

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
516 West Jackson Boulevard Chicago, Illinois 60606
Telephone 312 648-3324

October 3, 1983

To All Milwaukee Road Employees:

Trustee Ogilvie said today that three deferred claims settlement programs he is in the process of completing will have a success rate of about 95 percent.

These early payment programs, previously approved by the reorganization court, cover deferred property and miscellaneous taxes, non-employee personal injury claims and vacation pay benefits.

The court earlier had approved the use of funds from the Milwaukee Land Company, our wholly owned subsidiary, to satisfy these claims at 90% of the principal amount. Settlements of about \$25.7 million under the current programs produced a benefit of \$2.5 million to the estate.

This follows a series of programs Trustee Ogilvie has successfully implemented to reduce the Milwaukee Road's indebtedness. During the past few years, he has taken action to repay high-priority federal loans, instituted a tender offer to holders of certain of the company's bonds, and concluded programs to pay accrued interest to secured bondholders.

Claims totalling more than \$226 million have been settled under provisions of the debt retirement programs.

These early payment programs serve the individual claimants and the estate well, since each acceptance allows current payments to the claimants and also eliminates more claims against the estate at a discount of 10% of their face amount.

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Due to the illness of Mr. M. J. Coomes, Assistant Vice President-Marketing and Pricing, certain arrangements have been made on an interim basis in our Marketing Department to assure the continued effective operation of his assigned responsibility area.

Mr. G. U. Fisher is assigned the responsibility of marketing and pricing on all car-load activity as well as all government traffic.

Mr. W. P. Mullen is assigned the responsibility of marketing and pricing activities of all intermodal business with the exception of primary metal (STCC 33) and auto parts (STCC 37) which remain with Mr. Fisher. In order to achieve the manpower efficiencies in the operation of the pricing services and Intermodal Departments, Mr. Mullen will have authority to utilize the resources of both departments as he sees fit. Mr. C. E. Jones will assist Mr. Mullen in his regular duties.

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Posters displayed at various locations on our system proclaim October 9-15 as Fire Prevention Week. The theme this year is "LEARN NOT TO BURN ALL THROUGH THE YEAR."

Year after year at this time we are reminded that our attention should be focused on fire prevention, yet each year in the United States we continue to experience millions of fires, resulting in the loss of several thousand lives, the painful and oft-times crippling injuries to many thousands more, and property losses in the billions of dollars.

The chief causes of fire are well known, and they change little from year to year. They are: (1) smoking; (2) heating-cooking equipment; (3) electrical wiring; (4) children playing with matches; (5) open flames and sparks; (6) flammable liquids; (7) suspected arson; (8) chimneys and flues; (9) lightning; and (10) spontaneous ignition.

We would greatly reduce these grim statistics if only we took the necessary steps to eliminate those known fire causes within our control, such as smoking in bed, making sure cigarettes and matches are out before discarding them, keeping matches and lighters out of the reach of children, having heating systems properly checked and maintained by qualified servicemen, and using portable heaters only where it is safe with an adult present.

All wiring and electrical installations should be done by a professional. Electrical cords should be replaced when they become frayed. Good housekeeping must be practiced at all times. The installation of smoke detectors and the establishment of a home escape plan will also add greatly to the safety of you and your family.

The National Fire Protection Association advises that residential fires account for nearly 90 percent of the total fires and 85 percent of the deaths. More than 80 percent of the reported residential multiple-death fires occurred during the nighttime or early morning hours, and more than 68 percent occurred during the first and last quarters of the year. Last, but certainly not least, nearly 60 percent of the fire victims were under the age of 15.

At home or at work, please remember this year's theme - "LEARN NOT TO BURN ALL THROUGH THE YEAR."

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The Railroad Retirement Solvency Act of 1983 provided a number of measures designed to place the railroad retirement and railroad unemployment insurance systems on a sound financial basis. Among these measures are increases in the payroll taxes levied on railroad employees and employers in order to fund these systems.

Railroad retirement taxes were also increased by social security amendments enacted earlier this year. Under the 2-tier railroad retirement system, tier I railroad retirement taxes are coordinated with social security taxes, and they increase when social security taxes rise. Rail employees and employers pay tier I taxes equal to social security taxes and additional tier II taxes to finance railroad retirement benefit payments over and above social security levels. Railroad unemployment insurance taxes are paid by employers only.

The following questions and answers describe the tax increases and other financial measures brought about by this legislation.

1. How much will the tier I tax rate levied on employees and employers be increased?

As a result of the 1983 social security amendments, tier I taxes on employers and employees will increase from 6.70% to 7% in January 1984, to 7.05% in 1985, and to 7.15% in 1986. Employees paying the tier I tax rate of 7% in 1984 will be eligible for a one-time income tax credit of .3% of wages, but employers are not afforded the tax credit.

2. How much will tier II tax rates increase?

Under the 1983 Railroad Retirement Solvency Act, the tier II taxes on employers will increase from 11.75% to 12.75% in January 1984, to 13.75% in January 1985, and to 14.75% in January 1986. Tier II taxes on employees will increase from 2% to 2.75% in 1984, to 3.50% in 1985, and to 4.25% in 1986.

3. Have there been any changes in the maximum amounts of earnings subject to these taxes?

The new laws made no changes in the maximum amounts of earnings subject to these taxes; these taxable maximums for 1984 will be determined at the end of 1983 on the basis of average national wage levels.

4. Will there be any change in the way these taxes are applied to earnings?

Beginning in 1985, railroad retirement taxes will be applied to earnings on an annual basis rather than the present monthly basis. A new provision enables an employee who did not work in every month of a year, in some cases, to be credited with service months in excess of the number of actual months worked. This is dependent upon the compensation the employee earned in the actual months worked.

However, an employee may never be credited with more than 12 service months in any calendar year, and he or she must be in an "employment relation" or be an employee representative in order to receive these additional months of service.

A method is also provided for crediting compensation equally among months in cases where an employee earned the annual maximum but did not earn the maximum in all months.

5. Does the Solvency Act provide other financial measures for funding the railroad retirement system?

The Railroad Retirement Account will be reimbursed in three annual installments from the general fund of the U.S. Treasury for shortfalls in vested dual benefit appropriations between 1975 and 1981; these shortfalls had been absorbed by the Railroad Retirement Account.

The railroad retirement system is also given additional authority to borrow from the general fund of the Treasury in order to offset lags in fund transfers from the social security system.

6. In January 1982, certain sickness benefits payable by the Railroad Retirement Board, as well as certain privately paid sickness benefits in the railroad industry, became subject to the tier I railroad retirement tax. However, these benefits were not creditable as compensation under the Railroad Retirement Act. Has there been a change in this provision?

Yes. Any sickness benefits which were subject to tier I railroad retirement taxes are also creditable retroactively to January 1, 1982, as compensation for tier I benefit purposes.

7. What changes were made in the taxes levied on employers to finance the railroad unemployment-sickness insurance program?

Effective January 1984, the railroad unemployment-sickness insurance tax (currently 8%) paid by employers will be levied on compensation up to \$600 per month per employee; this tax had been limited to earnings of \$400 per month.

At the same time, the qualifying earnings requirement for an employee to be eligible for unemployment or sickness benefits will be raised from \$1,000 to \$1,500 in each calendar year, not counting more than \$600 for any one month.

8. Are other financial measures provided for funding the railroad unemployment insurance program?

A Federal repayment tax is temporarily imposed on railroad employers from July 1, 1986 through September 30, 1990. The tax will initially be 2% of the first \$7,000 in annual wages paid per employee and will increase by .3% on each subsequent January 1 until 1990. Revenue raised by this repayment tax will be applied to loans the Railroad Retirement Account has made to the Railroad Unemployment Insurance Account.

9. Will the temporary tax completely repay the Railroad Unemployment Insurance Account's debt to the Railroad Retirement Account?

Current projections indicate that this will not be the case, and the temporary tax is considered an interim measure. The amendments established a Railroad Unemployment Compensation Committee for the purpose of reviewing all aspects of the Railroad unemployment and sickness program. The committee shall consist of two members appointed by railway labor, two members appointed by railway management and one public member. It is to report back to Congress by April 1, 1984, with recommendations regarding benefit levels, qualification requirements, experience rating, repayment of the unemployment insurance debt to the Retirement Account by the year 2000, and alternatives to the present system.

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To All Chicago and Suburban Employees:

What's in a name? If that name happens to be the United Way/Crusade of Mercy, it means a great many things to many different people.

To parents who use a United Way-supported day care facility, the United Way means they can work while their children receive love and attention in a healthy atmosphere.

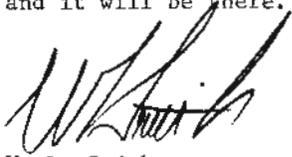
Families needing special counseling for marital problems have learned to count on United Way services for professional and confidential guidance.

The handicapped and their families see United Way services for the physically and mentally disabled as a way of hope that they can live more normal and vibrant lives in the years to come.

This year's company goal - a 17% increase over what was raised last year - is \$90,600. This increase is small when compared to what our potential is. If everyone in the company gave his/her Fair Share, we could raise \$371,800. Our goal of \$90,600 is only 24 percent of that potential.

In support of this very important campaign, you will be asked to attend a brief presentation between October 17 and October 28 to tell you more about the United Way/Crusade of Mercy and the United Way of Suburban Chicago and to give you the opportunity to contribute through payroll deduction.

Please join me in pledging your Fair Share to the United Way/Crusade of Mercy and help those who need assistance now. You'll also be helping those who may need help in the future. One day even you or someone you love may need a United Way service and it will be there. THANKS TO YOU, IT WORKS.



W. L. Smith
President

First Monday / Third Monday
The Milwaukee Road
516 W. Jackson Blvd. Rm. 862
Chicago, IL 60606



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R. M. CLARK
5139 N. BAY RIDGE
WHITEFISH BAY

WI 53217