



## **TWU Contract Negotiations Communication Update**

**1-888-4TWUUpdate**

**1-888-489-8873**

**TWU and AA Reach Tentative Agreement for Material Logistics Specialist Contract**

**May 6, 2010 9:20pm CDT**

- **Compensation:**
  - Signing bonus of 6% lump sum on date of signing for Base employees, except the Control Materials Storage (CMS), who will be getting an additional premium instead.
  - 3% structural increase effective May 5, 2010.
  - 1.5% structural increase effective May 5, 2011.
  - 1.5% structural increase effective May 5, 2012.
  - Premium pay including:
    - Higher Capacity Premium: Increase to \$2.75/hour effective May 5, 2010.
    - Hazardous Material Premium: Create a \$0.75/hour premium for all line personnel and base CMS personnel, effective May 5, 2010.
    - Weekend Shift Premium for Overhaul bases: Create a \$0.50/hour premium for shifts beginning between 2100 Friday and 2100 Sunday, effective May 5, 2010.
  - Wage Adjustment Provision (“Wage Opener”): This provision is to ensure that the TWU classifications maintain their compensation standing with the industry comparators up until the amendable date of this agreement.
  - Eliminating the 40-hour work requirement in Article 6(b).
- **Profit Sharing:**
  - Replace the current financial component of the AIP plan with an uncapped annual profit sharing plan that rewards employees at the first dollar of pre-tax earnings, excluding special, unusual and non-recurring items. This matches the richest plan in the industry.
  - TWU and AA commit to developing a Base Employee Gain Sharing plan, a variable compensation plan to be implemented with 180 days of date of signing.
- **Productivity & Workrules:**
  - Enhance 24/7 workforce at the overhaul bases, with shifts operating 24 hours a day, seven days a week, allowing more scheduling flexibility for employees and giving American the ability to compete with MRO companies by increasing production hours.
  - Change the labor loan clause to enable us to assign employees based on work load and need, instead of by labor agreement provisions exclusively.
  - Modify Transfer memorandum to reduce the bump and roll process.

- **Holidays:**
  - Increase total number of holidays from 5 to 8 per year.
  - Increase holiday work rate of pay from one-and-a-half times to double time on date of signing.
- **Vacation:**
  - Provide 2 “personal days” per year, effective date of signing. Employees may receive pay in lieu of taking the days, to be paid by January 31 of the following year.
  - Increase the accrual rate for employees with less than 5 years seniority to 80 hours of vacation a year, or two weeks.
- **Sick Leave:** Increase the sick leave accrual rate from 5 to 8 days per year and increase the maximum accumulation of sick time from 150 days to 250 days. This was made in conjunction with the Retiree Medical proposal.
- **Retirement Benefits:** Provide a defined contribution 401(k) plan for new hires.
  - After one year of eligible service, new hires will receive an automatic 2.5% company contribution to the Super Saver Plus 401(k) plan, based on qualified pensionable earnings with no employee contribution required.
  - After one year of eligible service, the company will also give a 100% match for employee contributions up to a maximum of 3%, for a total maximum company contribution of 5.5%.
- **Retiree Medical:**
  - **Current Retirees:** No changes to plans for current retirees.
  - **Current Employees 50 or older (with either 120 months prefunding or who opted into prefunding when first eligible):** No changes to current plans.
  - **Current Employees 49 or Younger**
    - **Pre-65:** Employees may fund Pre-65 retiree medical coverage with sick bank hours at a rate of 20 hours per month of coverage for themselves and all eligible dependents. Employee pre-funding does not apply and the Sick Leave article will be amended to accrue a maximum of 8 days per year and to change the maximum accrual to 250 days. If a retiree’s sick bank is insufficient to provide medical coverage until the retiree turns 65, the retiree will pay monthly premiums at the same rate as other groups that are post-funding for retiree medical coverage at that time (currently 25% of the cost).
    - **Post-65:** Retirees will have access to a guaranteed issue Medicare supplement plan with no company subsidy.
  - Employer prefunding contributions will cease at date of signing.
  - The Company and TWU will establish a joint committee as soon as possible to explore rollover options for employee prefunding balances. Absent an option identified, active prefunding balances will be refunded by 12/15/2010.
  - Eliminate the provision providing a \$25 per-sick-day payout upon retirement.
  - Under both options, the plan design will be the same as management, which includes preventive care in-network.
  - Increase medical life-time maximum from \$300,000 to \$500,000
- **New Hires**
  - **Pre-65:** New hires may fund Pre-65 retiree medical coverage with sick bank hours at a rate of 20 hours per month of coverage for themselves and all eligible dependents. Employee pre-funding does not apply and the Sick Leave article will be amended to accrue a maximum of 8 days per year and to change the maximum accrual to 250 days. If a retiree’s sick bank is insufficient to provide medical coverage until the retiree turns 65, the retiree will pay monthly premiums, actuarially based on family status and age bands at the retiree’s expense.
  - **Post-65:** Retirees will have access to a guaranteed issue Medicare supplement plan with no company subsidy.
  - The union and company will enter into a side letter to address the sick leave conversion method for SJU employees.

- **ASM Cap:** The current Eagle ASM Letter doesn't allow American to compete with other legacy carriers and their regional partners because of the number of American Eagle/American Connection available seat miles (ASMs) American may fly relative to the American Airlines ASMs across the network.

American wants the flexibility to increase the number of regional ASMs to optimize our network.

- Modify the cap from 6% to 10% with the current counting methodology, but excluding the following additional markets from the ASM Cap:
  - BNA, RDU, SJC, STL Eagle routing
  - Eagle pre-1993 ASMs
  - Markets in which AA and AE both fly
- **Duration of Agreement:** Establish the duration of the agreement as three years from May 5, 2010. This includes a provision which would allow either party to open 6 months early and a provision which would allow the TWU to open early on wages under limited circumstances.

**The TWU Stores committee asks for your patience as we prepare a full text tentative Agreement for your review prior to the ratification vote..**