

BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN

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December 13, 2011

All Members of General Committees in National Handling
For Wages, Work Rules, or Health and Welfare

Re: Tentative Agreement

Dear Brothers and Sisters,

Enclosed you will find a synopsis of the Tentative National Agreement (TA) negotiated between BLET and the National Carriers' Conference Committee. This synopsis is being provided to all members eligible to vote on the TA pursuant to the provisions of BLET Bylaws, Section 41(a) – General Committee Rules. Also included in this mailing are a ballot and voting instructions that will allow all eligible members to cast their vote and return their ballot to the National Secretary Treasurer for tabulation. For the first time in BLET's long history, we will be utilizing an electronic voting method to simplify and expedite our ratification process of this Tentative National Agreement. Phone and online voting methods will both be available; our goal is to get as many eligible members to participate as possible.

As most of you are aware, this TA comes on the heels of a long and drawn out contract negotiations process. For the first time since 1991, the BLET was forced to make its case, along with 10 other unions, to a Presidential Emergency Board in an effort to settle our dispute with the Carriers. Although the PEB's report was not what we had hoped for, the TA for the most part follows those recommendations, with two important exceptions. The first addition to the bare PEB report is the inclusion of a national Flexible Spending Account (FSA). Access to an FSA will allow our membership access to pre-tax money to pay a portion of any potential increases to their Health and Welfare costs. Also included is a clarification on the base pay elements to be used to determine the value of each employee's 1% Lump Sum payment. While these are modest improvements over and above the PEB recommendations, there are of value to our membership and should be part of your consideration.

As you all know, the last time that I wrote to the membership was to ask for your yes vote on a national strike ballot. The majority of our members voted with 97% of those voting saying yes to our strike vote. I thank you for your participation in that historic vote as it moved us forward to the final stages of Railway Labor Act. Following our vote, things began to change in Washington, D.C. and I think that it is important for you to understand the situation that we faced as we approached the strike deadline of December 6, 2011. In short, it became clear on December 1, 2011 that the politicians in Washington, D.C. had no intention of allowing us to strike when the cooling-off period expired. In fact, on Wednesday, November 30, 2011, legislation was prepared by Republicans in the House and by Republicans and Democrats in the Senate to impose the bare PEB recommendations before the cooling-off period ended. We have printed those bills

A Division of the Rail Conference—International Brotherhood of Teamsters

**All Members of General Committees
in National Handling for Wages, Work
Rules or Health and Welfare**

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and they will be posted along with all of the attachments to this mailing and the complete TA on the National Division website for your review.

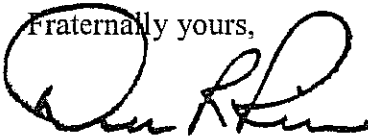
Both the House and the Senate were scheduled to consider this legislation on Friday, December 2, 2011. Even more important, both chambers' rules were scheduled to be suspended to get all of the bills onto the floor without so much as a hearing or committee action. Add that the White House made it very clear that if legislation was passed, it would not allow an interruption to rail service on its own. These actions, when combined, would have effectively prevented any strike by the BLET, and would also have prevented BLET members from having the opportunity to consider the modest improvements to the PEB recommendations that we negotiated. Our "best" scenario for Congressional intervention would have been to have the bare PEB imposed without harmful anti-union legislation added to it.

With all of this information in mind, the BLET's Advisory Board, the National Wage Committee and all General Chairmen assembled in Ft. Worth on December 1, 2011 and agreed that the time had come to put the TA before you for your consideration. It was agreed that you would ultimately decide if the improvements to the bare PEB warranted conclusion of the round. To reiterate, while these improvements are modest, they can have permanent value and I believe make the TA worthy of your consideration. Without a voluntary settlement in the bargaining round they are at risk, along with all pro-union laws that the anti-labor forces in Washington have been trying to erode for years.

In the end, you must decide if the benefits of settling the round in this fashion outweigh the risks if we do not. I, along with the National Division, will abide by that decision no matter how our members cast their votes. In any event, you can be assured that we remained in the fight until the bitter end, and further I am certain that we left nothing on the table before we brought the TA to you.

To facilitate the voting process, the BLET has agreed to an extension to the statutory cooling-off period; that letter is also posted on the National Division website. In the event that the agreement fails ratification, an additional 45-day cooling-off period will apply. If no settlement is reached by that time, both parties will again be free to exercise self help, unless Congress has intervened to block potential strikes or lockouts. Please take the time to participate in this process and cast your vote, the time has come for the membership to speak.

Fraternally yours,



National President

SYNOPSIS OF BLET/NCCC TENTATIVE AGREEMENT

The following is a synopsis of the major elements of the tentative national agreement reached December 1, 2011, between the Brotherhood of Locomotive Engineers and Trainmen (BLET) and the National Carriers' Conference Committee (NCCC). It has been prepared by the BLET National Division Office pursuant to Section 41(a) – General Committee Rules of the BLET Bylaws as an informational aid for BLET members. A complete tentative agreement is available from your local chairman or the BLET web site at www.ble-t.org.

Meetings were recently held with the BLET Advisory Board, the National Wage Committee, and the General Chairmen to review the terms and conditions of this proposal. Each group unanimously approved the submission of this tentative agreement to the affected membership for ratification under the provisions of Section 41(a). It is expected that the agreement, if ratified by the membership, will become effective by March 1, 2012.

Article I – Wages:

Six general wage increases, totaling 18.6% and a compounded value of 20.1%, as follows:

1. July 1, 2010 — 2.0% (retroactive for current employees and those who retired/died after June 30, 2010);
2. July 1, 2011 — 2.5% (retroactive for current employees and those who retired/died after June 30, 2010);
3. July 1, 2012 — 4.3%;
4. July 1, 2013 — 3.0%;
5. July 1, 2014 — 3.8%; and
6. January 1, 2015 — 3.0%.

Article II – Lump Sum Payment:

A lump sum equivalent to 1% of “straight time earnings” for the twelve month period November 1, 2010 through October 31, 2011, adjusted for the July 1, 2010 and July 1, 2011 general wage increases. Pursuant to Side Letter 4, the term “straight time earnings” includes: (1) straight time pay (elements of pay subject to adjustment for general wage increases, excluding labor protection payments); (2) overmile payments; (3) paid time for vacations, holidays, personal leave, and bereavement leave; (4) deadhead payments; and (5) guarantee payments (make whole, such as guaranteed extra board payments). The lump sum payment is payable to each employee who has an employment relationship with the carrier as of the date the lump sum is paid or who has retired or died after October 31, 2010. This Side Letter language is over and above the bare language of the PEB Recommendation.

Article III – Health and Welfare:

Changes to MMCP In-Network Plan design (effective July 1, 2012):

1. New Annual Deductible in-network services for which a fixed-dollar copayment does not apply, phased in as follows: \$100 (single) / \$200 (family) for 07/01/12 thru 12/31/12; \$150 / \$300 for 2013; and \$200 / \$400 per year beginning 01/01/14.
2. New coinsurance payment of 5% for in-network services for which a fixed-dollar copayment does not apply (as defined by procedure code) — and applicable after Annual Deductible is satisfied — phased in as follows: \$500 / \$1,000 for 07/01/12

thru 12/31/12; \$750 / \$1,500 for 2013; and \$1,000 / \$2,000 per year beginning 01/01/14.

3. In-Network Emergency Room co-pay increased to \$75, but waived if patient is admitted to hospital.
4. Urgent Care co-pay reduced from \$25 to \$20.
5. Current \$20 MMCP co-pay for general practice, obstetrics/gynecology, family practice or internal medicine is reduced to \$10 if services are rendered at a “convenient care clinic,” but no plan coverage for radiological services performed at a convenient care clinic.

Changes to CHCB and MMCP Plan design (effective July 1, 2012):

1. Introduction of “Radiology Notification Program” for treatment providers (no cost or obligation to employees or covered dependents).
2. Establish “Centers of Excellence Resources Services” programs for bariatric, cancer and kidney treatment for covered employees and their covered dependents to receive, on a wholly voluntary basis and without any copayment or coinsurance (potential improvement). *See Exhibit B for description.*
3. Establish “Treatment Decision Support Program” for covered employees and their covered dependents to receive, on a wholly voluntary basis and without any copayment or coinsurance (potential improvement). *See Exhibit B for description.*

Changes to Prescription Plan design (effective July 1, 2012):

1. Prior authorization required for certain therapeutic drug categories shown in Exhibit C, except for 3- to 5-day temporary supply during authorization process.
2. Application of Step Therapy and Quantity/Duration Limits for certain therapeutic drug categories shown in Exhibit C.
3. Employees and covered dependents may voluntarily participate in Personalized Medicine and/or Generic Rx Advantage Programs (potential improvement).
4. Changes to prescription co-pays for generic / formulary / non-formulary:
current retail: \$10 / \$20 / \$30 future retail: \$5 / \$25 / \$45
current mail order: \$20 / \$30 / \$60 future mail order: \$5 / \$50 / \$90

Early Retirement Major Medical Benefit Plan (GA-46000) design (effective July 1, 2012):

1. Prior authorization required for certain therapeutic drug categories shown in Exhibit C, except for 3- to 5-day temporary supply during authorization process.
2. Application of Step Therapy and Quantity/Duration Limits for certain therapeutic drug categories shown in Exhibit C.
3. Employees and covered dependents may voluntarily participate in Personalized Medicine and/or Generic Rx Advantage Programs (potential improvement).
4. Applies only to individuals who become eligible for ERMA coverage on or after July 1, 2012.

Monthly Employee Cost-Sharing Contributions:

1. Frozen at \$200 per month through June 30, 2016.
2. Effective July 1, 2016, the contribution will be the lesser of (i) 15% of the Carrier’s Monthly Payment Rate for 2016 or (ii) \$230.

Flexible Spending Account (FSA) (added per BLET proposal in post-PEB bargaining):

1. To be established by the Carriers effective January 1, 2013.
2. Employee may join or drop out annually, and may contribute up to \$2,500 per year.
3. 30-day grace period following the end of each Plan Year during which unused FSA benefits or contributions remaining at the end of the Plan Year may be reimbursed to employees for qualified medical expenses incurred during the grace period.
4. May be terminated (i) if participation is less than 5% in Plan Year 2014 or less than 7.5% in subsequent Plan Years, or (ii) in any year the “Cadillac Tax” applies.
5. The current BNSF FSA is preserved intact.

The Flexible Spending Account provisions of the Agreement were not included in the PEB Report, but were separately negotiated by the Union to provide a meaningful way for BLET members to mitigate any potential increase in the Health and Welfare costs recommended by the PEB.

Article IV – General Provisions: Section 6 Notices may be served on and after November 1, 2014, not to become effective prior to January 1, 2015.

Side Letter No. 1: Retroactive Wage Adjustments (RWAs) to be paid within 60 days.

Side Letter No. 2: RWAs payable to current employees and those who retired/died after June 30, 2010.

Side Letter No. 3: 3% General Wage Increase effective January 1, 2015 settles wages for first year of next bargaining round unless otherwise agreed.

Side Letter No. 4: Defines the compensation elements to be included in the base for calculating the 1% lump sum.

Side Letter No. 5: Process for considering additional prescription drug management rules, as may be recommended, subject to acceptance and approval by the Joint Plan Committee, which includes a BLET representative.

Side Letter No. 6: Referral of conductor certification allowance to local handling per PEB 243 recommendation.

Side Letter No. 7: BNSF FSA remains preserved intact.

Side Letter No. 8: Union Pacific on-property wage/rule bargaining is unaffected by this settlement.

Exhibit A: List of carriers represented by NCCC.

Exhibit B: Summary of Radiology Notification Program, Centers of Excellence Resource Services Program, and Treatment Decision Support Program.

Exhibit C: List of drugs subject to Prior Authorization and Step Therapy Rules.

BLET MEMBERS SUBJECT TO THE TENTATIVE NATIONAL AGREEMENT

Wages, Work Rules, and Health & Welfare (full agreement):

- Belt Railway of Chicago
- Conrail Shared Assets
- CP Rail –US (Soo Line)
- Indiana Harbor Belt
- Kansas City Southern System:
 - Kansas City Southern / Louisiana & Arkansas
 - Gateway Western
 - MidSouth
 - South Rail
 - Texas Mexican Railway (all locomotive engineers and all train service employees)
- Longview Switching
- Portland Terminal
- Winston-Salem Southbound Railway

Health & Welfare and Flexible Spending Account only:

- BNSF Railway
- CSX Transportation
- Union Pacific Railroad

(Members on these railroads are not eligible for any of the Wage Increases or Lump Sum Payments, but are eligible for the Flexible Spending Account, if ratified)

MEDIATION AGREEMENT

THIS AGREEMENT, made this ____ day of _____, 201_ by and between the participating carriers listed in Exhibit A, attached hereto and made a part hereof, and represented by the National Carriers' Conference Committee, and the employees of such carriers shown thereon and represented by the Brotherhood of Locomotive Engineers and Trainmen, witnesseth:

IT IS HEREBY AGREED:

ARTICLE I - WAGES

Section 1 - First General Wage Increase

(a) Effective July 1, 2010, all standard basic daily rates of pay for employees represented by the Brotherhood of Locomotive Engineers and Trainmen ("BLET") in effect on June 30, 2010 shall be increased by two (2) percent.

(b) In computing the increase under paragraph (a) above, two (2) percent shall be applied to the standard basic daily rates of pay applicable in the following weight-on-drivers brackets, and the amounts so produced shall be added to each standard basic daily rate of pay:

Passenger	- 600,000 and less than 650,000 pounds
Freight	- 950,000 and less than 1,000,000 pounds (through freight rates)
Yard Engineers	- Less than 500,000 pounds
Yard Firemen	- Less than 500,000 pounds (separate computation covering five-day rates and other than five-day rates)

Section 2 - Second General Wage Increase

Effective July 1, 2011, all standard basic daily rates of pay in effect on June 30, 2011 for employees represented by the BLET shall be increased by two-and-one-half (2.5) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 3 - Third General Wage Increase

Effective July 1, 2012, all standard basic daily rates of pay in effect on June 30, 2012 for employees represented by the BLET shall be increased by four-and-three-tenths (4.3) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 4 – Fourth General Wage Increase

Effective July 1, 2013, all standard basic daily rates of pay in effect on June 30, 2013 for employees represented by the BLET shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 5 – Fifth General Wage Increase

Effective July 1, 2014, all standard basic daily rates of pay in effect on June 30, 2014 for employees represented by the BLET shall be increased by three-and-eight-tenths (3.8) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 6 – Sixth General Wage Increase

Effective January 1, 2015, all standard basic daily rates of pay in effect on December 31, 2014 for employees represented by the BLET shall be increased by three (3) percent, computed and applied in the same manner prescribed in Section 1(b) above.

Section 7 - Standard Rates

The standard basic daily rates of pay produced by application of the increases provided for in this Article are set forth in Appendix 1, which is a part of this Agreement.

Section 8- Application of Wage Increases

(a) The adjustments provided for in this Article (i) will apply to mileage rates of pay for overmiles, and (ii) will not apply to duplicate time payments, including arbitraries and special allowances that are expressed in time, miles or fixed amounts of money.

(b) Miscellaneous rates based upon hourly or daily rates of pay, as provided in the schedules or wage agreements, shall be adjusted under this Agreement in the same manner as heretofore increased under previous wage agreements.

(c) In determining new hourly rates, fractions of a cent will be disposed of by applying the next higher quarter of a cent.

(d) Daily earnings minima shall be changed by the amount of the respective daily adjustments.

(e) Existing money differentials above existing standard daily rates shall be maintained.

(f) In local freight service, the same differential in excess of through freight rates shall be maintained.

(g) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4¢ and/or 6¢ per mile for miles in excess of the number of miles encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel

Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

(h) In computing the first increase in rates of pay effective under Section 1 for firemen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number comprising a basic day, which are therefore paid on a daily basis without a mileage component, whose rates had been increased by "an additional \$.40" effective July 1, 1968, the two (2) percent increase shall be applied to daily rates in effect on the day preceding the effective date of the general wage increase provided for in Section 1, exclusive of local freight differentials and any other money differential above existing standard daily rates. For firemen, the rates applicable in the weight-on-drivers bracket 950,000 and less than 1,000,000 pounds shall be utilized in computing the amount of increase. The same procedure shall be followed in computing the increases effective July 1, 2011, July 1, 2012, July 1, 2013, July 1, 2014 and January 1, 2015. The rates produced by application of the standard local freight differentials and the above-referred-to special increase of "an additional \$.40" to standard basic through freight rates of pay are set forth in Appendix 1 which is a part of this Agreement.

(i) Other than standard rates:

(i) Existing basic daily rates of pay other than standard shall be changed, effective as of the dates specified in Sections 1, 2, 3, 4, 5, and 6 hereof, by the same respective percentages as set forth therein, computed and applied in the same manner as the standard rates were determined.

(ii) Where applicable, the differential of \$4.00 and/or \$6.00 per basic day in freight, passenger and yard service, and 4¢ and/or 6¢ per mile for miles in excess of the number encompassed in the basic day in freight and passenger service, will be maintained for engineers working without firemen on locomotives on which under the former National Diesel Agreement of 1950 firemen would have been required. Such differential will continue to be applied in the same manner as the local freight differential.

(iii) Daily rates of pay, other than standard, of firemen employed in local freight service, or on road switchers, roustabout runs, mine runs, or in other miscellaneous service, on runs of miles equal to or less than the number encompassed in the basic day, which are therefore paid on a daily basis without a mileage component, shall be increased as of the effective dates specified in Sections 1, 2, 3, 4, 5, and 6 hereof by the same respective percentages as set forth therein, computed and applied in the same manner as provided in paragraph (i)(i) above.

(j) Trip Rates established pursuant to Article V of the 2003 BLET Agreement shall be adjusted by application of the general wage increases provided for in this Article I, in the manner set forth in Article V, Part B, Section 4(c)(1) of that Agreement.

ARTICLE II – LUMP SUM PAYMENT

(a) A lump sum payment shall be made to each employee subject to this Agreement who has an employment relationship with the carrier as of the date such lump sum is paid or who has retired or died subsequent to October 31, 2010. Such lump sum shall be paid no later than ninety (90) days after the date of this Agreement. There shall be no duplication of lump sum payments by virtue of employment under an agreement with another organization.

(b) The lump sum amount payable to an eligible employee shall be a lump sum equivalent to 1% of straight time earnings paid to that employee for the twelve month period November 1, 2010 through October 31, 2011, after application of the July 1, 2010 and July 1, 2011 general wage increases provided for in Article I.

ARTICLE III - HEALTH AND WELFARE

Part A - Plan Changes

Section 1 - Continuation of Plans

The Railroad Employees National Health and Welfare Plan ("the Plan"), the Railroad Employees National Dental Plan ("the Dental Plan"), the Railroad Employees National Early Retirement Major Medical Benefit Plan ("ERMA"), and the Railroad Employees National Vision Plan ("the Vision Plan"), modified as provided in this Article with respect to employees represented by the organization and their eligible dependents, will be continued subject to the provisions of the Railway Labor Act.

Section 2 - Plan Design Changes

(a) The Plan's Managed Medical Care Program ("MMCP") shall be revised as follows:

- (1) There shall be a separate, stand-alone, Annual Deductible for In-Network Services for which a fixed-dollar copayment does not apply. For the six-month period from July 1 through December 31, 2012, inclusive, this Annual Deductible shall be \$100 per individual and \$200 per family. For calendar year 2013, this Annual Deductible shall be \$150 per individual and \$300 per family. Beginning January 1, 2014, this Annual Deductible shall be \$200 per individual per year and \$400 per family per year.
- (2) The percentage of Eligible Expenses paid by the Plan for any In-Network Services for which a fixed-dollar copayment does not apply (as defined by procedure code) shall be 95% of the Eligible Expenses that exceed the applicable Annual Deductible provided for in clause (1) above; the amount payable by the employee as a result of this "coinsurance" shall be capped at (i) \$500 per individual and \$1000 per family for the six-month period from July 1 through December 31, 2012, inclusive, and at

\$750 per individual and \$1500 per family for calendar year 2013. Beginning January 1, 2014, the amount payable by the employee as the result of this “coinsurance” shall be capped at \$1000 per individual per year and \$2000 per family per year.

- (3) The Emergency Room Co-Payment for In-Network Services shall be increased to \$75.00 for each visit, but shall not apply if the visit results in admission to the hospital.
- (4) The Urgent Care Center Co-Payment for In-Network Services shall be decreased to \$20.00 for each visit.
- (5) In cases where a fixed-dollar copayment of \$20 currently applies to an office visit, the copayment shall be reduced to \$10 if the office is in a “convenient care clinic.” A “convenient care clinic” means, for purposes of this Section, a health care facility typically located in a high-traffic retail store, supermarket or pharmacy that provides affordable treatment for uncomplicated minor illness and/or preventative care to consumers.
- (6) The Plan shall not cover radiological services performed at a convenient care clinic.

(b) The Plan’s Managed Medical Care Program (“MMCP”) and its Comprehensive Health Care Benefit (“CHCB”) shall both be revised to include:

- (1) Participation in a “Radiology Notification Program” (as described in Exhibit B hereto);
- (2) Arrangements for covered employees and their covered dependents to receive, on a wholly voluntary basis and without any copayment or coinsurance, the following additional “Centers of Excellence Resource Services” (as described in Exhibit B hereto): Bariatric Resource

Services, Cancer Resource Services, and Kidney Resource Services;

- (3) Arrangements for covered employees and their covered dependents to receive, on a wholly voluntary basis and without any copayment or coinsurance, the resource services made available under a “Treatment Decision Support Program” (as described in Exhibit B hereto).

(c) The Plan’s Prescription Drug Card and Mail Order Prescription Drug Programs shall be revised as follows:

- (1) Prior Authorization by the Plan’s current pharmacy benefit manager (or any successor pharmacy benefit manager) (“PBM”) shall be required, in accordance with such PBM’s Prior Authorization Program then in effect, before any prescription drugs in the therapeutic drug categories shown on Exhibit C hereto as subject to such Program shall be dispensed; provided, however, that no more than a three to five-day supply of such a drug may be dispensed at retail in accordance with the PBM’s Temporary Override Program without Prior Authorization.
- (2) Employees and their covered dependents shall be required to adhere to Step Therapy and Quantity/Duration Limits Programs then in effect of the Plan’s PBM with respect to the prescription drugs in the therapeutic drug categories shown on Exhibit C hereto as subject to such Step Therapy Program and/or Quantity/Duration Limits Program, as the case may be.
- (3) Employees and their covered dependents may, on a wholly voluntary basis and in accordance with program criteria, participate in the PBM’s Personalized Medicine and/or Generic Rx Advantage Program then in effect.

(d) The Plan's Prescription Drug Card Program Co-Payments to In-Network Retail Pharmacies per prescription are revised as follows:

- (1) Generic Drug - decrease to \$5.00;
- (2) Brand Name (Non-Generic) Drug On Program Administrator's Formulary - increase to \$25.00;
- (3) Brand Name (Non-Generic) Drug Not On Program Administrator's Formulary - increase to \$45.00;

(e) The Plan's Mail Order Prescription Drug Program Co-Payments per prescription are revised as follows:

- (1) Generic Drug - decrease to \$5.00
- (2) Brand Name (Non-Generic) Drug on Program Administrator's Formulary - increase to \$50.00;
- (3) Brand Name (Non-Generic) Drug not on Program Administrator's Formulary - increase to \$90.00.

(f) The design changes contained in this Section shall become effective on July 1, 2012.

Section 3 - Plan Design Changes - ERMA

(a) ERMA's Prescription Drug Card and Mail Order Prescription Drug Programs shall be revised as follows:

- (1) Prior Authorization by ERMA's current pharmacy benefit manager (or any successor pharmacy benefit manager) ("PBM") shall be required, in accordance with such PBM's Prior Authorization Program then in effect, before any prescription drugs in the therapeutic drug categories shown on Exhibit C hereto as subject to such Program shall be dispensed; provided, however, that no more than a three to five-day supply of such a drug may be dispensed at retail in accordance with the PBM's Temporary Override Program without Prior Authorization.
- (2) Retirees and their covered dependents shall be required to adhere to Step Therapy and Quantity/Duration Limits

Programs then in effect of ERMA's PBM with respect to the prescription drugs in the therapeutic drug categories shown on Exhibit C hereto as subject to such Step Therapy Program and/or Quantity/Duration Limits Program, as the case may be.

- (3) Retirees and their covered dependents may, on a wholly voluntary basis and in accordance with program criteria, participate in the PBM's Personalized Medicine and/or Generic Rx Advantage Program then in effect.

(b) The design changes contained in this Section shall become effective on July 1, 2012, and shall apply only to individuals who become eligible for ERMA coverage on or after July 1, 2012.

Part B - Employee Sharing of Cost of H&W Plans

Section 1 - Monthly Employee Cost-Sharing Contributions

(a) Effective January 1, 2010 through December 31, 2011, the employee monthly cost-sharing contribution amount shall be \$200.00.

(b) Effective January 1, 2012, each employee covered by this Agreement shall contribute to the Plan, for each month that his employer is required to make a contribution to the Plan on his behalf for foreign-to-occupation health benefits coverage for himself and/or his dependents, a monthly cost-sharing contribution in an amount equal to the lesser of 15% of the Carriers' Monthly Payment Rate for 2012 or \$200.00.

(c) The employee monthly cost-sharing contributions amount shall be adjusted, effective July 1, 2016, so as to equal the lesser of 15% of the Carrier's Monthly Payment Rate for 2016 or \$230.00, unless otherwise mutually agreed by the parties during negotiations commencing when this Agreement becomes amendable pursuant to Article IV.

(d) For purposes of subsections (b) and (c) above, the "Carriers' Monthly Payment Rate" for any year shall mean one twelfth of the sum of what the carriers' monthly payments to –

- (1) the Plan for foreign-to-occupation employee and dependent health benefits, employee life insurance benefits and employee accidental death and dismemberment insurance benefits,
- (2) the Dental Plan for employee and dependent dental benefits and
- (3) the Vision Plan for employee and dependent vision benefits,

would have been during that year, per non-hospital association road employee, in the absence of any employee contributions to such Plans.

Section 2 - Pre-Tax Contributions

Employee cost-sharing contributions made pursuant to this Part shall be made on a pre-tax basis pursuant to the existing Section 125 cafeteria plan to the extent applicable.

Section 3 - Method of Making Employee Cost-Sharing Contributions

Employee cost-sharing contributions will be made for the employee by the employee's employer. The employer shall deduct the amount of such employee contributions from the employee's wages and retain the amounts so deducted as reimbursement for the employee contributions that the employer had made for the employee.

Part C - Flexible Spending Accounts

The Carriers shall establish and administer a Health Flexible Spending Arrangement (FSA) effective January 1, 2013 (not including a Dependent Care Program) that satisfies the requirements of Section 125 of the Internal Revenue Code (Code) and all other provisions of applicable law and that permits an employee to choose on a pre-tax basis (to the extent allowable under the Code) between receiving his/her wages in full or receiving less than such full wages and applying such wage deduction to medical expense reimbursements permitted by Section 125 of the Code and the regulations thereunder (in an amount no greater than \$2,500.00 per year). Such FSA

shall be subject to the following conditions:

- a. There shall be a thirty (30) day grace period immediately following the end of each Plan Year during which unused FSA benefits or contributions remaining at the end of such Plan Year may be reimbursed to employees for qualified medical expenses incurred during the grace period.
- b. Employees will not be able to recover FSA forfeitures, even if the law changes to allow such recovery.
- c. The Carriers may opt to not initiate, or to terminate the FSA as quickly as is allowed by law:
 - i. If any change in the law or regulations or any other development or circumstance materially impacts the financial consequences of the FSA to the Carriers; or
 - ii. If in any year the “Cadillac Tax” applies.
- d. The Carriers may opt to terminate participation in the FSA of any craft as quickly as is allowed by law if enrollment does not meet 5% of the eligible employee population in the craft for the 2014 Plan Year, or 7.5% of the eligible employee population in the craft for the 2015 Plan Year and succeeding Plan Years.
- e. The FSA will otherwise generally replicate the terms and conditions of the Health FSA of the Railroad Employees National Flexible Benefits Program established April 1, 2005, subject to subsequent changes in applicable law.

Nothing in this section shall preclude any Carrier from establishing its own flexible spending account program for employees covered by this agreement.

ARTICLE IV - GENERAL PROVISIONS

Section 1 - Court Approval

This Agreement is subject to approval of the courts with respect to participating carriers in the hands of receivers or trustees.

Section 2 - Effect of this Agreement

(a) The purpose of this Agreement is to settle the disputes growing out of the notices served upon the organization by the carriers listed in Exhibit A on or subsequent to November 1, 2009 (including any notices outstanding as of that date), and the notices served by the organization signatory hereto upon such carriers on or subsequent to November 1, 2009 (including any notices outstanding as of that date).

(b) This Agreement shall be construed as a separate agreement by and on behalf of each of said carriers and their employees represented by the organization signatory hereto, and shall remain in effect through December 31, 2014 and thereafter until changed or modified in accordance with the provisions of the Railway Labor Act, as amended.

(c) No party to this Agreement shall serve or progress, prior to November 1, 2014 (not to become effective before January 1, 2015), any notice or proposal.

(d) This Article will not bar management and the organization on individual railroads from agreeing upon any subject of mutual interest.

SIGNED AT WASHINGTON, DC, THIS __TH DAY OF _____, 201_.

**FOR THE PARTICIPATING
CARRIERS LISTED IN EX-
HIBIT A REPRESENTED
BY THE NATIONAL CAR-
RIERS' CONFERENCE
COMMITTEE:**

**FOR THE EMPLOYEES
REPRESENTED BY THE
BROTHERHOOD OF
LOCOMOTIVE ENGINEERS
AND TRAINMEN:**

_____, 201
#1

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to the general wage increases provided for in Article I, Sections 1 and 2 of the Agreement of this date.

The carriers will make all reasonable efforts to pay the retroactive portion of such general wage increases as soon as possible and no later than sixty (60) days after the date of this Agreement.

If a carrier finds it impossible to make such payments by that date, such carrier shall notify you in writing explaining why such payments have not been made and indicating when the payments will be made.

Very truly yours,

A. Kenneth Gradia

_____, 201
#2

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This refers to the increase in wages provided for in Sections 1 and 2 of Article I of the Agreement of this date.

It is understood that the retroactive portion of those wage increases shall be applied only to employees who have an employment relationship with a carrier on the date of this Agreement or who retired or died subsequent to June 30, 2010.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

_____, 201
#3

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to Article I, Section 6 of the Agreement of this date.

Article I, Section 6 of the Agreement provides for a three (3) percent general wage increase effective January 1, 2015. Article IV, Section 2(c) of the Agreement provides that the parties to the Agreement may serve and progress notices or proposals to amend the Agreement and other existing agreements on or after November 1, 2014 (not effective before January 1, 2015) (“2015 Bargaining Notices”).

This will confirm our understanding that if disposition of the 2015 Bargaining Notices is referred to any third party (including but not limited to a Presidential Emergency Board or arbitration board), this Letter may be provided to such body to confirm the parties’ mutual understanding that Article I, Section 6 was intended to constitute a complete resolution of the compensation adjustment issue for calendar year 2015.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

_____, 201
#4

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to Article II – Lump Sum Payment of the Agreement of this date.

Article II provides in pertinent part for payment to a qualified employee of a lump sum “equivalent to 1% of straight time earnings paid to that employee” for a specified time period. In recognition of potential questions of interpretation with regard to the intended application of that formulation to employees covered by operating craft compensation rules, the parties have mutually agreed that the following elements of compensation constitute “straight time earnings” for purposes of Article II (such definition to be applied solely for the purposes of this Agreement).

1. Straight time pay (elements of pay subject to adjustment for general wage increases, excluding labor protection payments)
2. Overtime payments
3. Paid time for vacations, holidays, personal leave, and bereavement leave.

4. Deadhead payments
5. Guarantee payments (make whole, such as guaranteed extra board payments).

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to Article III, Part A, Sections 2(c)(1) & (2) of the Agreement of this date. The prescription drug management rules identified in the aforementioned provisions of the Agreement are those that have been recommended by the Plan's current pharmacy benefit manager, Medco Health Solutions. The same is true of the therapeutic drug categories listed on Exhibit C to the Agreement; they are the therapeutic drug categories that Medco Health Solutions has recommended be subject to one or more of those rules.

The parties intend that new prescription drug management rules for which there are no existing therapeutic drug categories listed in Exhibit C shall not apply to the Plan unless such application has been (a) recommended by an independent committee of experts generally relied upon by the Plan's pharmacy benefit manager, (b) such recommendation is also made by the pharmacy benefit manager itself, and (c) the recommendation is accepted and approved by the Plan's Joint Committee.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

_____, 201
#6

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to of the Agreement of this date regarding local discussions between the organization and any carrier covered by this Agreement which employs conductors represented by the organization (“Covered Carrier”).

Upon written request by the organization’s designated representative to a Covered Carrier, the parties shall commence local discussions on a voluntary and informal basis (i.e., not under Section 6 of the Railway Labor Act) with respect to payment of a certification allowance to the conductors that it represents. Such discussions shall conclude by the earlier of the date on which a voluntary agreement is reached or December 31, 2012, unless extended by mutual agreement.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This confirms our understanding with respect to Article III – Health and Welfare, Part C- Flexible Spending Accounts, of the Agreement of this date.

It is understood that the flexible benefits arrangement applicable to the BLET on the BNSF Railway was not established under, is not covered by, and will in no way be affected by Article III, Part C of the Agreement of this date. BLET-represented employees on BNSF will continue to receive flexible spending account benefits exclusively as provided under the applicable BLET/BNSF agreement.

Nothing in this Side Letter No. 7 in any way affects the application of Article III, Parts A and B of the Agreement of this date, to BNSF, its locomotive engineers, BLET, or otherwise.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

_____, 201
#8

Mr. Dennis Pierce
National President
Brotherhood of Locomotive Engineers & Trainmen
1370 Ontario Street
Cleveland, OH 44113-1702

Dear Mr. Pierce:

This will confirm our understanding with respect to the Agreement of this date.

Insofar as this Agreement involves the Union Pacific Railroad Company (“UP”) and the BLET General Committees (“BLET GCs”) that collectively represent locomotive engineers on the UP, it is intended to resolve the parties’ respective notices related to Health and Welfare issues only. Negotiations on all other issues shall continue in accordance with the Railway Labor Act, as provided in the December 15, 2009 Memorandum of Understanding between the UP and the BLET GCs.

Please acknowledge your agreement by signing your name in the space provided below.

Very truly yours,

A. Kenneth Gradia

I agree:

Dennis Pierce

Exhibit A
BLET

CARRIERS REPRESENTED BY THE NATIONAL CARRIERS' CONFERENCE COMMITTEE IN CONNECTION WITH NOTICES SERVED ON OR AFTER NOVEMBER 1, 2009 BY AND ON BEHALF OF SUCH CARRIERS UPON THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN, AND NOTICES SERVED ON OR AFTER NOVEMBER 1, 2009 BY THE GENERAL CHAIRMEN, OR OTHER RECOGNIZED REPRESENTATIVES OF THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS AND TRAINMEN UPON SUCH CARRIERS.

Subject to indicated footnotes, this authorization is co-extensive with notices filed and with provisions of current schedule agreements applicable to employees represented by the Brotherhood of Locomotive Engineers and Trainmen:

The Belt Railway Company of Chicago -1
BNSF Railway Company - 1
Consolidated Rail Corporation
CSX Transportation, Inc. –
 CSX Transportation, Inc. (Single-System Agreement) – 1
 Consolidated Rail Corporation (former) - 1
Indiana Harbor Belt Railroad Company
The Kansas City Southern Railway Company
 Kansas City Southern Railway
 Gateway Western Railway
 Louisiana and Arkansas Railway
 MidSouth Rail Corporation
 SouthRail Corporation
 Joint Agency
 The Texas Mexican Railway Company
Longview Switching Company
Portland Terminal Railroad Company
Soo Line Railroad Company d.b.a Canadian Pacific

Union Pacific Railroad Company - 1
Winston Salem Southbound Railway Company

* * * * *

Note:

1 - Health & Welfare only

- - - - -

FOR THE CARRIERS:

**FOR THE BROTHERHOOD OF
LOCOMOTIVE ENGINEERS
AND TRAINMEN:**

_____, 201_
Washington, D.C.

EXHIBIT B

Clinical Support Services¹

Radiology Notification Program (RNS) – Under this program, a radiology notification process is required for participating (network) physicians, health care professionals, facilities and ancillary providers for certain advanced outpatient imaging procedures, prior to performance, with administrative claim denial for failure to provide notification. The program is a prior notification requirement only, not a precertification, preauthorization or medical necessity determination program, and currently applies to the following outpatient advanced imaging procedures: CT, MRI, PET and Nuclear Medicine, including Nuclear Cardiology. These services that take place in an emergency room, observation unit, urgent care center, or during an inpatient stay do not require notification.

The process may require a physician-to-physician discussion, the purpose of which is to engage the ordering physician in a discussion about the use of evidence-based clinical guidelines. However, the final decision authority rests with the ordering physician. This program is invisible to the covered member – non-compliance (i.e., non-notification) will result in an administrative denial of the claim with no balance billing to the patient.

Centers of Excellence (COE) Resource Services – this service are based on the foundation that certain facilities treat patients who consistently achieve favorable clinical outcomes, as demonstrated by reduced hospital lengths of stay and readmission rates, lower infection rates, etc. Programs are typically designed around specific disease states or conditions in which COEs can be clearly identified. The following programs develop national COE networks and specialty nurse resources that provide specific case management interventions:

¹ The actual program names, specific services/processes, and administration will vary by medical vendor.

- Bariatric Resource Services (BRS) - BRS provides a national Center of Excellence network of bariatric surgery centers and hospitals with an upfront case management component.

- Cancer Resource Services (CRS)/Cancer Support Program (CSP) - This clinical consulting with cancer specialists, combined with an extensive nationwide COE network will deliver clinical and financial value.

- Kidney Resource Services (KRS) – KRS provides a large network of dialysis facilities meeting strict quality outcomes with kidney nurse specialists assisting patients.

Treatment Decision Support (TDS) – These services include enhanced one-to-one coaching for individuals facing potential procedures that have been carefully targeted as having varied treatment practices and inconsistent patient outcomes. TDS normally targets back pain, knee/hip replacement, benign prostate disease, prostate cancer, benign uterine conditions, hysterectomy, breast cancer, coronary artery disease and bariatric surgery.

Exhibit C - Drugs for Coverage Authorization and Step Therapy Rules 1/

Therapeutic Drug Category	Drugs
Specialty Drugs	
Gout Therapy	Uloric® Krystexxa™
Rheumatological (RA Agents)	Actemra® Arava® Cimzia® Enbrel® Humira® Kineret® Orencia® Remicade® Rituxan® Simponi™
Misc Agents	Benlysta® Savella®
Erythroid Stimulants	Aranesp® Epogen® Procrit®
Growth Hormones	Egrifta™ Genotropin® Geref® Humatrope® Increlex™ IPlex™ Norditropin® Nutropin® Omnitrope® Saizen® Serostim® Tev-Tropin,® Zorbtive®
Interferons	Actimmune® Alferon-N® Infergen® Intron-A® Pegasys® Peg-Intron® Roferon®
Interleukins	Arcalyst™ Ilaris®
Multiple Sclerosis Therapy	Amypra™ Avonex® Betaseron® Copaxone® Extavia® Gilenya™ Novantrone® Rebil® Tysabri®
Myeloid Stimulants and Hemostatics	Leukine® Neulasta® Neumega® Neupogen® Nplate™ Promacta®
Vaccines & Misc Immunologicals	Botox® Dysport™ Myobloc™ Xeomin®
Vaccines & Misc Immunologicals (Immune Globulins)	Carimune NF® Flebogamma DIF® Gammagard® Gammagard S-D® Gammaplex® Gamimune- N® Gamunex® Gamunex-C® Hizentra™ Privigen™ Vivaglobin®
Dermatologicals - Psoriasis	Amevive® Stelara®
Cancer Therapy	Afinitor® Avastin® Dacogen™ Erbix® Gleevec® Halaven™ Herceptin® Istodax® Jevtana® Nexavar® Sprycel® Sutent® Tarceva™ Tasigna® Temodar® Torisel™ Tykerb® Vectibix™ Vidaza® Votrient™ Zolanza™ Zytiga™
Cancer Therapy (Misc.)	Mozobil™

Therapeutic Drug Category	Drugs
Cancer Therapy (Misc.)	Xgeva™
Misc Antineoplastic Agents	Arimidex® Aromasin® Femara®
Misc Antineoplastic Agents	Revlimid® Thalomid®
Antivirals (Ribavirin Therapy)	Copegus® Rebetol® Ribatab®
HIV/AIDS Therapy	Selzentry™
RSV Agents	Synagis®
Parkinson's	Apokyn
Hormone Therapy (Misc.)	Acthar® Gel Sensipar®
Misc Agents	Soliris™
Misc Neurological Therapy	Nuedexta™ Xenazine®
Hormone Therapy (Misc.)	Zavesca®
Hormone Therapy (Misc.)	Vpriv™ Cerezyme®
Hormone Therapy (Misc.)	Samsca™
Hormone Therapy (Misc.)	Kuvan™ Somavert®
Non-Narcotic Pain Relief (Hyaluronic Acid Derivatives)	Euflexxa™ Hyalgan® Orthovisc® Supartz® Synvisc®
Lupus	Benlysta
Hepatitis C	Boceprevir, Telaprevir
Misc. Pulmonary Agents	Beriner® Cinryze™ Kalbitor® Xolair®
Misc. Pulmonary Agents	Cayston® TOBI®
Misc. Pulmonary Agents	Pulmozyme®
Pulmonary Arterial Hypertension	Flolan® Letairis™ Remodulin® Revatio™ Tracleer® Ventavis® Adcirca™ Tyvaso® Veletri®

Therapeutic Drug Category	Drugs
Non Specialty/Traditional Drugs	
Hypnotics	Ambien® Ambien CR™ Butisol® chloral hydrate Dalmane® Doral® Edluar™ Halcion® Lunesta® Nembupal® Prosom® Restoril® Rozerem® Silenor® Sonata® Zolpimist™
Migraine	Alsuma™ Amerge® Axert® Frova® Imitrex® Imitrex Inj® ImitrexNS® Maxalt® MaxaltMLT® Migranal NS® Relpax® Sumavel® Treximet™ Zomig® Zomig ZMT®
Narcolepsy	Nuvigil® Provigil® Xyrem®
Narcotic Pain Relief	Abstral® Actiq® Fentora™ Onsolis™
Non-Narcotic Pain Relief (Misc.)	Cambia™ Lidoderm® Stadol NS® Vimovo™
Dermatologicals - Acne	Solodyn®
Anorexiant/Weight loss	Adipex-P® Bontril® Didrex® Fastin® Tenuate® Xenical®
Hormone Therapy (Select Androgens & Anabolic Steroids)	Androderm® AndroGel® Axiron® Fortesta™ Striant® Testim Gel® , Various anabolic steroids
Nausea	Anzemet® Cesamet™ Emend® Emend Trifold Pack® Kytril® Sancuso® Zofran® Zofran ODT® Zuplenz®

1/ The Coverage Authorization Program consists of traditional prior authorization, smart prior authorization, step therapy and quantity/dose rules which are based on FDA-approved prescribing and safety information, clinical guidelines, and uses that are considered reasonable, safe, and effective. These rules are recommended by an outside, independent organization based on information and data specific to the Railroad membership. Each Therapeutic Drug Category has a rule(s) specific to that category.

Preferred Drug Step Therapy 2/		
Therapeutic Drug Category	Preferred Drugs	Targeted Drugs
Proton Pump Inhibitors	Nexium, lansoprazole/ODT, omeprazole, omeprazole sodium bicarbonate, pantoprazole	Aciphex, Dexilant (Kapidex), Prevacid/Susp, Prilosec Oral Susp (brand), Protonix 40mg Susp, Zegerid Packet
Sleep Agents/Hypnotics	zolpidem/ER, zaleplon	Edular, Lunesta, Rozerem, Silenor
Depression	citalopram & other generics	Lexapro, Luvox CR, Pexeva (New users only)
Osteoporosis	Boniva, Fosamax D, alendronate	Actonel (w/CA)
Intranasal Steroids	Nasonex, flunisolide, fluticasone	Beconase AQ, Nasacort/AQ, Omnaris, Rhinocort/AQUA, Veramyst
Angiotensin II Receptor Blockers	Diovan/HCT, Micardis/HCT, losartan/HCTZ	Atacand/HCT, Avapro/Avalide, Benicar/HCT, Teveten/HCT
Migraine	Maxalt/MLT, Relpax, naratriptan, sumatriptan	Alsuma, Axert, Frova, Sumavel, Treximet, Zomig/ZMT
Glaucoma	Lumigan, Xalatan (generic)	Travatan, Travatan Z
Growth Hormones (specialty drug)	Genotropin, Humatrope, Norditropin	Nutropin, Nutropin AQ, Saizen
Tumor Necrosis Factor (specialty drug)	Enbrel, Humira	Cimzia, Simponi

2/ Preferred Drug Step Therapy identifies users of non-preferred/non-covered medications and communicates less expensive generic and preferred brand alternatives (when appropriate).

TENTATIVE AGREEMENT

December 1, 2011 Tentative Agreement
between
Brotherhood of Locomotive Engineers and
Trainmen and
National Carriers' Conference Committee

HOW WE GOT HERE

BEFORE BARGAINING BEGAN

- ◎ On-property agreements reached with CN and NS accepting outcome of National H&W bargaining. No Section 6 Notices were filed on these railroads.
- ◎ Agreements reached with BNSF and CSX on wages/rules, with agreement to participate in National Health and Welfare (H&W) bargaining. Section 6 Notices were served for H&W only.

BEFORE BARGAINING BEGAN

- ◉ Agreement with UP for on-property wage/ rules bargaining, and national H&W bargaining. Section 6 Notices filed for wages/rules (local) and for H&W (national).
- ◉ Section 6 Notices filed for national wages/ rules/H&W bargaining by: Belt Railway of Chicago; Conrail; IHB; KCS (including Tex-Mex and all KCS subsidiaries); Longview Switching; Portland Terminal; Soo Line; Winston-Salem Southbound.

MEMBERS AFFECTED

Wages / Rules / H&W

- ◉ Belt Ry. of Chicago
- ◉ Conrail
- ◉ Indiana Harbor Belt
- ◉ Kansas City Southern
- ◉ Longview Switching
- ◉ Portland Terminal
- ◉ Soo Line
- ◉ Winston-Salem
Southbound

H&W Only

- ◉ BNSF
- ◉ CSXT
- ◉ UPRR

Standby Agreements

- ◉ CN properties
- ◉ NS

Also Impacted

- ◉ Alabama State Docks
- ◉ D&H
- ◉ METRA

NATIONAL BARGAINING

- ◎ Section 6 Notices served on or about November 1, 2009.
- ◎ Monthly, multi-day negotiating sessions beginning in January of 2010.
- ◎ Carriers' position from the outset was that they were unwilling to bargain wages/rules until H&W direction was set.
- ◎ Parties quickly deadlocked over H&W cost-sharing versus H&W cost-shifting.

NMB MEDIATION

- ◉ January 2011 — mediated bargaining begins.
- ◉ Monthly, multi-day mediated negotiating sessions through August.
- ◉ NMB proffered arbitration on September 2, and released parties on September 5, after RLBC declined the proffer.
- ◉ Legislative Representative training class storms Capitol Hill on October 5th, urging Congress to insist President Obama appoint a PEB; the next day PEB 243 is named.

PEB 243

- ◎ Six days of hearings from October 13, 2011, through October 20, 2011.
- ◎ Joint presentation made by RLBC (BLET, BMWED, BRS, IBB, NCFO & SMWIA) and CRU (ATDA, IAM, IBEW, TCU (including BRC) & TWU) on wages, health and welfare, vacations and information requests.
- ◎ BLET testified concerning vacations, craft-specific issues, and in labor's rebuttal case.

LABOR COALITIONS' REQUESTS

- ◉ A 5-year (2010–2014) GWI package totaling 19%, effective every January 1, in recognition of year after year of record industry profits.
- ◉ *Status quo* on H&W for the 5-year term.
- ◉ Shorten the current vacation matrix, add a 6th week for those with 20 years of service, and allow prorating.
- ◉ Access to carrier information necessary to negotiate and enforce CBAs.

BLET CRAFT-SPECIFIC ISSUES

- ◉ Eliminate entry rates and the two-tiered pay system.
- ◉ Adopt CSX SSA Meal Allowance as the National Agreement standard.
- ◉ Increase Locomotive Engineer Certification Allowance to \$10 per trip, add a \$5 per trip Conductor Certification Allowance for BLET-represented conductors on Tex-Mex, and index both to future GWIs.
- ◉ Provide for improved and enforceable minimum locomotive cab standards.

CARRIERS' ARGUMENT

- ◉ UTU National Agreement is a pattern.
- ◉ Labor's wage proposal would increase unemployment and harm the economy.
- ◉ Historic increases in productivity are due to technology, and "we find no evidence that rail labor jobs are more difficult [or] require more skill or effort."
- ◉ The craft-specific issues should be denied.

PEB RECOMMENDATIONS

- ◉ Although the PEB did not expressly state the UTU NA was a pattern, it basically recommended the UTU GWI schedule with the following additions:
 - an extra 1.3% effective 07/01/12 to reflect the monetized value of the conductor certification allowance;
 - an extra 0.3% effective 07/01/14 to reflect the monetized value of eliminating the 5th year of the UTU entry rate progression.
 - a 1% lump sum bonus to reflect the UTU entry rate bonuses.

PEB RECOMMENDATIONS

- ◎ The PEB recommended the parties adopt the UTU H&W changes, with an 18-month phase-in of the MMCP annual deductible and 5% coinsurance.
- ◎ It also recommended that a few of the craft-specific issues — including our request for a certification allowance for BLET-represented conductors on Tex-Mex — be referred to local handling, but that the remainder be withdrawn.

POST-PEB BARGAINING

- ◉ On November 8, BLET proposed adding a Flexible Spending Account (“FSA”).
- ◉ On November 16–17 the carriers said they would give us a written proposal that included FSA language.
- ◉ That proposal not sent until November 22, and it had major flaws, including problems with the FSA language and the earnings elements to be used in calculating the 1% lump sum.

POST-PEB BARGAINING

- ◉ We returned a counterproposal less than 30 hours later.
- ◉ Several more exchanges of documents and discussions throughout the day on November 29 and November 30.
- ◉ Carriers' bottom line was reached and it was decided to refer proposal to Advisory Board, full National Wage Committee and General Chairman with recommendation to put out for ratification.

THE TENTATIVE AGREEMENT

WAGES PER PEB 243

- ◎ 18.6% in General Wage Increases over 5½ years:
 - 07/01/10 — 2%;
 - 07/01/11 — 2.5%;
 - 07/01/12 — 4.3%;
 - 07/01/13 — 3%;
 - 07/01/14 — 3.8%; and
 - 01/01/15 — 3%.

- ◎ Compounded GWI value is 20.1%.

IMPROVED PEB 243 LUMP SUM

- ◉ Lump sum of 1% of 11/01/10–10/31/11 straight time earnings for current employees and those who retired/died after 10/31/10. Included in the calculation:
 - straight time pay, including all elements of pay subject to adjustment for general wage increases;
 - overmile payments;
 - paid vacation, holidays, and personal / bereavement leave time;
 - deadhead payments; and
 - GEB payments. See Side Letter #4, over and above the PEB recommendations.

H&W PER PEB 243

- ◉ Straight PEB recommendation to adopt UTU National Agreement provisions with implementation delays.
- ◉ New **Annual Deductible** (single / family) for MMCP In-Network Services for which a fixed-dollar copayment does not apply, phased in as follows:
 - \$100 / \$200 for 07/01/12 thru 12/31/12;
 - \$150 / \$300 for 2013; and
 - \$200 / \$400 per year beginning 01/01/14.

H&W PER PEB 243 (CONT'D)

- ◉ New **coinsurance payment of 5%** for MMCP In-Network Services for which a fixed-dollar copayment does not apply (as defined by procedure code) — and applicable **after Annual Deductible** is satisfied — phased in as follows:
 - \$500 / \$1,000 for 07/01/12 thru 12/31/12;
 - \$750 / \$1,500 for 2013; and
 - \$1,000 / \$2,000 per year beginning 01/01/14.

H&W PER PEB 243 (CONT'D)

- ◉ MMCP In-Network Emergency Room co-pay increased from \$25 to \$75, but waived if patient is admitted to hospital.
- ◉ MMCP Urgent Care co-pay reduced from \$25 to \$20.
- ◉ Current \$20 MMCP co-pay is reduced to \$10 if services are rendered at a “convenient care clinic,” but no plan coverage for radiological services performed at a convenient care clinic.

H&W PER PEB 243 (CONT'D)

- ◎ Changes to both CHCB and MMCP:
 - **Radiology Notification Program**, mandating that network providers provide *notification*, but not required to obtain *authorization*, for certain advanced outpatient imaging services.
 - Voluntary participation, without any copayment or coinsurance, in **Centers of Excellence** programs for bariatric, cancer and kidney treatment.
 - Voluntary participation, without any copayment or coinsurance, in **Treatment Decision Support Program** for certain procedures.

H&W PER PEB 243 (CONT'D)

- ◉ Prescription drug changes (eff. 07/01/12):
 - Retail co-pays (generic / formulary / brand name) changed from \$10 / \$20 / \$30 to \$5 / \$25 / \$45.
 - Mail order co-pays changed from \$20 / \$30 / \$60 to \$5 / \$50 / \$90.
 - Prior authorization required for certain classes of drugs.
 - Step Therapy and Quantity/Duration Limits for certain classes of drugs.
 - Voluntary participation in Personalized Medicine and/or Generic Rx Advantage Programs.

H&W PER PEB 243 (CONT'D)

- ◎ ERMA plan design changes (eff. 07/01/12):
 - Prior authorization required for certain classes of drugs.
 - Step Therapy and Quantity/Duration Limits for certain classes of drugs.
 - Voluntary participation in Personalized Medicine and/or Generic Rx Advantage Programs.
 - Changes apply only to individuals who become eligible for ERMA coverage on or after 07/01/12.

H&W PER PEB 243 (CONT'D)

○ Employee cost-sharing:

- Monthly premium contribution frozen at \$200 through June 30, 2016.
- Effective July 1, 2016, the premium contribution will be the lesser of (i) 15% of the Carrier's Monthly Payment Rate for 2016 or (ii) \$230.

FLEXIBLE SPENDING ACCOUNTS

- ◎ **Improvement over PEB recommendation at BLET's insistence; can mitigate increased costs.**
- ◎ Carriers will establish a FSA effective 01/01/13:
 - Contribute up to \$2,500 per year.
 - May be terminated if participation is less than 5% in PY 2014, 7.5% in subsequent PYs, or "Cadillac Tax" applies in a given year.
 - Current BNSF FSA preserved intact.

MORATORIUM CLAUSE

- ◎ Section 6 Notices may be served on and after November 1, 2014, not to become effective prior to January 1, 2015.

SIDE LETTERS

- ◎ #1 — RWAs to be paid within 60 days.
- ◎ #2 — RWAs payable to current employees and those who retired/died after 06/30/10.
- ◎ #3 — 3% GWI effective 01/01/15 settles wages for first year of next round unless otherwise agreed.
- ◎ #4 — Components of 1% lump sum base.
- ◎ #5 — Clarifies how new drugs are handled.
- ◎ #6 — Conductor certification local handling.
- ◎ #7 — BNSF FSA preserved intact.

SIDE LETTERS (CONT'D)

◎ #8 — UP wage/rule bargaining unaffected:

“Insofar as this Agreement involves the Union Pacific Railroad Company (‘UP’) and the BLET General Committees (‘BLET GCs’) that collectively represent locomotive engineers on the UP, it is intended to resolve the parties’ respective notices related to Health and Welfare issues only. Negotiations on all other issues shall continue in accordance with the Railway Labor Act, as provided in the December 15, 2009 Memorandum of Understanding between the UP and the BLET GCs.”

EXHIBITS

- A — list of carriers represented by NCCC.
- B — summary of Radiology Notification Program, Centers of Excellence Resource Services Program, and Treatment Decision Support Program.
- C — list of drugs subject to Prior Authorization and Step Therapy Rules.

RATIFICATION

FORT WORTH MEETINGS

- ◉ November 30 — BLEET Advisory Board consensus on putting tentative agreement out for ratification.
- ◉ December 1 — BLEET National Wage Committee consensus on putting tentative agreement out for ratification.
- ◉ December 1 — BLEET General Chairmen consensus on putting tentative agreement out for ratification.

MEMBERS ENTITLED TO RATIFY

- ◉ Belt Railway of Chicago
- ◉ BNSF
- ◉ Conrail
- ◉ CSXT
- ◉ Indiana Harbor Belt
- ◉ KCS (incl. Tex-Mex and all other subsidiaries)
- ◉ Longview Switching
- ◉ Portland Terminal
- ◉ Soo Line
- ◉ UPRR
- ◉ Winston-Salem Southbound Railway

RATIFICATION TIMELINE (PROJECTED)

- ◉ Ratification packets in the mail by December 15, 2011.
- ◉ Online and telephone voting begins 9:00 a.m. EST on December 16, 2011.
- ◉ 21-day ratification period because of electronic voting.
- ◉ Online and telephone voting ends 3:00 p.m. EST on January 5, 2012.