Understanding Your American Airlines Pension Estimate

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Six Clicks to Your Pension Estimate Page

It will take you a few clicks to get to the pension estimate page on Jetnet:

1. Log into Jetnet
2. Click on “Benefits” directly below the Jetnet logo on the masthead
3. Click “Benefits Service Center” at the top of the blue navigation pane on the left side
4. Click on “Pensions” on the masthead
5. Select “Estimate Your Pension”
6. Choose “Get Started with My Pension Estimate”
Run Your Estimate

To run a pension estimate, follow steps 1 through 3 on the Pension Modeling page and click “continue”. You may run as many scenarios as you want, and you may save them to compare.

For married retirees, the “Joint Annuitant” will be your spouse. Unmarried retirees will usually leave this step blank.
The seemingly complicated output can be decoded by understanding a few key decisions you will need to make to determine the right choice for you.

Rows and columns of numbers...which **ONE** should you choose?

Many unfamiliar terms make deciphering your benefit a challenge.
Beginning to Navigate Your Estimate

What is “Credited Service”?
- This is your years working for the company minus one, and is reduced if you have been laid off or were part time for a portion of your career.
- To receive a full year of credited service, you must work at least 1900 hours. If you work less, your credit for that year will be pro-rated.

Your age at retirement also affects your pension – full retirement is earned at age 60 and is reduced 3% per year if you retire earlier (to age 55).

Note: The illustration used throughout this document is for a retiree of age 61. Retirement scenarios that do not include a spouse or use ages eligible for social security benefits will result in fewer options.
Knowing Your Key Pension Decisions

• Your retirement decisions effect both you and your spouse.
  – Your decisions affect:
    • The amount of money you receive each month
    • The length of time that payments will continue
    • Whether payments are equal, or “front loaded” to pay more sooner
  – Dozens of payment options are offered, but there are only a few important decisions that you need to make to target the right option for you.
Who Should Receive Your Pension Payments?

- Do you want to receive payments only until you die?
  - This “Single Life Annuity Participant Amount” is the fourth line of your output, right after “Credited Service”.
  - It would pay you the highest monthly amount of any option (assuming you do not choose the “Level Income Option”, to be discussed later).
  - Your retirement income will increase when you begin collecting Social Security.
  - This decision would leave your spouse WITHOUT your pension income if you die before her/him.
  - In this case it is recommended that you purchase life insurance to provide for your spouse if he/she outlives you.

<table>
<thead>
<tr>
<th>TWU Qualified Monthly Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario</td>
</tr>
<tr>
<td>Final Average Salary</td>
</tr>
<tr>
<td>Credited Service</td>
</tr>
<tr>
<td>Single Life Annuity Participant Amount</td>
</tr>
<tr>
<td>50% Joint &amp; Survivor Annuity Participant Amount</td>
</tr>
</tbody>
</table>
Who Should Receive Your Pension Payments?

• OR...Do you want to receive payments until both you AND your spouse die?
  – Directly below the “Single Life Annuity Participant Amount” option are 4 pairs of payment options called a “Joint and Survivor Annuity”. An annuity is simply a series of monthly payments.
  – The “Participant Amount” will be paid while you are alive.
  – The “Beneficiary Amount” will be paid to your spouse for as long as she/he lives after your death.
  – Monthly payments would be smaller than the “Single Life Annuity” but would keep coming if your spouse lives longer than you.
  – In this case you would not need to purchase life insurance to cover your spouse.
Who Should Receive Your Pension Payments?

- The “joint and survivor annuity” can be elected so that all payments are equal (100% option) to you and your surviving spouse.
- Other options allow a higher payment during your lifetime and a reduced monthly payment for your spouse if he/she survives you.
  - The 50%, 66\(\frac{2}{3}\)%, and 75% options are simply variations of the 100% option that pay a higher monthly pension payment when you are alive than after you die.

<table>
<thead>
<tr>
<th>Annuity Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>75% Joint &amp; Survivor Annuity Participant Amount</td>
<td>$1,807.30</td>
</tr>
<tr>
<td>75% Joint &amp; Survivor Annuity Beneficiary Amount</td>
<td>$1,355.48</td>
</tr>
<tr>
<td>100% Joint &amp; Survivor Annuity Participant Amount</td>
<td>$1,699.88</td>
</tr>
<tr>
<td>100% Joint &amp; Survivor Annuity Beneficiary Amount</td>
<td>$1,699.88</td>
</tr>
<tr>
<td>120 Months Guaranteed Period Option Participant Amount</td>
<td>$2,096.27</td>
</tr>
</tbody>
</table>
Considering Social Security Payments: The “Level Income” options (retiree only)

The “Single Life Annuity with Age 62 Level Income Option (collect Social Security at age 62) pays a greater amount between your retirement date and age 62, but a reduced amount after age 62. A reduced Social Security benefit (full SS is collected at age 66) will offset your reduced pension benefit. This example does not provide a survivor benefit after you die.

Note that if you retire after age 62 your pension estimate will show these options as blanks.
Considering Social Security Payments: The “Level Income” options (joint & survivor annuity)

The next 16 rows are the four “Joint and Survivor Annuity Level Income” options.

- The “Joint and Survivor Annuity Level Income” option works just like the “Single Life Annuity Level Income Option” discussed on the previous page. The only difference is that your spouse will receive benefits if she/he survives you.
- Each choice has four possible payments: one pair for you or your survivor prior to collecting Social Security, and one pair for you and your spouse after you begin collecting Social Security.

<table>
<thead>
<tr>
<th>Plan Description</th>
<th>Participant Amount</th>
<th>Beneficiary Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Joint &amp; Survivor Annuity with Age 62 Level Income Option Pre-62</td>
<td>$2,556.01</td>
<td></td>
</tr>
<tr>
<td>100% Joint &amp; Survivor Annuity with Age 62 Level Income Option Pre-62</td>
<td></td>
<td>$1,699.88</td>
</tr>
<tr>
<td>100% Joint &amp; Survivor Annuity with Age 62 Level Income Option Post-62</td>
<td>$1,630.01</td>
<td></td>
</tr>
<tr>
<td>100% Joint &amp; Survivor Annuity with Age 62 Level Income Option Post-62</td>
<td></td>
<td>$1,699.88</td>
</tr>
</tbody>
</table>
Considering Social Security Payments: The “Level Income” options

Scroll past the next six rows called “Guaranteed Period Certain” options. The next 16 rows are additional “Level Income” options if you decide to collect Social Security later.

- The Level Income Options if you decide to collect Social Security at the normal retirement age of 66 (SSNRA stands for “Social Security at Normal Retirement Age”) work the same as the age 62 options, except they pay a greater amount until age 66, but a greatly reduced amount after age 66. A higher Social Security benefit will offset your reduced pension benefit, providing you with “level income.”
Guaranteed Period Certain Options

- The people who select this option usually have a terminal illness involving either the employee or spouse, or a situation where they need to have coverage for young children.
- If you anticipate that you and your beneficiary will live more than 20 years from your retirement, it is probably not the best option for you.
- This option is the only one that does allow you to change beneficiaries while receiving your pension.
- Please consult with a financial advisor before selecting this option.
- To learn more about this option contact an American Airlines Pension Specialist.
Final Check List: decide who should receive your pension payments

<table>
<thead>
<tr>
<th></th>
<th>Single Life Annuity (payments cease upon your death)</th>
<th>Joint and Survivor Annuity (payments cease after death of both you and your spouse)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>If the employee is in good health, life insurance could be cheaper than including your spouse in your pension choice.</strong></td>
<td>If the employee cannot get or afford life insurance due to poor health, it is probably better to include your spouse in your pension choice.</td>
<td></td>
</tr>
<tr>
<td><strong>You can change beneficiaries at any time on life insurance.</strong></td>
<td>Including someone on your pension will be a benefit only if they outlive you (you cannot change pension beneficiaries).</td>
<td></td>
</tr>
<tr>
<td><strong>If things get tight, you can always cancel your insurance policy.</strong></td>
<td>You will not have to worry about making payments to a life insurance company as your pension is reduced (level income options).</td>
<td></td>
</tr>
<tr>
<td><strong>Generally there are no income taxes on the benefits of life insurance policy.</strong></td>
<td>You won’t have to worry about the long term financial health of your life insurance company.</td>
<td></td>
</tr>
<tr>
<td><strong>In the event the employee and beneficiary are killed at the same time, the life insurance would be paid to your estate.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Final Check List: decide among pension options related to social security (you may not have all three options depending on your age)

<table>
<thead>
<tr>
<th>Single Life Annuity Participant Amount</th>
<th>Single Life Annuity with Age 62 Level Income Option</th>
<th>Single Life Annuity with SSNRA Level Income Option*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receive the same amount of money each month for rest of your life</td>
<td>If you need more monthly income now to provide a “bridge” until social security at 62.</td>
<td>Best hedge on inflation if you are a “good investor” but you will have little to live on after age 66 (smallest pension payment plus social security).</td>
</tr>
<tr>
<td>Receive the most total dollars if you live past age 74</td>
<td>If you die before age 74 you will receive the most total dollars of any Option.</td>
<td>If you don’t live until 74, this choice will pay you more total dollars than the Unreduced Option and could be best hedge against inflation.</td>
</tr>
<tr>
<td>You can start social security at 62, 66 or 70 with no change in your benefit so your income will increase.</td>
<td>Could result in higher taxes than the Unreduced Option; you do NOT have to start social security at 62 but your pension payments will still be reduced.</td>
<td>Could be higher on taxes than the Unreduced Option; you can start social security at 62 even if you take this option.</td>
</tr>
</tbody>
</table>

*SSNRA stands for “Social Security at Normal Retirement Age” which is 66 years of age.
If you are ready to retire, you should call 1-800-447-2000 at the bottom of your online pension estimate to receive a detailed pension calculation from Human Resources.
Final Thoughts

Chances are you will retire and start a pension of this magnitude only once in your lifetime. Talk to as many professional people as possible about your pension choices long before you have to make your final decision. Professional people such as bankers, accountants (taxes), financial advisors, your TWU pension/benefit representative, attorneys (wills and living wills etc.) and the AA Credit Union Financial Services are resources can be utilized without incurring expensive charges.

You should speak to a financial advisor about the following:

– Life Insurance
– When to start Social Security
– Taxes
– Inflation
– Pension Choice