ARTICLE 40 - PENSION

(a) The Company has maintained a retirement plan for the employees for a number of years. The full text of the plan is on file with the Company and is available to the employees in accordance with government regulations. “The American Airlines, Inc. Retirement Benefit Plan for Technical Specialists” has been amended to enhance and clarify benefits over time. **The following provisions apply to those employees covered by this as of DOS, except where otherwise specifically excluded.**

(b) The following changes to the Plan were made by Letter dated 08/09/80.

(1) For an employee member who was first eligible to join the Plan prior to January 1, 1956, credited service will be counted from the January 1st or July 1st following his or her completion of one year of Company service.

(2) For the employee member who was first eligible to join the Plan between January 1, 1956 and April 1, 1978, credited service will be counted from the January 1st or July 1st following his or her completion of one year of Company service and the attainment of age twenty-five (25).

(3) For the employee member who was first eligible to join the Plan April 1, 1978 or later, credited service will be counted from the first of the month coincident with or next following his or her completion of one year of Company service.

(4) After December 31, 1976, credited service will not include periods of unpaid hours in excess of one hundred eighty (180) hours in a calendar year. A leave of absence for Union business for which the employee member has been paid by the Union will be counted as credited service for the Plan.

(c) The following changes to the Plan were made by Letter dated 08/01/85.

(1) Effective for employees who are on the active payroll on September 1, 1985, Credited Service under the Retirement Benefit Plan will include any periods of employment during which an employee would have accrued Credited Service if the age 25 eligibility restriction had not existed in prior years. Credited Service will be counted from the January 1st or July 1st following completion of one (1) year of Company service.

(2) For purposes of the preceding paragraph, "on the active payroll" means actually at work. It will also include employees who retire from the active payroll in the calendar month preceding September 01, 1985, those who are on a paid sick or vacation period, on an overage leave, or on a Union leave on September 01, 1985. It does not include employees who are on a personal leave of absence, unpaid sick leave, or other unpaid absence from work on September 01, 1985, unless they actually return to work.

(d) The following changes to the Plan were made by Letter(s) dated 05/05/89.

(1) A new vesting schedule will apply to employees who perform at least one hour of service for which they are paid on or after January 1, 1990.

(2) The new vesting schedule will provide that such employees will become 100% vested after completing five years of vesting service as defined in the plan. Prior to completing five years of vesting service, employees will have 0% vested benefits.

(3) Rules for counting vesting service and for applying breaks in service remain unchanged from the current plan.

(4) The Company agreed to retroactively credit all pensionable hours worked past age 65 for TWU represented employees who retire from the active payroll after January 1989.

(e) The amendments covered in Article 40(e) will be applicable only for those members classified as "Technical Specialists", who are on active payroll or on an approved leave of absence with recall rights as of 03/01/01 and whose benefits commence on or after the first day of the month following 03/01/01.

(1) Final Average Compensation

The compensation used for calculating a member's retirement benefit will be the average of the highest forty eight (48) consecutive months of pay out of the one hundred and twenty (120) consecutive months of pay preceding the date of retirement. The definition of the compensation used to determine the forty eight (48) and one hundred and twenty (120) month periods is unchanged. Various formulas exist for benefits, e.g., 1.667% X Final Average Earnings X Years of credited service, which are also unchanged.

(2) Eligibility For Benefits – Early Retirement

A member will be eligible for early retirement on or after attaining the earlier of:

(a) age 55 and fifteen (15) years of credited service or

(b) age 60 and ten (10) years of credited service.

(3) Early Retirement Benefits

Pension benefits determined as of early retirement will be reduced 3% for each year that the member is less than age 60.

(f) For employees externally hired into the Technical Specialist position after the DOS, the Company will enroll them in the Super Saver Plus – 401(k) plan, a defined contribution plan (DC).

1. **The company will automatically commence a 3% employee pre-tax contribution upon hire and the employee will have a onetime 90 day option to elect out and withdraw the automatic enrollment contributions without penalty. The employee can increase or decrease the employee contribution amount or investment selection at anytime.**

2. **Thereafter, the employee contribution would increase 1% each year until a 5.5% employee contribution is achieved; employee would have option to increase or decrease their contribution level at any time**

3. **Following one year of eligibility service, the Company will match employee contributions on a dollar for dollar basis up to a maximum of 5.5% of pensionable pay**

4. **Company contribution fully vests after three (3) years.**

5. **Employee hired after DOS will not be eligible for the defined benefit pension plan (DB)**

6. **Terms of the Defined Contribution plan (DC) will be no less favorable than those offered to management**

7. **All other terms and conditions, as proposed, will be in accordance with the Summary Plan Description for $uper $aver, a 401(k) Capital Accumulation Plan for Employees of Participating AMR Corporation Subsidiaries, specifically the Super Saver plus section**

~~(f)~~**(g)** The attachment on the following page is agreed to by the parties and is incorporated as part of the Agreement:

Attachment 40.1 - Charge for pre-retirement survivor benefit

RE: Charge for Pre-retirement Survivor Benefit

Revised March 1, 2000
October 19, 1995

John Orlando
International Vice President
Transport Workers Union of America, AL-CIO
1848 Norwood Plaza, Suite 112
Hurst, Texas 76054

Dear John,

This letter follows up our conversation of today regarding the charge for the pre-retirement survivor benefit.

The Retirement Equity Act of 1984 mandated that pension plans provide a benefit for the surviving spouse of an employee who dies vested, but prior to retirement. This is known as the Qualified Pre-retirement Survivor Annuity (QPSA). Because this requirement adds to pension costs, employers are allowed to recover the cost by reducing the employee's pension at retirement. The AA reduction at retirement for QPSA coverage does not fully cover the cost of providing this benefit. QPSA coverage is still heavily subsidized by American.

QPSA coverage is mandatory and automatic unless the employee and spouse sign a waiver. The benefit and how the charge is calculated are explained in detail in the Summary Plan Description. The calculation is based upon a percentage by age for the number of years coverage was in effect. There is no charge for providing the coverage past age 65, although the employee is charged for those years under age 65. Once an employee is at least age 55 with 15 years of credited service or age 62 with 10 years of credited service, the charge also stops accumulating. The charge is based only on the mandatory 50% survivor benefit. Employees who have elected a larger survivor benefit are not charged more.

Since the actual QPSA calculation is complex and can only be done accurately when a exit date has been established, for estimate purposes only we show a uniform $20 monthly reduction. We use $20 because we rarely see a QPSA reduction of $20 or more. For simplicity in preparing estimates, $20 is shown on all estimates, even for employees who never had the coverage, or will not be charged this exact amount.

At retirement those employees who never had coverage will, of course, have no reduction. For those who were covered, the reduction will be individually calculated based on their age and years of coverage.

As we discussed, normally about 300 TWU members retire each year. However with the early out, we may be asking as many as 7,000 TWU members to take a close look at their pension plan. Although the QPSA explanation has been in the Summary Plan Description for approximately 10 years, with this kind of scrutiny we are learning that we can improve how we communicate very important, but unfortunately often very technical pension information.

Thank you for bringing this issue to my attention and I hope this explanation is helpful. Please let me know if you have any questions.

Sincerely,

Mark Johnson
Managing Director
Benefits Compliance