



TWU Contract Negotiations Communication Update

The Mechanic and Related Negotiating Committee represents Aviation Maintenance Technicians, Overhaul Support Mechanics, Aircraft Cleaners, Parts Washers in Title I, also Plant Maintenance Mechanics, Plant Maintenance Man, Utility Man, Building Cleaners, Cabin Cleaners in Title II

1-888-4TWUUpdate

1-888-489-8873

**AA and TWU Reach Tentative Agreement for Mechanic & Related Contract
May 5, 2010 at 2:40pm CDT**

Compensation:

- o Signing bonus of 6% lump sum on date of signing for Title I and Title II Base employees.
- o 3% structural increase effective May 5, 2010.
- o 1.5% structural increase effective May 5, 2011.
- o 1.5% structural increase effective May 5, 2012.
- o Premium pay including:
 - ☞ Higher Capacity Premium: Increase to \$2.75/hour effective May 5, 2010.
 - ☞ Title I Line Premium: Increase to \$2.55/hour effective May 5, 2010.
 - ☞ Title II Line Premium: Increase to \$1.95/hour effective May 5, 2010.
 - ☞ Skill Premium for Machinists/Bench Avionics and Welders: Increase to \$5.00/hour, the equivalent of an AMT two-license premium, effective May 5, 2010.
 - ☞ Title I Line Midnight Skill Retention Premium: For shifts beginning between 2000 and 0400 hours, increase to \$1.50/hour.
 - ☞ 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.
 - ☞ Restore license premium to AMTs currently working in OSM positions and not being paid the license premium as a result of a reduction in force, 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.

- ☞ Base Employee Gain Sharing plan: Mutually commit to develop a variable compensation plan and implemented within 180 days from DOS.

(In the event the parties are unable to reach a resolution, a neutral third party will be retained to facilitate a resolution)

- o **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.

- **Scope:**
 - Upgrade remaining Tulsa Building Cleaners to Utility Men, to be paid at the Utility Men pay rate scale.
 - Upgrade Cabin Cleaners at DFW, LAX and ORD to Utility Men, to be paid at the Utility Men pay rate scale.
 - In order to provide options for affected Cabin Cleaners at DFW, LAX and ORD, Tulsa Building Cleaners, the company will offer the following voluntary separation package:
 - For employees who retire from AA or resign from AA under the 50/55 rule prior to January 1, 2011:
 - Retiree will keep current retiree medical benefits.
 - A special voluntary separation allowance of \$25,000.
 - For employees who resign from AA and forfeit any recall rights prior to January 1, 2011:
 - A special voluntary separation allowance of \$15,000.
- **Productivity & Work rules:** 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.
- **Shift Differential:** Increase test hop insurance from \$100,000 to \$200,000.
- **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.
- **Classifications & Qualifications:** Create a new classification that will provide opportunities for licensed Overhaul Support Mechanics (OSMs). This will allow some OSMs to receive a license premium and will let the base aircraft overhaul operation compete more effectively with MROs.
- **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. All SK days will be paid at 100%.
- **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 12/31/2010.
 - 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
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- **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.

• **ASM Cap:**

- 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
- Upon modification or elimination of this letter in each of the 7 AA/TWU labor agreements, Article 42: Job Security for Title I members will be amended to provide a new system job protection date of 6/6/2000.
- **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 early and a provision which would allow the TWU to open early on wages under limited circumstances.

The TWU M&R Negotiating committee asks for your patience as we prepare a full text tentative Agreement for your review prior to the ratification vote..