

Air Transport Division



TRANSPORT WORKERS UNION OF AMERICA

Affiliated with American Federation of Labor-Congress of Industrial Organizations

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TO ALL TWU MEMBERS

April 7, 1992

Dear Brothers & Sisters:

We have recently concluded negotiations which resolved two serious problems affecting our membership.

The wage parity issue was addressed by providing all Crew Chiefs & Inspectors with a specific wage differential over their non-bid rate of pay. Differential rates effective 2/29/92 will be \$1.50 for Crew Chiefs, and \$1.25 for Inspectors. This will insure that no one in a bid position will be adversely affected as a result of the major reductions in non-bid progression schedules occurring during the life of this agreement.

We have also reached agreement on contribution levels affecting both Active and prefunded Retiree Medical Plans.

ACTIVE EMPLOYEE PLAN

Active employee premium increases will be capped at the Pilot rate.

PREFUNDED RETIREE PLAN CONTAINS MAJOR IMPROVEMENTS WITH NO CONCESSIONS

The new plan is designed to protect Retiree Health Care Coverage and provides:

1. Establishment of a trust which can be used for TWU members only
2. Effective 1/1/93, Company will match employee trust contributions \$1 for \$1
3. The trust is specifically designed so that employer and employee prefunding contributions and interest, can be used only for Retiree coverage of TWU members
4. An inflation verification procedure with the right to challenge future increases
5. After the employee retires, their individual trust

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5. After the employee retires, their individual trust account (contributions) will be drawn down over a 10 year period
6. If the employee dies or terminates employment with AA, the balance of his/her contributions, plus interest, will be returned to the employee, or his/her beneficiary or estate
7. If the Plan is unilaterally terminated, such as in bankruptcy, TWU members are entitled to return of their own contributions + interest, and company contributions + interest, which will be used to secure continuing medical coverage from an outside insurance carrier
8. An improvement in the premium formula with dollar caps for all employees

CURRENT FORMULA: If plan costs increase more than 5% per year, incumbent premiums increase from \$10 to \$12

Effective 1/1/93: new formula provides co-sharing of premium increases

EXAMPLE: 6% increase in retiree plan cost

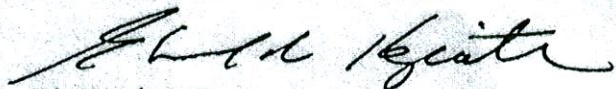
3% paid by company
3% paid by employee

incumbent \$10 monthly premium x 3% increase = \$10.30 monthly rate

Effective 1/1/93: Maximum incumbent increase in premium of \$1 over previous year

If the IRS doesn't approve this plan, TWU reserves the right to contest the entire prefunding program. We thank you for your support in resolving these difficult issues.

Sincerely & Fraternaly,



Ed Koziatek
Int'l Vice President
AA System Coordinator