a meeting on May 25, 2000, at 10:30 a.m. at the office of the Chief Actuary of the U.S. Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois, on the conduct of the 21st Actuarial Valuation of the Railroad Retirement System. The agenda for this meeting will include a discussion of the results and presentation of the 21st Actuarial Valuation. The text and tables which constitute the Valuation will have been prepared in draft form for review by the Committee. It is expected that this will be the last meeting of the Committee before publication of the Valuation. The meeting will be open to the public. Persons wishing to submit written statements or make oral presentations should address their communications or notices to the RRB Actuarial Advisory Committee, c/o Chief Actuary, U.S. Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois 60611–2092.


Beatrice Ezerski,
Secretary to the Board.
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than the current Contract value; (b) a reduced mortality and expense risk charge (i.e., at an annual rate that is .07% less than the rate that otherwise would apply); (c) a permanent waiver of the $30 annual Contract maintenance charge if the Contract’s value exceeds $40,000 at any time; and (d) a reduction in the withdrawal charge that will apply to the withdrawal of any purchase payments that are made after the LRR is added to the Contract.

9. Contract owners who elect the LRR will have a new three year withdrawal charge schedule that will apply to withdrawals made after the Rider Date. The new schedule would apply to any amount of such a subsequent withdrawal of purchase payments that exceeds the 15% annual free withdrawal amount, regardless of whether such withdrawn purchase payments were made before or after the Rider Date.

10. The withdrawal charge under the new withdrawal charge schedule will begin at 3% and decline by 1% per year over three years to 0% by the end of the third year. For purchase payments made prior to the rider Date, the three year period runs from the Rider Date. For any purchase payment made subsequent to the Rider Date, the three year period runs from the date of that payment.

11. The same exceptions to imposing the LRR withdrawal charge will apply as apply to the Contract’s basic withdrawal charge. Specifically, no LRR withdrawal charge will be imposed at the time a payment option commences, upon the death of a Contract owner or annuitant, upon amounts withdrawn to satisfy any applicable minimum distribution requirements under the Internal Revenue Code, or upon amounts withdrawn that are within the 15% annual free withdrawal amount. These are the same exceptions as would apply to the Contracts without the LRR.

12. The LRR will be offered only to Contract owners who have maintained their existing purchase payments in their Contracts for at least six years. Accordingly, no amount of withdrawal charge will remain on any purchase payments made prior to the Rider Date.

13. Contract owners will not be permitted to elect for the LRR to apply to part of a Contract and not to the rest. Any election of the LRR must apply to the whole Contract.

14. Applicants state that the principal purpose of offering the LRR is to reward the eligible Contract owners for their persistency. In addition, the LRR allows Northbrook to maintain the Contract on a competitive footing with other newer variable annuity contracts in the marketplace that offer the same or similar benefits.

15. After an initial notification of the offer in the Contract prospectus or other communication to Contract owners by Dean Witter’s registered representatives, the LRR will be offered by providing eligible owners who express an interest in learning the details of the offer, in addition to such prospectus, a separate document explaining the offer (“the Officer Document”).

16. The Offering Document will advise such Contract owners that the offer is specifically designed for those Contract owners who intend to continue to hold their Contracts as long-term investment vehicles. The Offering Document will state that the offer is not intended for all Contract owners, and that it is especially not appropriate for any Contract owner who anticipates surrendering all or a significant part of his or her Contract within the next three years. In this regard, the Offering Document will encourage Contract owners to carefully evaluate their personal financial situation when deciding whether to accept or reject the offer of the LRR. In addition, the Offering Document will explain how an owner of a Contract contemplating acceptance of the LRR may avoid the LRR withdrawal charge if no more than the annual 15% free withdrawal amount is withdrawn in any one year and any subsequent purchase payments are maintained until expiration of the applicable LRR withdrawal charge period. In this regard, the Offering Document will state in clear plain English that, if a significant amount of the Contract’s value is surrendered or withdrawn during the three years following the Rider Date: (a) the LRR’s benefits may be more than offset by the LRR withdrawal charge; and (b) a Contract owner may be worse off than if he or she had rejected the offer.

17. To accept the LRR, an owner must complete an internal election form. This election form will include the disclosure set forth in Condition No. 1 under “Application Conditions” below.

18. The compensation to registered representatives who offer the LRR to Contract owners is expected to take the form of annual “trail” commissions equal to approximately 0.70% of the Contract’s average value. On the sale of a new Contract, the registered representative would currently earn a commission equal to approximately 5% of purchase payments made, plus annual trail commission of approximately .10%.

19. The Contracts provide a basic death benefit equal to the highest of (a) the Contract’s accumulated value; (b) the cumulative amount of all purchase payments made to date (with approximate adjustment for any partial withdrawals that have been made); and (c) the Contract’s accumulated value on the most recent death benefit anniversary, which are every sixth anniversary of a Contract’s issuance beginning with the sixth, with appropriate adjustment for subsequent purchase payments and partial withdrawals. The Applicants assert that this basic death benefit can be of quite significant value to a Contract Owner and that it can reasonably be expected that, in many cases where an owner has died, the death benefit will exceed the Contract’s then accumulated value. The Applicants maintain, therefore, that the LRR could have considerable value for a surviving spouse who wishes to continue the Contract.

20. The .07% reduction in the mortality and expense risk charge and, in cases involving more than $40,000 of Contract value, the waiver of the $30 annual charge that otherwise would apply are further benefits that the LRR would provide. These benefits are guaranteed and cannot be reduced or withdrawn. In particular, if the Contract value ever exceeds $40,000 at any time following the Rider Date, the $30 charge will be waived for the remaining duration of the Contract, even if its value subsequently falls below $40,000.

21. Finally, additional purchase payments made after the LRR is added to a Contract will be subject only to the 3%/3-year withdrawal charge schedule provided for in that rider, rather than the Contract’s regular 6%/6-year withdrawal charge schedule that would have applied to those same purchase payments if the LRR had not been added to the Contract. Applicants assert that this is a substantial benefit to any Contract owner, including a surviving spouse, who may have an interest in making further purchase payments.

**Applicants’ Legal Analysis**

1. Section 11(a) of the Act makes it unlawful for any registered open-end company, or any principal underwriter for such a company, to make or cause to be made an offer to the holder of a security of such company, or of any other open-end investment company, to exchange that security for a security in the same or another such company on any basis other than the relative net asset values of the respective securities, unless the terms of the offer have first been submitted to and approved by the Commission.

2. Section 11(c) of the Act, in pertinent part, requires, in effect, that any offer of exchange of the securities of...
a registered unit investment trust for the
securities of any other investment
company be approved by the
Commission regardless of the basis of
the exchange.

3. Standing alone, Section 11(a) by its
terms applies only to exchanges of
securities issued by "open-end"
investment companies, which, under
Section 5(a)(1) of the Act, includes only
management-type investment
companies. Account II itself, as noted
above, is a unit investment trust-type
(rather than a management-type) of
investment company under Section 4(2)
of the Act. It would appear, therefore,
that Section 11 could require
Commission approval for Applicants'
offer of the LRR only if that falls within
the ambit of Section 11(c).

4. Applicants do not conceded that
their offer of the LRR to existing
Contract owners necessarily constitutes
an offer of securities of a registered unit
investment trust in exchange for
securities of any other investment
company, pursuant to Section 11(c).
Nor do Applicants concede that,
for purposes of Section 11, a Contract
with the LRR is a different security than
a contract without the LRR.

Nevertheless, Applicants request an
exemption pursuant to Section 11(a) of
the Act to the extent deemed necessary
permit the offer of the LRR as
described herein.

5. Applicants have considered
whether they could rely on Rule 11a-2
under the Act. Applicants believe and
represent that the only provision in Rule
11a-2 that could prevent such reliance
would be the so-called "tacking"
requirement in Rule 11a-2(d)(1).

Applicants state that since the LRR
withdrawal charge continues for only
two years, and since the most recent
purchase payment made by Contract
owners who are eligible for the LRR was
made at least six years prior to the Rider
Date, the tracking requirement
effectively would prohibit the
imposition of any portion of the LRR’s
withdrawal charge with respect to
purchase payments made prior to the
Rider Date. For that reason, Applicants
have concluded that Rule 11a-2 is
unavailable to them.

6. Congress enacted Section 11 to
prevent "switching," i.e., the practice of
inducing security holders of one
investment company to exchange their
securities for those of a different
investment company solely for the
purpose of exacting additional selling
charges. Applicants assert that the LRR
would not involve "switching." Applicants
concede, to the contrary, that the purpose of the LRR is to enable
Contract owners to enhance their
Contracts through the rider without
having to buy a new variable annuity
contract. Applicants represent that
because the LRR provides clear benefits,
as described above, the LRR’s sole
purpose is not to exact additional
selling charges (or any other type of
charge).

7. Applicants state that the LRR
would not result in any duplicative
charges. Applicants represent that the
limited withdrawal charge provided
under the LRR is reasonable in relation
to the benefits that the rider provides
and the costs that Applicants will incur
in providing those benefits. Those costs
will include costs of developing and
administering the LRR, the direct dollar
costs of the charges that will be waived
or reduced and the benefits that will be
paid under the LRR, and the costs of
distributing the LRR to Contract owners
and educating them about it.

8. Applicants represent that any
possible withdrawal charge under the
LRR is modest in amount. Applicants
state that if the Contract owner makes
no withdrawals during the three years
after the Rider Date, there is no
possibility that any withdrawal charge
will ever be deducted that exceeds what
would have been deducted absent the
LRR. Applicants also state that even if
purchase payments are withdrawn
during that three year period, the LRR
withdrawal charge will apply only if
more than the 15% annual free
withdrawal amount is withdrawn in any
year.

9. The LRR will be offered only to
Contract owners who already have
demonstrated an inclination to maintain
their Contracts for substantial periods of
time. Applicants believe that the income
taxes that are generally payable when
earnings are withdrawn from a Contract,
as well as the tax penalties that may
apply if those withdrawals are made
prior to the owner’s reaching age 59½,
some as additional motivations that
cause most owners to hold their
Contracts for a substantial number of
years (and often until retirement).

10. Applicants state that any
withdrawal charge will be waived for
withdrawals of any amounts necessary
to meet any federal tax law minimum
distribution requirements applicable to
a Contract.

11. Under all these circumstances,
Applicants believe that, as a practical
matter, few owners that add the LRR to
their Contracts will ever actually pay
any additional withdrawal charges as a
result; and to the extent that the LRR
succeeds in its purpose of maintaining
the Contracts on a competitive footing
in the marketplace, withdrawals should be
even further reduced.

12. Applicants state that except for
the withdrawal charge as described
above, the LRR will not result in any
increase in or imposition of any charge.
Accordingly, Applicants assert that
except for the potential imposition of
the LRR withdrawal charge on certain
withdrawals that occur within three
years after the Rider Date, every aspect
of a Contract will be at least as favorable
after the LRR is added as it was before.

Applicants maintain that adding the
LRR to a Contract will have no adverse
tax consequences to a Contract’s owner.

13. In light of these considerations,
Applicants do not believe there is any
public policy or purpose under Section
11 (or otherwise) that would preclude
offering the LRR on the terms and
subject to the conditions stated herein.

Applicants’ Conditions

Applicants consent to the following
conditions:

1. The Offering Document will
contain concise, plain English
statements that: (a) the LRR is suitable
only for Contract owners who expect to
hold their Contracts as long term
investments; and (b) if a significant
amount of the Contract’s value is
surrendered or withdrawn during the
first three years after the Rider Date, the
LRR’s benefits may be more than offset
by that charge, and a Contract owner
may be worse off than if he or she had
rejected the LRR.

2. The Offering Document will
disclose in concise plain English the
only aspect in which adding the LRR
rider could disadvantage a Contract
owner (i.e., through the possible
imposition of the LRR withdrawal
charge).

3. A Contract owner choosing to add
the LRR will complete and sign the
election form, which will prominently
restate in concise, plain English the
statements required in Condition No. 1,
and will return it to Northbrook. If the
election form is more than two pages
long, Northbrook will use a separate
document to obtain the Contract
owner’s acknowledgment of the
statements referred to in Condition No.
1 above.

4. Applicants will maintain and make
available the following separately
identifiable records, for the time periods
specified below, for review by the
Commission upon request: (a) Northbrook will maintain records
showing the level of LRR purchases and
how it relates to the total number of
Contract owners eligible to acquire the
LRR (at least quarterly as a percentage
of the number eligible); (b)(ii) Northbrook will maintain copies of any
form of Offering Document, prospectus
Northbrook and Dean Witter shall coordinate the prompt assembly of such records for review at a single easily accessible location.

Conclusion
For the reasons discussed above, Applicants submit that the LRR offer is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policies and provisions of the Act. Applicants submit that the requested order should therefore be granted.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

BILLING CODE 8010±01±M

SECURITIES AND EXCHANGE COMMISSION

[Release No. 34±42784; File No. SR±CHX±00±12]

Self-Regulatory Organizations; Notice of Filing and Immediate Effectiveness of Proposed Rule Change and Amendment No. 1 by the Chicago Stock Exchange, Incorporated Relating to Fees for the E-Session


Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act") and Rule 19b±4 thereunder, notice is hereby given that on May 1, 2000, the Chicago Stock Exchange, Incorporated ("CHX" or "Exchange") filed with the Securities and Exchange Commission ("Commission" or "SEC") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. On May 15, 2000, the Exchange amended the proposal. The Exchange has designated this proposal as one establishing or changing a due, fee, or other charge imposed by the CHX under Section 19(b)(3)(A)(ii) of the Act, which renders the proposal effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

1. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its membership dues and fees schedule (the "Schedule") to provide Exchange specialists and floor brokers with a credit of $.25 per trade executed during the Exchange's extended hours trading session ("E-Session") through October 1, 2000. The text of the proposed rule change is below. Additions are in italics. Deletions are in brackets.

MEMBERSHIP DUES AND FEES

M. Credits

1. Specialist Credits

Total monthly fees owned by a specialist to the Exchange will be reduced (but to no less than zero) by the application of the following [transaction] credits:

a. No change.

b. No change.

c. E-Session Credits. A credit of $.25 per trade executed during the E-Session. This credit shall be available through October 1, 2000.

2. Floor Broker Credits.

a. No change.

b. No change.

c. E-Session Credits. Total monthly fees owned by a floor broker to the Exchange will also be reduced (but to no less than zero) by the application of an E-Session Credit. "E-Session Credit" means a credit of $.25 per trade executed during the E-Session. This credit shall be available through October 1, 2000.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in Sections A, B, and C below, of


1 See May 12, 2000 letter from Kathleen M. Boege, Associate General Counsel, CHX, to Nancy J. Sanow, Assistant Director, Division of Market Regulation, SEC ("Amendment No. 1"). Amendment No. 1 states that the subject E-Session credit will be available through October 1, 2000.

