UNION PACIFIC RAILROAD 1400 Douglas Street, STOP 0710 Omaha, Nebraska 68169

P 402 544 3073

March 8, 2012

251-1 Engineering; Mechanical; IT; HR

Mr. Steve Hirshbein General Chairman TCU/IAM ARASA 4864 Raven Run Broomfield, CO 80023

Re:

2012 ASR Position Wage Increases

Dear Sir:

Effective April 1, 2012, rates of pay applicable to those all-services-rendered positions listed below represented by your organization will be increased by 2.75%. The increases will result in the following monthly wage rates:

ENGINEERING		4/1/20)12 rates
	Engineering A1	\$	6,611
	Engineering A2	\$	6,330
	Engineering B1	\$	6,189
	Engineering B2	\$	5,909
	Eng Sup 1 Mechanical Proviso	\$	6,744
TELECOM/IT			
38-913	TCA Serv Supr L1+5	\$	6,110
38-914	TCA Serv Supr L2-5	\$	5,835
38-911	Systems Coordinator	\$	6,540
38-912	Regional Proj. Supvr	\$	6,614
38-921	Telecom Cls B	\$	5,564
38-922	Telecom Cls C	\$	5,233
REGIONAL/OPERATIONS SUPERVISOR			
23-159	Spvsr Ops LVL 1	\$	6,361
23-160	Spvsr Ops LVL 2	\$	6,080
23-161	Proj Coord LVL 2	\$	5,519
23-162	Admin Sup	\$	5,958

MECHANICAL		
20-280	Systems Technician	\$ 4,291
20-281	Systems Associate	\$ 4,717
20-282	Systems Developer	\$ 5,479
20-283	Systems Engineer	\$ 6,012
20-284	Systems Coordinator	\$ 6,716
20-285	Mechanical Analyst	\$ 5,144
20-286	Mechanical Planner	\$ 6,396
20-287	Mech Sys Training Instructor III	\$ 4,930
20-288	Mech Sys Training Instructor II	\$ 5,250
20-289	Mech Sys Training Instructor I	\$ 5,570

Additionally, effective January 1, 2013, employees represented by the Organization will be eligible for a fifty percent (50%) match on the first six percent (6%) of their contributions to the Union Pacific Agreement Employee 401(k) Retirement Thrift Plan (up to a maximum Carrier contribution of 3%). Said contribution and match shall be done in accordance with the Carrier's current Plan Document, subject to any amendment of that Plan Document.

Finally, other changes in Health & Welfare benefits, Supplemental Sickness Benefits and Flexible Spending Accounts, as agreed in Section Six negotiations with the Organization, are also applicable to these employees. Said modifications are enclosed.

The affected employees will be notified of the rate increases during the month of March 2012. Please let me know of you have any questions.

Enclosure

CC: Rick Brown - ARASA

David Connell - Engineering

Bill Roe - Engineering

Roberta Johnson -- Engineering Mark Gallagher - Mechanical

Diana Anderson - Mechanical

Neal Spencer - Telecom

Damon Campbell - Mechanical Maintenance Kansas City

Jason Brink - NPS

Sharon Boone - Labor Relations

Brant Hanquist - Labor Relations

Toby Rees - Labor Relations

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 \$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 A 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 A 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 A 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 B 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 B 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) It is understood that the prescription drug management rules identified in Article III, Part A, Sections 2(c)(1) & (2) of this 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 B 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 B 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.

(g) 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 B 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 B 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 VI.

- (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 Carrier 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 Carrier may opt to not initiate, or to terminate the FSA as quickly as is allowed by law:
 - 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 Carrier 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.

SUPPLEMENTAL SICKNESS

The January 1, 2010 Supplemental Sickness Benefit Plan shall be further amended as provided in this Article.

Part A – Plan Benefit Adjustments

Section 1 - Adjustment of Plan Benefits

(a) The benefits provided under the Supplemental Sickness Benefit Plan established pursuant to the Sickness Agreement ("SSB Plan") shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on January 1, 2010 under the terms of that Agreement.

Section 2 - Further Adjustment of Plan Benefits

- (a) Effective July 1, 2012, the benefits provided under the Plan shall be adjusted so as to restore the same ratio of benefits to rates of pay as existed on the effective date of this Article.
 - (b) The benefit adjustment described in Section 2(a) above shall be made

effective on each of the following dates: July 1, 2013, July 1, 2014, and January 1, 2015.

(c) The benefit adjustment described in Section 2(a) above shall be made effective on the date of each general wage increase that becomes effective after January 1, 2015.

EXHIBIT A Clinical Support Services 1

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 – these services 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:

- Bariatric Resource Services ("BR Services") BR Services 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.

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

Exhibit B - Drugs for Coverage Authorization and Step Therapy Rules $\bar{\nu}$

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 ⁿ Novantrone Rebif 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 [®]

Therapeutic Drug Category	Druge
Cancer Therapy	Afinitor Avastin
	Dacogen Erbitux
	Gleevec [®] Halaven
	Herceptin® Istodax®
	Jevtana® Nexavar
	Sprycel Sutent Tarceva Tasigna
	Temodar Torisel
	Tykerb Vectibix
ļ	Tykerb Vectibix Vidaza Votrient
	Zolinza Zytiga
Cancer Therapy (Misc.)	Mozobil™
Cancer Therapy (Misc.)	Xgeva™
Misc	Arimidex Aromasin
Antineoplastic	Femara Alomasin
Agents	
Misc	Revlimid Thalomid
Antineoplastic	Revilling Indionity
Agents	
Antivirals	Copegus [©] Rebetol [®]
(Ribavirin	Ribatab [®]
Therapy)	Ribatab
HIV/AIDS Therapy	Selzentry
	•
RSV Agents	Synagis .
Parkinson's	
	Apokyn
Hormone Therapy	Acthor' Col Continuo
(Misc.)	Acthar Gel Sensipar [®]
Misc Agents	Soliris
Misc Neurological	
Therapy	Nuedexta Xenazine
Uarmana Thamas	9
Hormone Therapy (Misc.)	Zavesca [®]
• === = •	
Hormone Therapy	Vpriv [™] Cerezyme
(Misc.)	
Hormone Therapy	Same
(Misc.)	Samsca
Hormone Therapy	Kuvan Somavert
(Misc.)	
Non-Narcotic Pain	Euflexxa Hyalgan
Relief	Orthovisc Supartz
(Hyaluronic Acid	Synvisc
Derivatives)	
Lupus	Benlysta
Hepatitis C	Boceprevir, Telaprevir
Misc. Pulmonary	Berinert Cinryze ¹³
Agents	Kalbitor Xolair

Therapeutic Drug Category	Druge
Misc. Pulmonary Agents	Cayston TOBI
Misc. Pulmonary Agents	Pulmozyme
Pulmonary Arterial Hypertension	Flolan Letairis Remodulin Revatio
	Tracleer Ventavis Adcirca Tyvaso Veletri
Non Specialty/Tradi	tional Drugs
Hypnotics	Ambien Ambien CR Butisol chloral hydrate Dalmane Doral Edluar ^M Halcion Lunesta Nembutal 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
Anorexiants/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, Iosartan/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).