



**Employee
Pension
Guide**

Pension Plan for Salaried
Employees of Union Pacific
Corporation and Affiliates

OVERVIEW OF THE PLAN

The following provides a brief overview of the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the “Plan”). The remaining pages of the guide describe the features of the Plan in more detail. The overview and the guide generally describe the terms of the Plan in effect during 2012. It describes the provisions of the Plan as it applies to *covered employees* after 2011. You may wish to review this overview before you read the guide to understand some basics about the how the Plan works.

YOUR PLAN BENEFIT

The Plan, referred to as a defined benefit plan, is designed to provide you with monthly income for life beginning at retirement.

Your monthly benefit is determined by the Plan’s formula, which uses your *compensation, credited service, age at retirement, and your estimated Social Security or Railroad Retirement benefits*. The basic formula produces a “gross benefit” and subtracts an “offset amount” in the following way:

| |
|--|
| Gross Benefit 1.667% of your <i>final average compensation</i> times your <i>credited service</i> (up to 30 years) |
| Plus 1% of your <i>final average compensation</i> times your <i>credited service</i> above 30 (not to exceed 40 years) |
| Minus Offset Amount 1.5% of your estimated <i>Social Security or Railroad Retirement benefit</i> (whichever is applicable) times your <i>credited service</i> (up to 40 years) |

Let’s take a closer look at each of the important factors that make up the basic formula. Keep in mind that these terms are defined in more detail in Appendix A (Glossary of Terms) beginning on Page 31.

Final Average Compensation: This is your average monthly *compensation* over the 36-consecutive month period during the 120 months immediately preceding the end of your *covered employment* that produces the highest average. *Compensation* from *covered employment* includes base pay, overtime, and certain incentive and bonus payments.

Credited Service: This is your years and months of service as a *covered employee* in the Plan. It may also include certain periods of *agreement service* followed by *covered employment*. Service with an acquired company may also be counted toward *credited service*.

Offset Amount: This is a portion of your estimated *Social Security or Railroad Retirement benefit*, whichever is applicable. In general, you are eligible for *Railroad Retirement benefits* if you complete at least 120 months of railroad service (60 months if performed after 1995) at Union Pacific or elsewhere before leaving *Union Pacific employment*. The formula includes this offset amount to reflect that a portion of these federal benefits are paid for by Union Pacific. For details, see Appendix B (Your Social Security or Railroad Retirement Benefits) on Page 33.

Your age and *vesting service* when your *Union Pacific employment* ends determine whether you are eligible for an *early retirement, normal retirement, postponed retirement, or a vested benefit* as described below. The following also explains some additional basic features of the plan.

NORMAL RETIREMENT (SEE PAGE 3)

If your *Union Pacific employment* ends at age 65, you can retire with full benefits. Your benefit will be determined using the plan formula and your *final average compensation, credited service*, and offset amount at the time you leave.

EARLY RETIREMENT (SEE PAGE 4)

If your *Union Pacific employment* ends between ages 55 and 65 and you have at least ten years of *vesting service*, you can receive an *early retirement* benefit. This benefit will be determined in the same way as your *normal retirement* benefit with one difference: your benefit will be reduced if payments begin before age 65. This reduction reflects the fact that it will be paid over a longer period of time.

POSTPONED RETIREMENT (SEE PAGE 9)

If your *Union Pacific employment* ends after age 65, your benefit will be determined using the plan formula and your *final average compensation, credited service*, and offset amount at your actual retirement date.

VESTED BENEFITS (SEE PAGE 9)

If your *Union Pacific employment* ends before age 65 with at least five years of *vesting service* but you do not otherwise satisfy the requirements to receive an *early retirement* benefit, you can receive a *vested benefit* as early as age 55. This benefit will be determined in the same way as your *early retirement* benefit and will be reduced if you begin payments before age 65. However, the reductions will be greater than those applied if you were eligible for *early retirement*.

FORMS OF PAYMENT (SEE PAGE 15)

The normal form of benefit is payable as a monthly annuity for your lifetime. However, the plan lets you choose how to receive your benefits. You can choose a Joint and Survivor Option that continues a portion of your benefit to a designated beneficiary after your death or choose a 10-Year Certain and Continuous Option that provides for at least 10 years of payments. If you are eligible for *early retirement*, you can also choose a Level Income Option that increases your monthly pension benefit before your estimated *Social Security* or *Railroad Retirement benefits* are expected to begin and reduces your pension benefit after they are expected to begin. In some cases, your spouse must agree to the form of payment you elect.

SURVIVOR BENEFITS FOR YOUR SPOUSE (SEE PAGE 20)

In general, the Plan provides a survivor benefit for your spouse when you die if you have five years of *vesting service*. The survivor benefit will equal 50% of the benefit you have earned as long as certain conditions are met and will be reduced for early payment, if applicable.

AN ILLUSTRATION OF YOUR PLAN BENEFIT

Throughout this guide, you will find examples that show how your benefit is calculated. The chart below shows sample benefits payable to you and your surviving spouse based on different ages when *Union Pacific employment* ends and when benefits begin. For these sample benefits, we assume you have 20 years of *credited service*, your *final average compensation* is \$5,166.67 per month, and your estimated *Social Security* or *Railroad Retirement benefit* is \$1,875 per month at the time *Union Pacific employment* ends. It also assumes you are married with a spouse the same age as you and you elect a payment form that provides monthly benefits to you for life, with one-half that amount paid to your spouse after your death.

| Age When Your Union Pacific Employment Ends | Age When Benefits Begin | Monthly Benefit Payable Over Your Lifetime | Monthly Benefit Payable to Your Spouse After Your Death |
|--|------------------------------------|---|--|
| 65 | 65 | \$1,160.07 | \$580.04 |
| 55 | 55 | \$797.29 | \$398.65 |
| 55 | 65 | \$1,160.07 | \$580.04 |
| Before age 55 | 55 | \$462.68 | \$231.34 |
| Before age 55 | 65 | \$1069.92 | \$534.96 |

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INTRODUCING THE PENSION PLAN

Union Pacific sponsors the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates (the “Plan”) to provide you with an important source of income for your retirement years. Once benefits begin, they generally continue for the rest of your life. When combined with your *Social Security* or *Railroad Retirement benefits* and your personal savings, the Plan can help you enjoy a financially secure future.

This employee pension guide describes the Plan in effect on January 1, 2012. It describes the provisions of the Plan as it applies to *covered employees* after 2011. If you worked for an affiliated or acquired company, different provisions affecting your benefit may apply. These special provisions are described in Appendix C (Special Rules for Former Employees with Acquired Companies) on Page 34.

Throughout the guide, you will find certain important terms in *italics*. These terms are defined in Appendix A (Glossary of Terms) beginning on Page 31.

Please read this guide carefully and store it in a convenient place with your other benefits information. If you have questions this guide does not answer, contact the Benefits Department in writing at the following address:

Union Pacific Railroad Company
Benefits Department
1400 Douglas Street, Stop 0320
Omaha, NE 68179

ELIGIBILITY AND ENROLLMENT

WHO IS ELIGIBLE

You are eligible to participate in the Plan on your first day as a *covered employee*. Enrollment in the Plan is automatic. You do not need to complete an enrollment form.

A *covered employee* means any employee of the *Company*. (For a list of companies participating in the Plan, see Administrative Information on Page 26.) It does not include employees covered by an *agreement* unless the *agreement* specifically provides for coverage under the Plan. Other employees are not covered under the Plan as described in the definition of *covered employee* in Appendix A (Glossary of Terms) on Page 31.

WHO PAYS FOR THE PLAN

The Plan is funded entirely by contributions made by the *Company* as determined by the Plan actuary. These contributions are deposited into a trust fund, where they are held solely for the benefit of Plan participants and their beneficiaries. You cannot contribute any additional money to the Plan.

YOUR BENEFITS AT RETIREMENT

In general, the Plan provides monthly benefits for life after you retire. The amount of your benefit is determined by a formula that uses your *final average compensation* and your years of *credited service*. Because Union Pacific makes payments toward *Social Security* and *Railroad Retirement benefits* on your behalf, the Plan formula also takes into account these benefits.

In order to receive benefits, in general, you must terminate your *Union Pacific employment*. *Union Pacific employment* includes employment with Union Pacific Corporation or any of its affiliates or subsidiaries.

NORMAL RETIREMENT BENEFITS

You can retire with full benefits on the first day of the month after you reach age 65.

The following formula determines your monthly *normal retirement* benefit:

| |
|--|
| <p>Gross Benefit</p> <p>1.667% of your final average compensation times your <i>credited service</i> (up to 30 years)</p> <p>Plus</p> <p>1% of your <i>final average compensation times</i> your <i>credited service</i> above 30 (not to exceed 40 years)</p> <p>Minus</p> <p>Offset Amount</p> <p>1.5% of your estimated <i>Social Security</i> or <i>Railroad Retirement benefit</i> (whichever is applicable) times your <i>credited service</i> (up to 40 years)</p> |
|--|

To understand how the formula works, you will need to know the following terms.

- **Final average compensation** is your average monthly *compensation* over the 36-consecutive month period during the 120 months immediately preceding the end of your *covered employment* that produces the highest average. *Compensation* from *covered employment* includes base pay, overtime, and certain incentive and bonus payments.
- **Credited service** is your years and months of service as a *covered employee* in the Plan. It may also include certain periods of *agreement service* that are followed by *covered employment*. Service with an acquired company may also be counted toward *credited service*.
- **Offset amount** is a portion of your estimated *Social Security* or *Railroad Retirement benefit*, whichever is applicable. In general, you are eligible for *Railroad Retirement benefits* if you complete at least 120 months of railroad service (60 months if performed after 1995) at Union Pacific or elsewhere. The formula includes this offset amount to reflect that a portion of these federal benefits are paid for by Union Pacific. For details, see Appendix B (Your Social Security or Railroad Retirement Benefits) beginning on Page 33.

Additional Benefit Adjustments: If you participated in a pension plan with an affiliated or acquired company, your benefits may be adjusted for any benefits or service you earned under your prior plan. For details, see Appendix C (Special Rules for Former Employees of Acquired Companies) beginning on Page 34.

Some Examples of Your Normal Retirement Benefit:

Assume you retire at age 65, your *final average compensation* is \$5,000 per month (\$60,000 per year) and you have 32 years and 5 months of *credited service*. Let's also assume your estimated *Railroad Retirement benefit* is \$2,000 per month. Here's how your monthly *normal retirement benefit* is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = $.01667 \times \$5,000.00 \times 30$ \$2,500.50

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = $.01 \times \$5,000.00 \times 2.4167$ + 120.84
\$2,621.34

Minus

Offset Amount

1.5% of your estimated *Railroad Retirement benefit* **times** your *credited service* (up to 40) = $.015 \times \$2,000.00 \times 32.4167$ - 972.50

Monthly Normal Retirement Benefit = \$1,648.84

Assume you retire at age 65, your *final average compensation* is \$8,000 per month (\$96,000 per year) and you have 40 years of *credited service*. Let's assume you are not eligible for a *Railroad Retirement benefit* and your estimated *Social Security benefit* is \$1,600 per month. Here's how your monthly *normal retirement benefit* is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = $.01667 \times \$8,000.00 \times 30$ \$4,000.80

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = $.01 \times \$8,000.00 \times 10$ + 800.00
\$4,800.80

Minus

Offset Amount

1.5% of your estimated *Social Security benefit* **times** your *credited service* (up to 40) = $.015 \times \$1,600.00 \times 40$ - 960.00

Monthly Normal Retirement Benefit = \$3,840.80

EARLY RETIREMENT BENEFITS

You can receive an *early retirement benefit* if you are age 55, but less than age 65 and have 10 or more years of *vesting service* when you terminate your *Union Pacific employment*. Your *early retirement benefit* is calculated using the *normal retirement benefit* formula and your *final average compensation*, *credited service*, and estimated *Social Security* or *Railroad Retirement benefits* as of the date your *Union Pacific employment* ends.

In general, *vesting service* is determined based on all your service while a *Union Pacific employee*, whether or not the employment counts as *credited service*.

You can begin receiving your *early retirement* benefit immediately upon terminating employment or at any time after that date prior to attaining age 65. The amount of your benefit depends on when payments begin.

- ***If you terminate employment and defer payment of your benefit until age 65***, you will receive your full benefit.
- ***If you terminate employment and elect to start your benefit before reaching age 65***, your benefit will be reduced to reflect the fact that benefits will start earlier and should be payable over a longer period of time.

Gross Benefit Reduction: Your gross benefit will be reduced by 3% for each of the first five years and 5% for each of the next five years that payment begins before the first of the month following age 65 (see Table A).

Offset Amount Reduction: Your offset amount will be reduced by the factors listed in Table B. However, if you have earned 30 years of credited Railroad Retirement service when your *Union Pacific employment* ends, the factors listed in Table C will be used to reduce the offset amount.

| TABLE A – GROSS BENEFIT EARLY RETIREMENT FACTORS | | TABLE B – OFFSET AMOUNT EARLY RETIREMENT FACTORS | |
|---|--------------------------------------|---|--------------------------------------|
| <u>Age When Benefits Begin</u> | <u>Percent Adjustment</u> | <u>Age When Benefits Begin</u> | <u>Percent Adjustment</u> |
| 65 | 100% | 65 | 100% |
| 64 | 97% | 64 | 91% |
| 63 | 94% | 63 | 83% |
| 62 | 91% | 62 | 75% |
| 61 | 88% | 61 | 69% |
| 60 | 85% | 60 | 63% |
| 59 | 80% | 59 | 58% |
| 58 | 75% | 58 | 53% |
| 57 | 70% | 57 | 49% |
| 56 | 65% | 56 | 45% |
| 55 | 60% | 55 | 42% |

| TABLE C – OFFSET AMOUNT EARLY RETIREMENT FACTORS (With 30 or More Years of Railroad Retirement Service) | |
|--|--------------------------------------|
| <u>Age When Benefits Begin</u> | <u>Percent Adjustment</u> |
| 65 – 60 | 100% |
| 59 | 92% |
| 58 | 85% |
| 57 | 78% |
| 56 | 72% |
| 55 | 67% |

Note: The *early retirement* factors listed in Tables A, B, and C will be prorated on a monthly basis to reflect your age when benefits start in years and months.

Some Examples of Your Early Retirement Benefit:

Assume you retire early at age 55 with 30 years of *credited service* (and more than 30 years of Railroad Retirement service) and elect to receive payment of your benefit immediately. Let's also assume your *final average compensation* is \$7,500 per month (\$90,000 per year) and your estimated *Railroad Retirement benefit* is \$2,400 per month. Because you retire and begin receiving your benefit at age 55, the *early retirement* factor for your gross benefit from Table A is .60. The *early retirement* factor for your offset amount from Table C is .67. Here's how your monthly *early retirement* benefit is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = $.01667 \times \$7,500.00 \times 30$ \$3,750.75

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = $.01 \times \$7,500.00 \times 0$ + 0.00
\$3,750.75

Times the early retirement factor (.60) x .60
\$2,250.45

Minus

Offset Amount

1.5% of your estimated *Railroad Retirement benefit* **times** your *credited service* (up to 40) = $.015 \times \$2,400.00 \times 30$ - 1,080.00

Times the early retirement factor (.67) x .67
\$ 723.60

Monthly Early Retirement Benefit = **\$1,526.85**

If instead of beginning your payments at age 55 you elect to defer payment until age 65, you would receive your full monthly benefit of \$2,670.75.

Assume you retire early at age 62 with 29 years of *credited service* (and less than 30 years of Railroad Retirement service) and elect to receive payment of your benefit immediately. Let's also assume your *final average compensation* is \$8,000 per month (\$96,000 per year) and your estimated *Railroad Retirement benefit* is \$2,000 per month. Because you retire and begin receiving your benefit at age 62, the *early retirement* factor for your gross benefit from Table A is .91. The *early retirement* factor for your offset amount from Table B is .75. Here's how your monthly *early retirement* benefit is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = .01667 x \$8,000.00 x 29 \$3,867.44

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = .01 x \$8,000.00 x 0 + 0.00
\$3,867.44

Times the early retirement factor (.91) x .91
\$3,519.37

Minus

Offset Amount

1.5% of your estimated *Railroad Retirement benefit* **times** your *credited service* (up to 40) = .015 x \$2,000.00 x 29 - 870.00

Times the early retirement factor (.75) x .75
\$ 652.50

Monthly Early Retirement Benefit = \$2,866.87

If instead of beginning your payments at age 62 you elect to defer payment until age 65, you would receive your full monthly benefit of \$2,997.44.

Assume you retire early at age 55 with 20 years of *credited service* and elect to receive payment of your benefit immediately. Your *final average compensation* is \$7,100 per month (\$85,200 per year). Let's also assume you are not eligible for a *Railroad Retirement benefit* and your estimated *Social Security benefit* is \$1,400 per month. Because you retire and begin receiving your benefit at age 55, the *early retirement* factor for your gross benefit from Table A is .60. The *early retirement* factor for your offset amount from Table B is .42. Here's how your monthly *early retirement* benefit is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = $.01667 \times \$7,100.00 \times 20$ \$2,367.14

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = $.01 \times \$7,100.00 \times 0$ + 0.00
\$2,367.14

Times the early retirement factor (.60) x .60
\$1,420.28

Minus

Offset Amount

1.5% of your estimated *Social Security benefit* **times** your *credited service* (up to 40) = $.015 \times \$1,400.00 \times 20$ - 420.00

Times the early retirement factor (.42) x .42
\$ 176.40

Monthly Early Retirement Benefit = **\$1,243.88**

If instead of beginning your payments at age 55 you elect to defer payment until age 65, you would receive your full monthly benefit of \$1,947.14.

POSTPONED RETIREMENT BENEFITS

If you continue to work as a *Union Pacific employee* past age 65, you can receive a *postponed retirement* benefit. The amount of your *postponed retirement* benefit will be determined using the *normal retirement* benefit formula and your *final average compensation, credited service, and Social Security or Railroad Retirement benefits* as of the date your *Union Pacific employment* ends.

You will receive your *postponed retirement* benefit beginning on the first day of the month after you retire. However, you must begin receiving benefits on April 1 following the year in which you reach age 70½ even if you are still working. Your pension generally will not increase if you remain employed after it has begun. This is because any additional benefits you may earn are offset by the value of the payments you are receiving.

VESTED BENEFITS

The term “vesting” refers to your right to benefits when you terminate your *Union Pacific employment* before you are eligible for *early or normal retirement*. You become vested in your benefit after five years of *vesting service*.

Your *vested benefit* is calculated using the *normal retirement* benefit formula and your *final average compensation, credited service, and estimated Social Security or Railroad Retirement benefits* through the date your *Union Pacific employment* ends.

You can begin receiving your *vested benefit* when you reach age 55 or at any time after that date, but no later than age 65. The amount of your benefit depends on when payments begin.

- ***If you defer payment of your benefit until age 65, you will receive your full benefit.***
- ***If you elect to start your benefit before reaching age 65, your gross benefit and offset amount will be reduced by the factors listed in Table D.***

Note: The *vested benefit* factors listed in Table D will be prorated on a monthly basis to reflect your age when benefits start in years and months.

| TABLE D – VESTED BENEFIT FACTORS | |
|---|--------------------------------------|
| <u>Age When Benefits Begin</u> | <u>Percent Adjustment</u> |
| 65 | 100% |
| 64 | 91% |
| 63 | 83% |
| 62 | 75% |
| 61 | 69% |
| 60 | 63% |
| 59 | 58% |
| 58 | 53% |
| 57 | 49% |
| 56 | 45% |
| 55 | 42% |

Some Examples of Your Vested Benefit:

Assume your *Union Pacific employment* ends at age 45, you have 20 years of *credited service* and elect to receive payment of your benefit beginning at age 55. Let's also assume your *final average compensation* is \$3,200 per month (\$38,400 per year) and your estimated *Railroad Retirement benefit* is \$825 per month. Because you terminated employment before becoming eligible for *early retirement* and you begin receiving your benefit at age 55, your *vested benefit factor* from Table D is .42. Here's how your monthly *vested benefit* is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = .01667 x \$3,200.00 x 20 \$1,066.88

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = .01 x \$3,200.00 x 0 + 0.00
\$1,066.88

Times the *vested benefit factor* (.42) x .42
\$ 448.09

Minus

Offset Amount

1.5% of your estimated *Railroad Retirement benefit* **times** your *credited service* (up to 40) = .015 x \$825.00 x 20 - 247.50

Times the *vested benefit factor* (.42) x .42
\$ 103.95

Monthly Vested Benefit = **\$ 344.14**

If instead of beginning your payments at age 55 you elect to defer payment until age 65, you would receive your full monthly benefit of \$819.38 without reduction.

This example assumes you are not married or you and your spouse waive all spousal survivor benefits. If you are married and your spouse does not waive all spousal survivor benefits, your benefit will be reduced to provide the normal form of payment for *vested benefits* (50% Joint and Survivor Annuity). See "Forms of Payment for Vested Benefits" (Page 18) for more details.

Assume your *Union Pacific* employment ends at age 57, you have 7 years of *credited* and *vesting service*, and you elect to receive payment of your benefit beginning at age 57. Your *final average compensation* is \$4,100 per month (\$49,200 per year). Let's also assume you are not eligible for a *Railroad Retirement benefit* and your estimated *Social Security benefit* is \$1,250 per month. Because you terminated employment before becoming eligible for *early retirement* and you begin receiving your benefit at age 57, your *vested benefit factor* from Table D is .49. Here's how your monthly *vested benefit* is determined:

Gross Benefit

1.667% of your *final average compensation* **times** your *credited service* (up to 30) = .01667 x \$4,100.00 x 7 \$ 478.43

Plus 1% of your *final average compensation* **times** your *credited service* above 30 (not to exceed 40) = .01 x \$4,100.00 x 0 + 0.00
\$ 478.43

Times the vested benefit factor (.49) x .49
\$ 234.43

Minus

Offset Amount

1.5% of your estimated *Social Security benefit* **times** your *credited service* (up to 40) = .015 x \$1,250.00 x 7 - 131.25

Times the vested benefit factor (.49) x .49
\$ 64.31

Monthly Vested Benefit = **\$ 170.12**

If instead of beginning your payments at age 57 you elect to defer payment until age 65, you would receive your full monthly benefit of \$347.18.

This example assumes you are not married or you and your spouse waive all spousal survivor benefits. If you are married and your spouse does not waive all spousal survivor benefits, your benefit will be reduced to provide the normal form of payment for *vested benefits* (50% Joint and Survivor Annuity). See "Forms of Payment for Vested Benefits" (Page 18) for more details.

IF YOU HAVE AGREEMENT EMPLOYMENT

If any of your employment is covered by an *agreement* and does not include such service while an employee of Alton & Southern Railway Company, or Houston Belt & Terminal Railway Company or any company acquired by the *Company*, the Plan determines your *vesting* and *credited service* as follows:

- All *agreement service* as a *Union Pacific* employee will count as *vesting service*.
- A portion of your *agreement service* with the *Company* may count as *credited service* as long as your *agreement service* is followed by covered employment without an interruption in your *Union Pacific employment*. The eligible portion will equal one-sixtieth (1/60) for each month of *credited service* following the *agreement employment* up to a maximum of 1.0.

Some Examples:

Assume you complete 36 months of service as a *covered employee* after completing 120 months as an *agreement employee*. Here's how the plan counts your service.

| YOUR EMPLOYMENT HISTORY | | YOUR SERVICE UNDER THE PLAN | | |
|-------------------------|------------|-----------------------------|--|----------------------------|
| Type | Months | Months of Vesting Service | Agreement Credited Service Calculation | Months of Credited Service |
| Agreement Employment | 120 | 120 | $120 \times 36/60 =$ | 72 |
| Covered Employment | <u>36</u> | <u>36</u> | | <u>36</u> |
| Totals | 156 | 156 | | 108 |

Let's look at the same example above, except you work another 24 months as an *agreement employee* after your 36 months as a *covered employee*.

| YOUR EMPLOYMENT HISTORY | | YOUR SERVICE UNDER THE PLAN | | |
|-------------------------|------------|-----------------------------|--|----------------------------|
| Type | Months | Months of Vesting Service | Agreement Credited Service Calculation | Months of Credited Service |
| Agreement Employment | 120 | 120 | $120 \times 36/60 =$ | 72 |
| Covered Employment | 36 | 36 | | 36 |
| Agreement Employment | <u>24</u> | <u>24</u> | $24 \times 0/60 =$ | <u>0</u> |
| Totals | 180 | 180 | | 108 |

Finally, using the same example, let's assume you work another 15 months as a *covered employee* after your 24 months of *agreement service*.

| YOUR EMPLOYMENT HISTORY | | YOUR SERVICE UNDER THE PLAN | | |
|-------------------------|------------|-----------------------------|--|----------------------------|
| Type | Months | Months of Vesting Service | Agreement Credited Service Calculation | Months of Credited Service |
| Agreement Employment | 120 | 120 | $120 \times (36+15)/60 =$ | 102 |
| Covered Employment | 36 | 36 | | 36 |
| Agreement Employment | 24 | 24 | $24 \times 15/60 =$ | 6 |
| Covered Employment | <u>15</u> | <u>15</u> | | <u>15</u> |
| Totals | 195 | 195 | | 159 |

Note: Different rules applied before January 1, 1999. The new rules apply only to *agreement service* not yet recognized and to employees who are *covered employees* after 1998 or to employees who were not *covered employees* after 1998 whose benefits start on or after January 1, 2005. In general, before 1999, the Plan counted prior *agreement service* for all purposes only after 60 months of continuous *covered employment*.

Compensation earned under *agreement employment* will not be used in determining your gross benefit. However, it will be used to determine estimated *Social Security* or *Railroad Retirement benefits* (to calculate the offset amount) when applicable. In this case, your estimated *Social Security* or *Railroad Retirement benefit* will continue to grow and increase your offset amount.

Please note that if you had prior service with an acquired company, special rules may apply. For details, see Appendix C (Special Rules for Former Employees with Acquired Companies) beginning on Page 34.

IF YOU BECOME DISABLED

If you become *disabled*, you will continue to earn years of *vesting service* and *credited service* (not to exceed 40 years) until the earliest of the date:

- Your disability ends or you die,
- You are no longer receiving disability benefits under the *Company's* long term disability plan, or
- You begin receiving your retirement benefits (other than mandatory payments beginning at age 70½).

Your *compensation* will be determined as if your base rate of pay continued while you are *disabled*.

IF YOU HAVE A BREAK IN SERVICE

An interruption in your *Union Pacific employment* can affect your benefit. In general, you will not receive *vesting* or *credited service* during an interruption in service unless you are on an approved leave of absence and return to *Union Pacific employment* following the leave. In this case, your period of approved leave will count toward both *vesting* and *credited service*.

If you have an interruption in service which is not an approved leave of absence or is not followed by a return to *Union Pacific employment*, you will not earn any *vesting* or *credited service* during your absence. In addition, you will incur a one-year break in service if you do not earn at least 501 hours during a calendar year (or other 12-month period applicable before 1999). You will automatically become a participant again when you are rehired as a *covered employee*. Depending on the length of your interruption, your *vesting* and *credited service* completed before you left will be restored as follows:

- If you leave *Union Pacific employment* before you are eligible for a *vested benefit* and you are rehired before the greater of five consecutive one-year breaks in service or the years of *vesting service* earned prior to the break in service, service earned before you left will be restored when you return.
- If you leave *Union Pacific employment* before you are eligible for a *vested benefit* and you are rehired after the greater of five consecutive one-year breaks in service or the years of *vesting service* earned prior to the break in service, you will forfeit all service earned before you left.
- If you leave *Union Pacific employment* after you are eligible for a *vested benefit* and are rehired at a later date, service earned before you left will be restored regardless of the length of your absence.
- If you received a lump sum distribution of your benefit when you left, depending on when the distribution occurred, you may forfeit *credited service* earned before you left or your benefit may be adjusted to reflect the distribution.

For purposes of avoiding a one-year break in service, you will be credited for up to 501 hours for the following types of interruptions in service:

- Your pregnancy,
- The birth of your child,
- Placement in connection with the adoption of a child, or
- The need to care for your child during a period immediately following the child's birth or placement.

For a leave taken under the Family and Medical Leave Act, you will be credited for up to 501 hours or, if greater, the actual number of hours you would have been scheduled to work if you had not taken a leave. A leave taken for reason of military service will not result in a break in service if the service is of the type protected by Federal law.

If your interruption in service began before 1989 or your interruption began while employed at an acquired company, different rules may apply. Please contact the Benefits Department for information regarding the effect of this break in service.

CONTINUED EMPLOYMENT

No benefit is payable to you before the earlier of when your *Union Pacific employment* ends or you reach your required beginning date, which is April 1st of the calendar year following the calendar year in which you attain age 70-1/2. Once you become eligible for *normal retirement*, your benefit will be adjusted by the *actuarial equivalence* of any monthly benefit payment not received by you for any month during your ongoing *Union Pacific employment* in which you are credited with less than 40 hours of service.

RE-EMPLOYMENT

If you are not receiving benefits from the Plan, and are subsequently rehired as a *Union Pacific employee*, your ability to start receiving a benefit from the Plan is determined under the same rules that apply to a *Union Pacific employee*, based upon your periods of *Union Pacific employment*.

If you are receiving benefits from the Plan, and are subsequently rehired as a *Union Pacific employee*, your benefit payments will continue. Your ability to start receiving any benefit payments related to your subsequent *Union Pacific employment* is determined under the same rules that apply to a *Union Pacific employee*.

- ***The amount of this benefit based on your subsequent period of Union Pacific employment prior to the date you are eligible for normal retirement*** is equal to what your benefit would have been as of the date you are eligible for *normal retirement* had you not started receiving benefits from the Plan, reduced by the sum of your benefit resulting from your prior period of *Union Pacific employment* and the *actuarial equivalence* of the benefit payments you received through the earlier of when you elect to receive benefit payments relating to your subsequent period of *Union Pacific employment* or the date you are eligible for *normal retirement*.
- ***The amount of this benefit based on your subsequent period of Union Pacific employment on and after the date you are eligible for normal retirement and before your required beginning date*** is equal to the benefit determined as of the date you were eligible for *normal retirement*, which is adjusted by the *actuarial equivalence* of any monthly benefit payment not received by you for any month during your ongoing *Union Pacific employment* in which you are credited with less than 40 hours of service.
- ***The amount of this benefit based on your period of Union Pacific employment on and after your required beginning date*** is normally not any greater than the benefit as of your required beginning date because any additional benefits you may earn are offset by the value of the payments you are receiving.

YOUR PAYMENT OPTIONS

You have several options regarding how your benefit will be paid. Note that different payment options apply for vested benefits.

What Is an Annuity? An annuity is a benefit that is paid to you in installments each month over your lifetime -- or the lives of you and your beneficiary. The size of your annuity payment is determined by a number of factors, including the value of your retirement benefit, your age, and the age of your beneficiary (if you elect an option that continues after your death). The Benefits Department will provide you with estimates of your monthly payments under each option when you are ready to retire.

FORMS OF PAYMENT FOR EARLY, NORMAL, OR POSTPONED RETIREMENT

Normal Form: If you retire after becoming eligible for *early, normal, or postponed retirement*, your benefit is normally paid as a single life annuity. This form of payment provides monthly benefits to you for life. When you die, all monthly payments stop.

Automatic Survivor Benefit: If you are married when benefits begin and die after that date, your surviving spouse will receive a monthly survivor benefit. The amount of the monthly survivor benefit will equal 50% of your single life annuity benefit. The benefit will be paid to your surviving spouse for his or her lifetime, beginning on the first of the month following your death. Please note that only your spouse at the time payments begin will be eligible for the Automatic Survivor Benefit when you die.

Optional Forms: You can waive the normal form of payment and receive your benefit in one of the following optional forms. The Actuarial Equivalence of the optional form you receive will be determined with reference to the normal form of payment. Keep in mind that if you waive the normal payment form, your surviving spouse will continue to be eligible for the Automatic Survivor Benefit described above.

- **25%, 50%, 75%, or 100% Joint and Survivor Annuity.** The joint and survivor annuity pays adjusted monthly payments to you for life. When you die, a percentage of the monthly payments (25%, 50%, 75%, or 100%) that you elect will continue to your designated beneficiary for life (subject to certain government limits if your beneficiary is not your spouse). The amount of your benefit will be adjusted based on the percentage you elect and your age and your beneficiary's age on the date benefit payments are scheduled to begin. If electing a joint and survivor annuity, your beneficiary must be an individual.
- **10-Year Certain and Continuous Option.** This option pays a reduced monthly benefit to you for life, with guaranteed payments for a period of 120 months. If you die within the guaranteed period, your designated beneficiary will receive your monthly benefits for the balance of the period or in a single sum payment, if your designated beneficiary is not an individual. If you receive monthly benefits for the full guaranteed period during your lifetime, no benefits will be paid after you die.
- **Level Income Option.** If you start your benefits before age 65, you can choose the level income option. This option is designed to provide approximately level monthly payments throughout your lifetime (both before and after you expect to receive *Social Security or Railroad Retirement benefits*). You receive higher plan payments before you expect *Social Security or Railroad Retirement benefits* to begin and lower plan payments after that date. You can choose from the following leveling ages at which you expect to receive *Social Security or Railroad Retirement benefits*.
 - ◆ **Age 60**, if you earned a *Railroad Retirement benefit* and have more than 30 years of eligible Railroad Retirement service,
 - ◆ **Age 62**, if you earned a *Social Security or Railroad Retirement benefit*, or
 - ◆ **Age 65**, if you earned a *Social Security or Railroad Retirement benefit*.

Note that the leveling occurs at the date you elect, not the date you actually start receiving *Social Security* or *Railroad Retirement benefits*. Also, special rules apply to how your estimated *Social Security* or *Railroad Retirement benefit* is calculated for purposes of the adjustments. For details, see Appendix B (Your Social Security or Railroad Retirement Benefits) beginning on Page 33.

Under this option, benefits are payable for your lifetime only; after you die, no further payments will be made. However, if you are married and are eligible for *early, normal, or postponed retirement*, your spouse is eligible to receive the monthly Automatic Survivor Benefit.

Other Important Rules: If you elect an optional form of payment for your *early, normal, or postponed retirement benefit*, the following rules apply:

- If you are married, you may elect someone other than your spouse as your designated beneficiary for any of the optional payment forms without the consent of your spouse.
- You may revoke your election at any time before your benefit payments begin; you cannot change your election after payments begin.
- After benefit payments begin, you may change your designated beneficiary under the 10-Year Certain and Continuous Option; you cannot change your beneficiary under the Joint and Survivor Annuity options.
- If you are married and elect a Joint and Survivor Annuity or the 10-Year Certain and Continuous Option with your spouse as the beneficiary, after your death, your spouse will receive:
 - ◆ the continued benefit based on your option, plus
 - ◆ the Automatic Survivor Benefit.
- If you elect an optional form of payment, your monthly benefit will be different than the benefit available under the normal form of payment.
- If you elect the Level Income Option, you may provide your actual Social Security or Railroad Retirement benefit estimate for purposes of calculating your payment amount.
- The Benefits Department will send you information about your payment options and estimated amounts at your request, but no more than once a year. Regardless of the payment method you choose, you must submit a written request for benefits to the Benefits Department in advance, but not more than 90 days before your payments are scheduled to begin.

An Example of the Joint and Survivor Annuity

Assume you retire at age 65 with a monthly single life retirement benefit of \$1,500. Your spouse's age is 59. You elect to receive your benefit under the 75% Joint and Survivor Annuity and name your spouse as beneficiary. Here's how your monthly retirement benefit is reduced to provide benefits in this form:

| |
|---|
| <p>75% Joint and Survivor Annuity Adjustment Factor Adjustment Factor (spouse is 6 years younger) = .8509</p> <p>Monthly Benefit Payable During your Lifetime \$1,500.00 x .8509 (Adjustment Factor) = \$1,276.35</p> <p>Monthly Benefit Payable to your Surviving Spouse after your Death \$1,276.35 x 75% = \$957.26. In addition, your spouse will receive the Automatic Survivor Benefit of \$750.00 (\$1,500.00 x 50%) for total benefits of \$1,707.26 each month.</p> |
|---|

Note: If your spouse dies before you, no benefit is payable after your death.

An Example of the 10-Year Certain and Continuous Option

Assume you retire at age 60 with a monthly retirement benefit of \$1,100 (payable as a single life annuity). Your beneficiary is age 63. You elect to receive your benefit under the 10-Year Certain and Continuous Option. Here's how your monthly retirement benefit is reduced to provide benefits in this form:

Monthly Benefit Payable During your Lifetime

$\$1,100.00 \times .9765$ (Adjustment Factor) = \$1,074.15

Monthly Benefit Payable to your Surviving Beneficiary after your Death (only during 120-month guaranteed period)

$\$1,074.15 \times 100\%$ = \$1,074.15

In addition, if you are married when payments begin, your surviving spouse would be entitled to receive the Automatic Survivor Benefit of \$550 ($\$1,100.00 \times 50\%$) per month when you die.

An Example of the Level Income Option

Assume you retire with a reduced monthly retirement benefit (payable as a single life annuity) of \$1,000 beginning at age 55. You elect to receive your benefit under the level income annuity. For purposes of determining your payment, your age 62 estimated monthly *Railroad Retirement benefit* is \$750 beginning at age 62. Here's how your monthly retirement benefit is adjusted to provide benefits in this form if you elected the leveling to occur at age 62:

| | |
|--|-------------------|
| Your plan benefit is actuarially increased before the age you expect to receive <i>Railroad Retirement benefits</i> . | |
| <u>Benefits from Age 55 to 61</u> | |
| Monthly plan benefit (actuarially adjusted) | \$1,425.54 |
| Monthly estimated <i>Railroad Retirement benefit</i> | <u>0.00</u> |
| Total Monthly Benefits | \$1,425.54 |
| Beginning at age 62 (your elected leveling age), your plan benefit decreases. The reduction reflects the fact that larger benefits were provided before age 62. | |
| <u>Benefits beginning at Age 62</u> | |
| Monthly plan benefit (actuarially adjusted) | \$ 675.54* |
| Monthly estimated <i>Railroad Retirement benefit</i> | <u>750.00</u> |
| Total Monthly Benefits | \$1,425.54 |
| * In some cases, you will receive no benefits from the Plan after the age at which your <i>Social Security</i> or <i>Railroad Retirement benefits</i> are expected to begin. | |

In addition, if you are married when payments begin, your surviving spouse would be entitled to receive the Automatic Survivor Benefit of \$500 (\$1,000.00 x 50%) per month when you die.

Note: The leveling amount is determined at the time you start receiving your pension payments and will not change, even if your actual *Social Security* or *Railroad Retirement benefit* is different than estimated, or these governmental benefits start at a time that is different than expected (for example, if you are working elsewhere).

FORMS OF PAYMENT FOR VESTED BENEFITS

Normal Form: If you leave *Union Pacific employment* before you are eligible for *early* or *normal retirement*, but after five years of *vesting service*, you will receive a *vested benefit*. The normal form of payment for your *vested benefit* depends on your marital status, as follows:

- ***If you are not married*** on the date payments begin, your benefit is normally paid as a single life annuity. This form of payment provides monthly benefits to you for life. When you die, all monthly payments stop.
- ***If you are married*** on the date payments begin, your benefit is paid as a 50% Joint and Survivor Annuity. This form of payment provides reduced monthly payments to you for life. When you die, 50% of your monthly payments will continue to your spouse for life. The amount your benefit will be adjusted depends on your age and your spouse's age on the date benefits begin (see the table entitled Payment Factors for the Joint and Survivor Options on Page 15). Please note that only your spouse at the time payments begin will receive this benefit unless that spouse waives the benefit.

Optional Forms: If you wish, you can waive the normal form and receive your *vested benefit* in one of the following optional forms:

- Single Life Annuity,
- 25%, 50%, 75% or 100% Joint and Survivor Annuity Option, or
- 10-Year Certain and Continuous Option.

These payment forms are described beginning on Page 15.

Other Important Rules: If you elect an optional form of payment for your *vested benefit*, the following rules apply:

- If you are married, your spouse is automatically your beneficiary unless your spouse provides written, notarized consent to your naming someone else. If you are not married, you can name anyone as your beneficiary.
- If you are married and wish to elect the Single Life Annuity, the 25% Joint and Survivor Annuity, or the 10-Year Certain and Continuous Option, you must have your spouse's written, notarized consent.
- You may revoke your election at any time before your benefit payments begin; you cannot change your election after payments begin.
- After benefit payments begin, you may change your designated beneficiary under the 10-Year Certain and Continuous option if your spouse consents; you cannot change your beneficiary under the Joint and Survivor Annuity Options.
- You are not eligible for the Automatic Survivor Benefit.
- You may not elect the Level Income Option described on Page 15.
- If you elect an optional form of payment, your monthly benefit will be different than the benefit available under the normal form of payment.
- The Benefits Department will send you information about your payment options and estimated amounts at your request, but not more than once per year. Regardless of the payment method you choose, you must submit a written request for benefits to the Benefits Department in advance, but not more than 90 days before your payments are scheduled to begin.

An Example of the Joint and Survivor Annuity-Vested Benefit

Assume your employment ends at age 60 with 8 years of *vesting service* (which means you are not eligible for *early retirement* since you don't have 10 years of *vesting service*). You elect to begin receiving your benefit at age 65 based on a monthly single life amount of \$500. Assume your spouse is age 72 when you reach age 65. Also, assume you elect payment under the 75% Joint and Survivor Annuity Option and name your spouse as beneficiary. Here's how your monthly retirement benefit is reduced to provide benefits in this form:

| |
|---|
| <p>75% Joint and Survivor Annuity Adjustment Factor Adjustment Factor = .9280</p> <p>Monthly Benefit Payable During your Lifetime \$500.00 x .9280 (Adjustment Factor) = \$464.00</p> <p>Monthly Benefit Payable to your Surviving Spouse after your Death \$464.00 x 75% = \$348.00</p> |
|---|

PRE-RETIREMENT SURVIVOR BENEFITS

If you die before retirement benefits begin, have five years of *vesting service*, and are married for at least one year when you die, your spouse will receive a survivor benefit from the Plan. Your spouse is eligible for this benefit even if you are no longer in *Union Pacific employment* when you die as long as you were vested in your benefit when you left.

The survivor benefit is based on your and your spouse's age and the benefit you earned at the time of your death as the following paragraphs explain. If you die before five years of *vesting service*, your spouse will not be eligible for this survivor benefit.

SURVIVOR BENEFIT FOR ACTIVE EMPLOYEES

If you die while in active *Union Pacific employment* (or while *disabled*) and after five years of *vesting service*, the amount of your spouse's survivor benefit is 50% of the benefit you would have received if you had:

- terminated employment on the date of your death,
- survived to age 55,
- started your benefit on that date (or the date of your death if later), and
- elected to receive your benefit as a single life annuity.

This benefit will be reduced for early payment as described under *Early Retirement Benefits*, if applicable. Your spouse may begin receiving the survivor benefit when you would have reached age 55. Benefits will continue for the lifetime of your spouse.

SURVIVOR BENEFIT FOR TERMINATED EMPLOYEES

If you die after you leave *Union Pacific employment* with at least five years of *vesting service*, your spouse's survivor benefit will be determined as follows.

- ***If you are not eligible for early or normal retirement when you terminate employment***, the amount of your spouse's survivor benefit is 50% of the benefit you would have received based on your *compensation* and service at termination if you had:
 - ◆ survived to age 55,
 - ◆ started your benefit on that date (or the date of your death if later), and
 - ◆ elected the reduced normal form of payment for vested benefits for a married participant (50% Joint and Survivor Annuity).

This benefit will be reduced for early payment as described under *Vested Benefits* on Page 9, if applicable. Your spouse may receive the survivor benefit as early as the date you would have reached age 55 (or immediately if you were 55 or older). Benefits will continue for the lifetime of your spouse.

- ***If you are eligible for early or normal retirement when you terminate employment***, the amount of your spouse's survivor benefit is 50% of the benefit you would have received based on your *compensation* and service at termination if you had:
 - ◆ started your benefit on the date of your death and
 - ◆ elected to receive your benefit as a single life annuity.

This benefit will be reduced for early payment as described under Early Retirement Benefits on Page 4, if applicable. Your spouse may begin receiving the survivor benefit on the first day of the month on or after your death. Benefits will continue for the lifetime of your spouse.

In each case, your spouse may elect to defer payment until the date you would have reached age 65. Any applicable early retirement reduction would be adjusted based on the payment date your spouse elects. If your spouse defers payment until you would have been age 65, no early payment reductions will apply.

USING THE PLAN

HOW TO APPLY FOR BENEFITS

In general, you must apply to receive benefits from the Plan. To apply, you or your beneficiary must submit a written request for benefits to the Benefits Department.

If Your Claim Is Denied: If you apply for benefits and your claim is denied in whole or in part, you will be notified in writing by the Named Fiduciary -- Plan Administration. Notice must be sent within a reasonable period of time, but not later than 90 days of the date the Administrator receives your application. If special circumstances require a delay, you will be notified of the extension during the 90 days following the receipt of your request. The notification will include the reason for the denial, a description of any additional information needed to process your claim, and an explanation of the claim review procedure.

If you disagree with the decision, you have the right to appeal. To do so, you, your beneficiary, or your legal representative must submit a written request to the Named Fiduciary -- Plan Administration within 60 days of receiving the notice of denial. You should include with your request the reasons why you feel the claim should not have been denied. If possible, you should also include any documents or records that support your appeal. You, your beneficiary, or your legal representative will have the right to review all pertinent Plan documents.

You will receive a written decision on your appeal within a reasonable period of time, but not later than 60 days of the date the Named Fiduciary -- Plan Administration receives your request. If special circumstances require a delay, you will be notified of the extension during the 60 days following the receipt of your request.

If your claim for benefits is denied, you have certain rights under the law. For more information, see "Your Rights under ERISA" on Page 28.

HOW TAXES AFFECT YOUR BENEFITS

Under current law, your retirement benefit is not taxable while it remains in the Plan. When you or your beneficiary receive a distribution from the Plan, you are responsible for paying applicable income taxes.

You may elect whether or not to have taxes withheld. If you do not return your election form, federal income tax will be withheld automatically. If you elect not to have withholding apply, or even if you do elect withholding, you may still owe taxes on the payments. You are responsible for payment of any taxes associated with the payments.

OTHER IMPORTANT INFORMATION

Following is important information about the Plan, certain federal laws, and your rights under the Plan. Please read through this section carefully, paying particular attention to how the Plan is governed by federal law.

SOCIAL SECURITY AND RAILROAD RETIREMENT BENEFITS

Throughout your working career, both you and Union Pacific contribute toward your *Social Security* or *Railroad Retirement benefits* through payroll taxes. These benefits are in addition to your Plan benefits and provide you with an important source of retirement income.

You will not receive these federal benefits automatically. You must apply for them. For more information about your *Social Security benefits* and how to apply for them, contact your local Social Security office or, if you have access to the Internet, you can visit their website at <http://www.ssa.gov>. The national toll-free number for Social Security is 1-800-772-1213. For information about your *Railroad Retirement benefits*, you should contact the nearest Railroad Retirement Board field office or, if you have access to the Internet, you can visit their website at <http://www.rrb.gov>. The national toll-free number for the railroad Retirement Board is 1-877-772-5772.

INTERNAL REVENUE SERVICE LIMITS

Federal law limits the amount that can be considered *compensation* for Plan purposes each year. The IRS may adjust this *compensation* limit each year to reflect changes in the cost of living.

The IRS also sets certain limitations on the amount that employees can receive from the Plan. The IRS may adjust this limit from time to time to reflect changes in the cost of living. The *Company* will notify you if you are affected by this limit.

TOP HEAVY RULES

Under current tax law, if the Plan provides more than 60% of its benefits to “key” employees, the Plan is considered “top heavy.” Both “top heavy” and “key” employees are terms defined under the Internal Revenue Code.

At present, the Plan is not top heavy. In the unlikely event that it becomes top heavy, you will be notified, your benefits may be adjusted, and your vesting may be accelerated to keep the Plan qualified under IRS regulations. The top heavy vesting schedule requires that you become 40% vested in your benefit after three years of *vesting service*, 60% vested after four years of *vesting service*, and 100% vested after five years of *vesting service*.

NON-ASSIGNMENT OF BENEFITS

The Plan’s purpose is to help provide financial security for you and your family. For this reason, you may not borrow against the value of your benefit or use your benefits as collateral for a loan. However, all or a portion of your benefit may be seized under a federal tax levy or assigned under a Qualified Domestic Relations Order.

DOMESTIC RELATIONS ORDERS

Federal law requires the Plan to honor judgments, decrees, or court-approved property settlement agreements (“Order”) under a “qualified” state domestic relations law. To be qualified, the Order must require payment of all or part of your Plan benefit to your former spouse or your child(ren) and must comply with certain legal requirements.

The Order must relate to child support, alimony, or marital property rights. The Plan has procedures to respond to a domestic relations order, formally referred to as a “Qualified Domestic Relations Order” (QDRO). If this applies to you, contact the Benefits Department for more information and/or to obtain a copy of the procedures without charge.

LOSS, REDUCTION, OR SUSPENSION OF BENEFITS

Your Plan benefits may be lost, reduced or suspended if any of the following occur:

- Your *Union Pacific employment* ends before you have five years of *vesting service* or reach age 65.
- All or a portion of your benefits are paid to your spouse, former spouse, or child under a Qualified Domestic Relations Order (QDRO) or are subject to a federal tax levy.
- You do not provide the Benefits Department with your most recent address and you cannot be found.
- You fail to apply for benefits or provide necessary information.
- You elect to receive payment of your benefit before age 65 and the applicable retirement factors are applied.
- You elect a Joint and Survivor Annuity and your benefits are reduced to permit payments to your beneficiary after your death.
- You elect the 10-Year Certain and Continuous Option (120 payments guaranteed) and your benefits are reduced to compensate for the guaranteed payments.
- You continue *Union Pacific employment*, but transfer to non-covered employment. In this case, your estimated *Social Security or Railroad Retirement benefit* will continue to grow and can reduce your accrued benefit.
- The Plan is terminated before sufficient assets have been accumulated to pay all benefits. (In this case, you may be protected by the Pension Benefit Guaranty Corporation - see Plan Insurance on Page 25.)
- The Plan is amended to reduce benefits already earned. (This can only be done with the permission of the federal government to avoid severe economic hardship to the *Company*. The *Company* does not intend to reduce benefits but is required by law to inform you of the possibility.)
- The Plan fails to meet certain funding levels required by the Internal Revenue Service. If this occurs, payments under the Plan will be limited and in certain cases all benefit accruals must cease. You will be notified in the event your benefit is affected by the Plan's funding level.

PAYMENT TO MINORS

If anyone entitled to income from the Plan is a minor or is judged to be physically or mentally incompetent, the Named Fiduciary - Plan Administration may direct the trustee to pay the income to someone else for the benefit of the recipient (to a legal guardian, for example).

THE FUTURE OF THE PLAN

Union Pacific Corporation reserves the right to amend or terminate the Plan, in whole or in part, at any time. In addition, the Senior Vice President - Human Resources of Union Pacific Corporation may amend the plan for technical, administrative, regulatory, and compliance purposes (and any other Plan amendment that will not significantly increase the cost of the Plan). These amendments may be made without the consent of the Board of Directors.

If the Plan is terminated and you are an active employee, all benefits you have earned will become fully vested as long as there are sufficient Plan funds to pay them. Once the Plan is terminated, the Plan's funds will be allocated in accordance with federal law.

PLAN INSURANCE

Certain benefits under the Plan are insured by the Pension Benefit Guaranty Corporation (PBGC) if the plan terminates. In general, the PBGC guarantees most *normal retirement, early retirement, and vested benefits*, as well as certain disability and certain survivor pensions. However, the PBGC does not guarantee all types of benefits, and the amount of benefit protection is subject to certain limitations.

The PBGC guarantees benefits at the level in effect on the date of plan termination. If a plan has been in effect less than five years before it terminates, or if benefits have been increased within the five years before plan termination, the whole amount of the Plan's benefits or the benefit increase may not be guaranteed. In addition, there is a ceiling on the amount of monthly benefit that the PBGC guarantees which is adjusted periodically.

For more information on PBGC insurance protection and its limitations, contact the PBGC Technical Assistance Division, 1200 K Street N.W., Suite 930, Washington, D.C., 20005-4026 or call 202-326-4000 (not a toll free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

ADMINISTRATIVE INFORMATION

PLAN SPONSOR/COMPANY

The Plan is sponsored by Union Pacific Corporation. For purposes of this booklet, the term “*Company*” includes Union Pacific Corporation and any affiliate that has adopted the Plan for its employees for the period during which the affiliated company participates in the Plan. As of January 1, 2012, the following companies participate in the Plan:

- The Alton & Southern Railway Company
- Doniphan, Kensett & Searcy Railroad Company
- PS Technology, Inc.
- Union Pacific Corporation
- Union Pacific Company
- Union Pacific Distribution Services Company
- Union Pacific Financial Corp.
- Union Pacific Fruit Express (UPFE)
- Union Pacific Railroad Company
- Insight Network Logistics, LLC
- ShipCarsNow, Inc.
- Streamline, LLC

NAME OF PLAN

The name of the Plan is the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates.

EMPLOYER IDENTIFICATION NUMBER (EIN)

The Employer Identification Number (EIN) assigned by the IRS is 13-2626465.

PLAN NUMBER

001

PLAN TYPE

The Plan is a defined benefit pension plan.

PLAN YEAR

The plan year is the calendar year -- January 1 to December 31.

PLAN ADMINISTRATOR

The Named Fiduciary - Plan Administration is the Senior Vice President - Human Resources of Union Pacific Corporation or any other person or committee named by the Compensation Committee of the Board of Directors. You can contact the Named Fiduciary - Plan Administration at the following address:

Senior Vice President - Human Resources
Union Pacific
1400 Douglas Street, 19th Floor
Omaha, NE 68179

The Named Fiduciary - Plan Administration has the discretionary authority to interpret the Plan, resolve ambiguities in the Plan documents, develop rules and regulations to carry out the terms of the Plan, make factual determinations, and resolve questions relating to eligibility for and the amount of benefits.

AGENT FOR SERVICE OF LEGAL PROCESS

For disputes arising under the Plan, service of legal process can be made upon the Named Fiduciary - Plan Administration at the address listed above. Legal process also may be served on the Plan Trustee (see below).

PLAN TRUSTEE

The name and address of the Plan Trustee is:

The Northern Trust Co.
50 South LaSalle Street
Chicago, IL 60675

YOUR RIGHTS UNDER ERISA

As a participant in the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates, you have certain rights and protection under the Employee Retirement Income Security Act (ERISA) of 1974. For example:

- You may examine, without charge, at the Named Fiduciary - Plan Administration's office and other specified locations (such as worksites and union halls), all Plan documents, including collective bargaining agreements and copies of all documents filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration, such as detailed annual reports and plan descriptions.
- Obtain copies of all Plan documents and other Plan information upon written request to the Named Fiduciary - Plan Administration. The Administrator may charge a reasonable amount for the copies.
- Obtain a statement that indicates if you have a right to receive a pension at *normal retirement* age (65) and, if so, what your benefits would be at *normal retirement* age if you were to stop working now. If you do not have a right to a pension, the statement will indicate how many more years you must work to earn that right. The statement must be requested in writing and will be provided free of charge. It is not required to be provided more than once each year.
- Receive a summary of the Plan's annual financial report. The Named Fiduciary - Plan Administration is required by law to furnish each participant with a copy of this summary annual report.

OBLIGATIONS OF FIDUCIARIES

In addition to creating rights for Plan participants, ERISA imposes duties upon the individuals who are responsible for the operation of the Plan. These individuals are called fiduciaries. They have a duty to operate the Plan prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the denial. You have the right to have the Named Fiduciary - Plan Administration review and reconsider your claim.

PROVISIONS FOR LEGAL ACTION

Under ERISA, you can take steps to enforce the rights outlined above. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Named Fiduciary - Plan Administration to provide the materials and pay you up to \$110 a day until you receive the materials unless the materials were not sent because of reasons beyond the control of the Named Fiduciary - Plan Administration.

If your claim for benefits is denied or ignored, in whole or in part, you may file suit in a state or federal court, after having exhausted your rights under the Plan. In addition, if you disagree with the Plan's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in federal court, after you have exhausted your rights under the Plan. If it should happen that Plan fiduciaries misuse the Plan's money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees (for example, if it finds your claim is frivolous).

If you have any questions about the Plan, you should contact the Benefits Department. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, contact the nearest office of the Employee Benefits Security Administration, U.S. Department of

Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C., 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

A FINAL WORD

This booklet provides a summary description of the Pension Plan for Salaried Employees of Union Pacific Corporation and Affiliates. It highlights the main provisions of the Plan but is subject to the terms and provisions of the legal Plan document. If there is any inconsistency between this booklet and the official Plan document, the Plan document is the final authority.

This description of your retirement benefits is not an employment contract or any type of employment guarantee.

APPENDIX A – GLOSSARY OF TERMS

Here are some important terms that will help you understand how the Plan works. These terms are *italicized* throughout the guide.

Absence - This means you are absent from the *Company* for personal, educational, or family and medical reasons as long as the employment relationship is not terminated. *Absence* also includes a temporary layoff, sick time, or a military leave.

Actuarial Equivalence - This means a benefit having the same value as the benefit which it replaces as determined by, or with the advice of, the Plan's actuary, using actuarial assumptions provided in the Plan.

Agreement - This means a collective bargaining agreement between the *Company* and employee representatives.

Agreement Employee/Agreement Employment - This means an employee with the *Company* while covered by a collective bargaining agreement.

Agreement Service - This means service with the *Company* while covered by a collective bargaining agreement.

Company - This means Union Pacific Corporation and any affiliated company participating in the Plan for the period during which the affiliated company participates in the Plan.

Compensation - This means your monthly base rate of pay as of the first day in the month on which you are a *covered employee* (or actual base pay earned if you are a part-time employee on that first day) or, while your participation in the Plan is due to your status as an ARSA group member who was participating in the Southern Pacific Rail Corporation Pension Plan, your fixed and basic salary or wage. It also includes overtime, lump sums paid in lieu of salary increases under the *Company's* merit award program (effective January 1, 1998 for ARSA group members), in some instances, differential wage pay received while on military leave, and, other than for ARSA group members, certain cash bonuses paid to you during the month under the following plans:

- The Executive Incentive Plan of Union Pacific Corporation,
- The Management Incentive Plan of Union Pacific Corporation,
- The PS Technology Performance Bonus Plan, or
- The Alton and Southern Railway Company Management Incentive Compensation Program.

No pay received or earned as a non-covered employee will be included in *compensation*. Special rules apply for determining *compensation* during a period of *absence* from the *Company* or while you are *disabled*.

Covered Employee/Covered Employment - For purposes of determining eligibility for Plan participation, this means an employee of the *Company* who is paid with United States dollars. It does not include employees covered by an *agreement* (unless the *agreement* provides for Plan participation). It also does not include independent contractors or anyone not classified by the *Company* as being an employee (even if they are reclassified, or determined to be reclassified, by the Internal Revenue Service, another government agency, the courts, or the *Company* as employees) or leased employees. *Covered employment* ends when you transfer to non-covered employment, leave the *Company* for any reason or you transfer to a company that does not participate in the Plan.

Credited Service - Your years and months of *credited service* are used in the Plan formula for calculating your pension benefit. You receive a month of *credited service* for each month during which you are paid as a *covered employee*, or are on an authorized leave of *absence* from *covered employment* which you return from or are *disabled*. You will also receive months of *credited service* to the extent required by law under the Family and Medical Leave Act or for military service. Your total months of *covered employment* will be divided by 12 to determine your completed and partial years of *credited service*.

If you have service with an acquired or affiliated company, different rules for determining *credited service* may apply. For details about the rules that apply to you, see Appendix C (Special Rules for Former Employees With Acquired Companies) on Page 34. Also, if you have *agreement* service with the *Company*, a portion of this service

may count as *credited service* (see “If You Have Agreement Employment” on Page 11). Finally, if your *Union Pacific employment* is interrupted, the break in service may affect your *credited service* (see “If You Have a Break in Service” on Page 13.)

Disabled - For purposes of the Plan, *disabled* means you are receiving disability benefits under the Union Pacific Corporation Long-Term Disability Plan.

Early Retirement - This occurs when your *Union Pacific employment* ends after reaching age 55 (but before age 65) and you have 10 or more years of *vesting service*.

Final Average Compensation - This means your average monthly compensation over the 36-consecutive month period during the 120 months immediately preceding the end of your *covered employment* that produces the highest average. If you have less than 36 consecutive months of *compensation* with the *Company*, your average will be determined using all your months of *compensation*. Only your highest three bonuses paid during the highest 36 consecutive months of *compensation* will be counted in determining your *final average compensation*. Also, months without *compensation* will not be considered when determining your 36 highest consecutive months of *compensation*.

Normal Retirement - This occurs when your *Union Pacific employment* ends in the month you reach age 65.

Postponed Retirement - This occurs when your *Union Pacific employment* ends after age 65.

Railroad Retirement Benefit - This means the estimated monthly federal Railroad Retirement annuity benefit used in determining your Plan benefit. In general, you are entitled to a *Railroad Retirement benefit* if you complete at least 120 months of railroad service (60 months if performed after 1995), whether at Union Pacific or elsewhere. For details, see Appendix B (Your Social Security or Railroad Retirement Benefits) on Page 33.

Social Security Benefit - This means the estimated monthly federal Social Security benefit used in determining your Plan benefit. For details, see Appendix B (Your Social Security or Railroad Retirement Benefits) on page 33.

Union Pacific Employee/Union Pacific Employment - This means an employee of Union Pacific Corporation and any affiliated company or subsidiary included in the Union Pacific consolidated tax return for federal tax purposes. In general, this includes any entity owned (80% or more) by Union Pacific Corporation or an affiliate.

Vested Benefit - You can receive a *vested benefit* if your *Union Pacific employment* ends after completing five years of *vesting service* but before you are eligible for *normal* or *early retirement*.

Vesting Service - Your years of *vesting service* are used to determine your *vested benefit*, *early retirement*, and certain pre- and post-retirement survivor benefits. You earn a year of *vesting service* for each calendar year during which you are credited with 1,000 hours of service. For purposes of vesting, you are credited with 200 hours of service for each month during which you are paid as a *Union Pacific employee* or are *disabled*. You will also be credited with hours of service to the extent legally required by the Family and Medical Leave Act or for military service. If your *Union Pacific employment* is interrupted, the break in service may affect your *vesting service* (see “If You Have Break in Service” on Page 13).

Special Vesting Service Transition Rule: Before 1999, you earned a year of *vesting service* for each 12-month period ending on your anniversary of employment during which you were credited with 1,000 hours of service. Beginning in 1999, the Plan measures *vesting service* using calendar years. If you were a *Union Pacific employee* on December 31, 1998, you will receive a year of *vesting service* for the period beginning on your 1998 anniversary of employment and ending December 31, 1998 regardless of your hours of service during that period.

If you have service with an affiliated or acquired company, different rules for determining *vesting service* may apply. For more details about the rules that apply to you, see Appendix C (Special Rules for Former Employees with Acquired Companies) beginning on Page 34.

APPENDIX B – YOUR SOCIAL SECURITY OR RAILROAD RETIREMENT BENEFITS

Because the *Company* makes payment toward your *Social Security* or *Railroad Retirement benefits*, the Plan's benefit formula subtracts an offset amount from your gross benefit. The offset amount is a portion of your estimated *Social Security* or *Railroad Retirement benefit* at age 65 or at *postponed retirement*, if applicable. In general, these benefits are estimated using the procedures described below (based on the applicable laws in effect when your *Union Pacific employment* ends). If you wish, you can submit information about your actual wages to the Benefits Department for use in the calculation.

If you are eligible for a *Social Security benefit*, the Plan estimates this benefit based on the following assumptions:

- You have worked in Social Security covered employment since age 21 (or 1950 if later).
- You have no employment after you terminate your Union Pacific employment.
- Your prior Social Security earnings increased at 6% per year up to your actual Social Security earnings in your last full calendar year as a *Union Pacific employee* or up to 12 times your monthly *final average compensation*, if greater.

If you are eligible for a *Railroad Retirement benefit*, this benefit consists of a Tier I component, a Tier II component, and (in some cases) a Windfall amount. These components are determined as follows:

- The Tier I component is determined in the same way as the Social Security benefit described above.
- Your eligibility for and calculation of the Tier II and Windfall components are taken directly from the MARC book, or other similar materials published by the Railroad Retirement Board, during the calendar year preceding your termination of railroad service with Union Pacific.
- Your eligibility for an unreduced Railroad Retirement benefit beginning at age 60 (360 months of railroad service) is determined by adding the railroad service from the applicable MARC book to the railroad service you complete between the effective date of the MARC book and the termination of your railroad service with Union Pacific.

For purposes of determining the offset amount, you or your spouse may provide the Benefits Department with earnings records obtained from the Social Security Administration and the Railroad Retirement Board. However, you must provide this information within 30 days of the date you leave *Union Pacific employment* or the date your benefits begin, whichever is later. If you do not provide this information within this time frame, you lose the right to have the offset amount calculated based on your actual wages. If you will begin receiving your benefit from the Railroad Retirement Board or Social Security Administration within 30 days of termination, you may provide the Benefits Department with the actual benefit. In no case will providing records from the Social Security Administration or Railroad Retirement Board reduce your benefit otherwise determined.

APPENDIX C – SPECIAL RULES FOR FORMER EMPLOYEES WITH ACQUIRED COMPANIES

The following sections include rules for individuals who are *covered employees* after 1998 and who have prior service with an acquired or affiliated company. These rules address, among other things, how benefits earned under a prior plan will be treated under the Plan.

THE ALTON AND SOUTHERN RAILWAY COMPANY (A&S)

The following rules apply if you were an employee of A&S:

- Your benefit under the Plan will never be less than the benefit you earned under the A&S defined benefit plan formula as of December 31, 1998 (if any), adjusted for early payment as provided in the A&S defined benefit plan.
- For purposes of determining *vesting service*, all periods of service with A&S treated as *vesting service* under the A&S defined benefit plan will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- For purposes of determining *credited service*, all periods of service with A&S treated as benefit service under the A&S defined benefit plan will be treated as if it were *covered employment* (based on the Plan's service rules after December 31, 1998).
- If you became a *Union Pacific employee* as a result of the acquisition of A&S by Union Pacific in 1996 or if you previously participated in the A&S defined benefit plan, any A&S *agreement service* not counted as benefit service under the A&S plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only service after September 11, 1996, will be used (i.e., benefit service under the A&S plan and *covered employment* (see "If You Have Agreement Employment" on Page 11). If you did not become a *Union Pacific employee* as a result of the acquisition and you did not at any time participate in the A&S defined benefit plan, your A&S *agreement service* will not be treated as *credited service*.
- Only compensation from *covered employment* after June 30, 1998, will be used in determining *your final average compensation* under the Plan.

If your period of service with A&S is not specifically described above, please contact the Benefits Department for more information.

CHICAGO & NORTH WESTERN RAILWAY COMPANY (CNW)

The following rules apply if you were an active participant in the CNW Supplemental Pension Plan on December 31, 1995, and became a *covered employee* in the Plan on January 1, 1996:

- As a former CNW Supplemental Pension Plan participant, your plan benefit will equal the excess, if any, of:
 - ◆ Your plan benefit, less
 - ◆ The annuity equivalent of your account(s) as of December 31, 1995, attributable to employer contributions (including hypothetical balances for amount withdrawn or contributions that would have been made if you had made sufficient contributions to receive the maximum employer contribution) under the following plans:
 - CNW Profit Sharing and Retirement Savings Program
 - CNW Excess Benefit Retirement Plan, and

➤ CNW Executive Retirement Plan

Your annuity equivalent is based on the value of your account, projecting interest at a rate of 7.25% to age 65. Although actual experience may differ from this, investment gains or losses are not considered.

- For purposes of determining your *vesting service*, all periods of service with CNW (including foreign line service) treated as *vesting service* under the CNW plan will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- For purposes of determining your *credited service*, all periods of service with CNW (including foreign line service) treated as benefit service under the CNW plan will be treated as if it were *covered employment* (based on the Plan's service rules after December 31, 1998).
- Any CNW *agreement service* not counted as benefit service under the CNW plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only *covered employment* after December 31, 1995, will be used. (See "If You Have Agreement Employment" on Page 11).
- Only *compensation* from *covered employment* after December 31, 1995, will be used in determining your *final average compensation* under the Plan.

The following rules apply if you were a former CNW *agreement* employee who did not participate in the CNW Supplemental Pension Plan as of December 31, 1995, became a *Union Pacific employee* as a result of the merger of CNW with Union Pacific, and became a *covered employee* on or after January 1, 1996:

- For purposes of determining your *vesting service*, all periods of service with the CNW will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- Your CNW service before January 1, 1996, will not count as *credited service*, except certain periods of CNW *agreement service* recognized under the Plan as described below. Your benefit (if any) for this service will be paid from the CNW plan.
- If you transferred from CNW to the *Company* as an *agreement employee* and later transfer to *covered employment*, your CNW *agreement service* may count as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only *covered employment* after December 31, 1995, will be used (see "If You Have Agreement Employment" on Page 11).
- Only *compensation* from *covered employment* after December 31, 1995, will be used in determining your *final average compensation* under the Plan.

The following rule applies if you were a former CNW employee who did not transfer to the *Company* as a result of the merger:

- Your vesting service, credited service, and compensation will be based on your Union Pacific employment.

If your period of service with the CNW is not specifically described above, please contact the Benefits Department for more information.

HOUSTON BELT & TERMINAL RAILWAY COMPANY (HBT)

The following rules apply if you were an employee of the HBT who transferred to the *Company* as a *covered employee* on or after December 1, 1997 but before March 1, 1998, and who was actively employed as a *covered employee* on June 1, 1998.

- As a former HBT employee, your Plan benefit will equal the excess, if any, of:
 - ◆ Your Plan benefit, less
 - ◆ Your HBT benefit (if any) before any offsets for other plan benefits applied under the HBT defined benefit plan.
- For purposes of determining your *vesting service*, all periods of service with the HBT (including foreign line service) treated as *vesting service* under the HBT defined benefit plan will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- For purposes of determining your *credited service*, all periods of service with the HBT (including foreign line service) treated as benefit service under the HBT defined benefit plan will be treated as if it were *covered employment* (based on the Plan's service rules after December 31, 1998).
- Any HBT *agreement service* not counted as benefit service under the HBT defined benefit plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only *covered employment* after the date of your transfer to the *Company* as a *covered employee* will be used (see "If You Have Agreement Employment" on Page 11).
- Only *compensation* from *covered employment* after the date of your transfer to the *Company* as a *covered employee* will be used in determining your *final average compensation* under the Plan.

The following rule applies if you were a former HBT employee who did not transfer to the *Company* as described above:

- Your vesting service, credited service, and compensation will be based on your Union Pacific employment.

If your period of service with HBT is not specifically described above, please contact the Benefits Department for more information.

MISSOURI-KANSAS-TEXAS RAILROAD COMPANY (MKT)

The following rules apply if you were a former employee of MKT who became a *Union Pacific employee* as a result of the merger of MKT with Union Pacific:

- For purposes of determining *vesting service*, all periods of service with MKT will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- Your MKT service before August 12, 1988, will not count as *credited service*, except certain periods of *agreement service* recognized under the Plan as described below. Your benefit (if any) for service recognized under the MKT defined benefit plan will be paid from the MKT defined benefit plan.
- Any MKT *agreement service* not counted as benefit service under the MKT defined benefit plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only *covered employment* after August 11, 1988, will be used (see "If You Have Agreement Employment" on Page 11).

- Only *compensation* from *covered employment* after August 31, 1988, will be used in determining your *final average compensation* under the Plan.

The following rule applies if you were a former MKT employee who did not transfer to the *Company* as described above:

- Your vesting service, credited service, and compensation will be based on your Union Pacific employment.

If your period of service with the MKT is not specifically described above, please contact the Benefits Department for more information.

MISSOURI PACIFIC RAILROAD COMPANY (MOPAC) OR WESTERN PACIFIC RAILROAD COMPANY (WESTPAC)

The following rules apply if you were an employee of MOPAC or WESTPAC:

- Your benefit under the Plan will never be less than the benefit (if any) you earned under the MOPAC or WESTPAC defined benefit plan as of February 11, 1983.
- For purposes of determining *vesting service*, all periods of service with MOPAC or WESTPAC (including foreign line service) treated as *vesting service* under the MOPAC or WESTPAC defined benefit plan will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- For purposes of determining *credited service*, all periods of service with MOPAC or WESTPAC (including foreign line service) treated as benefit service under the MOPAC or WESTPAC defined benefit plan will be treated as if it were *covered employment* (based on the Plan's service rules after December 31, 1998).
- If you became a *Union Pacific employee* as a result of the merger of the MOPAC or WESTPAC with Union Pacific or if you previously participated in the MOPAC or WESTPAC defined benefit plan, any MOPAC or WESTPAC *agreement service* not counted as benefit service under the MOPAC or WESTPAC defined benefit plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only *covered employment* after December 31, 1982, will be used (see "If You Have Agreement Employment" on Page 11). If you did not become a *Union Pacific employee* as a result of the merger and you did not at anytime participate in the MOPAC or WESTPAC defined benefit plan, your MOPAC or WESTPAC *agreement service* will not be treated as *credited service*.
- Only *compensation* from *covered employment* after December 31, 1982, will be used in determining your final average compensation under the Plan.

If your period of service with MOPAC or WESTPAC is not specifically described above, please contact the Benefits Department for more information.

SOUTHERN PACIFIC RAIL CORPORATION (SPRC)

The following rules apply if you were an employee of Southern Pacific Rail Corporation and its subsidiaries:

- Your benefit under the Plan will never be less than the benefit (if any) you earned under the SPRC defined benefit plan as of December 31, 1997, adjusted for early payment as provided in the SPRC plan.
- If you were receiving payments from the SPRC long-term disability plan as of December 31, 1997, and continued these benefits throughout 1998, your benefit under the Plan will never be less than the benefit you earned under the SPRC defined benefit plan as of December 31, 1998, adjusted for early payment as provided in the SPRC defined benefit plan.

- For purposes of determining *vesting service*, all periods of service with the SPRC treated as *vesting service* under the SPRC defined benefit plan will be treated as if it were service as a *Union Pacific employee* (based on the Plan's service rules after December 31, 1998).
- For purposes of determining *credited service*, all periods of service with the SPRC treated as benefit service under the SPRC defined benefit plan will be treated as if it were *covered employment* (based on the Plan's service rules after December 31, 1998).
- If you became a *Union Pacific employee* as a result of the acquisition of the SPRC by Union Pacific in 1996 or if you previously participated in the SPRC defined benefit plan, any SPRC *agreement service* not counted as benefit service under the SPRC plan may be treated as *credited service* under the Plan's rules for *agreement service* after December 31, 1998, provided you were a *covered employee* after 1998. For purposes of this determination, only service after September 11, 1996, will be used; i.e., benefit service under the SPRC defined benefit plan and *covered employment* (see "If You Have Agreement Employment" on Page 11). If you did not become a *Union Pacific employee* as a result of the acquisition and you did not at anytime participate in the SPRC defined benefit plan, your SPRC *agreement service* will not be treated as *credited service*.
- Only *compensation* from *covered employment* after December 31, 1997, will be used in determining your *final average compensation* under the Plan, except for former Southern Pacific dispatchers.

If your period of service with the SPRC is not specifically described above, please contact the Benefits Center for more information.

TRANSFERS FROM AFFILIATED COMPANIES WITH PENSION PLANS

The following rules apply if you transfer from a position with an affiliate of the *Company* not participating in the Plan directly to a position as a *covered employee*:

- Your *credited service* will include any service credited to you for benefit accrual purposes under a qualified defined benefit pension plan maintained by the affiliate for its United States employees.
- Your plan benefit will be reduced by any benefit you are entitled to receive from the affiliate's plan.

If your period of service with an affiliated company is not specifically described above, please contact the Benefits Department for more information.

UNION PACIFIC RESOURCES GROUP INC. (UPRG)

The following rules apply if you were an employee of UPRG on October 15, 1996, and are rehired by the *Company* as a *covered employee* after the spin-off of the defined benefit plan for UPRG on October 15, 1996:

- For purposes of determining *vesting service*, all periods of *Union Pacific employment* before the spin-off will be treated as *vesting service*.
- For purposes of determining *credited service*, all periods of *covered employment* before the spin-off will be ignored. Only *covered employment* from the date of your rehire by the *Company* will be treated as *credited service*.
- Only *compensation* from *covered employment* after the date of your rehire will be used to determine your *final average compensation* under the Plan.

If your period of service with UPRG is not specifically described above, please contact the Benefits Department for more information.



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