE. It just means that railroad members' pension participation cannot be implemented at this time. However, the market is expected to improve in the coming year and when it does, the IBB intends to resume negotiations to implement the pension for its current Railroad Division workers, and if we are merged, BMWWE Division as well. Let me assure you that this does not change anything in the merger. However, it will again make pension participation a bargaining priority with the Carriers. As evident from the attached article that appeared in *The Detroit Free Press* on August 21, 2002, General Motors, as well as other pension plans are experiencing similar situations.

Like others who have invested in the stock market, the Trust has incurred a decline since September 11, 2001. At the time the agreement was negotiated, the IBB Pension Trust was substantially over funded, a condition which was assumed in the Boilermakers' tentative agreement with the carriers. While the plan as of December 31, 2001, remains in an over funded condition, the percentage has declined and caused concern among the Carriers and the Board of Trustees.

President's Dept.  
FAX 248-948-7150

26565 Evergreen Road, Suite 200  
Southfield, MI 48076-4225  
Telephone 248-948-1010

Secretary-Treasurer's Dept.  
FAX 248-948-9140

August 22, 2002

While all of us who have worked hard to bring this merger to fruition are disappointed at this turn of events, we should not be surprised or discouraged given the recent lows experienced in the stock market. We are, however, likewise optimistic that the market will fully recover, thus, enabling implementation of the pension.

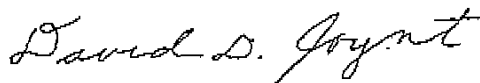
At this writing, we are moving forward with the intent of advancing the proposed merger agreement to the members for a vote as determined by actions of the recent Grand Lodge Convention. We believe that the downturn is temporary, as the situation has already begun improving and we remain steadfast in our belief that the proposed merger agreement continues to provide substantial benefits for the members.

In solidarity,

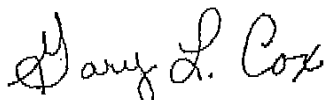
Merger Committee



William Brehl, Pacific Region  
General Chairman  
Canadian System Federation



David D. Joynt  
General Chairman  
Burlington System Division



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B. R. Palmer  
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Missouri Pacific System  
Federation



Perry K. Geller, General Chairman  
Consolidated Rail System Federation



David D. Tanner  
General Chairman  
Union Pacific System Division

Attachment

cc: Local Lodge Secretary-Treasurers  
Grand Lodge Appointees