

## **Pension Q & A's:**

**HOW DO THEY DETERMINE HOW MUCH MY PENSION WILL BE?** Your pension formula is described in the Summary Plan Description (SPD) found on JETNET. The formula in this plan cannot be reduced without a negotiated agreement ratified by the membership of APFA.

**WHEN I RETIRE WILL I HAVE AN INCOME?** If you are fully vested in the pension plan you are entitled to a pension in the form of a monthly annuity payable for your lifetime.

**WHAT DOES BEING FULLY VESTED MEAN?** You are vested if you have qualified for a pension benefit. When you can begin receiving your pension benefits depends upon when you stop working and your RES/YCS. You become vested when you:

- Complete five years of Vesting service or
- Reach age 65 or
- Are found to be totally and permanently disabled

Vesting service ends when your employment ends. You begin earning vesting credit from your date of hire. It is necessary to be paid 386 hours in a calendar year, and the credit is "all or nothing." If you are paid less than that, the year is not counted.

**HOW DO I EARN A YEAR OF CREDITED SERVICE (YCS) AND RETIREMENT ELIGIBILITY SERVICE (RES)?** YCS is based upon being paid 734 hours in a calendar year. However, this measure is not "all or nothing" like vesting, so if you are paid for less than 734 hours, you earn a partial year of credit. Since the pension freeze, you are no longer accruing years of credited service. Flight Attendants continue to accrue RES for each they earn 734 paid hours.

**WHEN DO I BEGIN EARNING YCS?** Your first rolling year, from date of hire for 12 months, with American is your "qualifying" year. You must be paid 386 hours in that year to gain entrance into the pension program. If you are paid less than 386 hours in your first year, you must be paid at least 386 hours in any calendar year to qualify on the next January 1. Once you qualify you are entered into the Plan. TWA/LLC Flight Attendants began accruing YCS under the American Airlines Retirement Plan on January 1, 2002. Accrual of years of credited service ceased on November 1, 2012 with the freeze of the pension plan.

**HOW DOES THIS END UP BEING COUNTED ON A CALENDAR YEAR?** Once you have satisfied the entrance requirement from date of hire, you are now on a calendar year basis. EXAMPLE: You were hired in June 1969. From June 1969 until June 1970, you were qualifying for entry. Upon completion of your year you have the 386 hours necessary to join the Plan; your entry date would be July 1, 1970. However many hours you flew between July and December 31 would be counted towards a proportion of a year. If you were paid for 367 hours in those six months you would accrue half of a YCS. Then, beginning January 1, 1971, your accrual would be on a calendar year basis and every year that you were paid 734 hours (an average of 61.17 9 hours per month) you would accrue a YCS. If you earned a YCS every year, you would have accrued 35.5 YCS at the end of 2005 based upon the June 1969 date of hire.

**HOW MUCH OF AN ANNUITY CAN I ANTICIPATE?** Your annuity is based upon a negotiated formula, which considers your FAC and your YCS multiplied by a fixed number. You can create an estimate of your pension by using the instructions found earlier in this packet.

**WHAT IS MY FAC BASED ON?** Your FAC is based on the average of your eligible pay for the highest consecutive 48 months out of the last 120 consecutive months that you work.

**WHAT IS INCLUDED IN MY "ELIGIBLE" EARNINGS?** Up to 1020 hours worth of pay per year (no more than 216 of which are incentive rates) are included in your eligible earnings as well as purser, language, narrow body lead, galley, longevity pay, lump sums and retroactive pay. Because all eligible pay is averaged over the course of a calendar year it is not important which months have higher earnings

**HOW DOES THAT WORK?** The Company takes your eligible annual earnings from payroll records, disregards any months with no activity, and then divides the income by the total by the number of months worked that year. That gives each month an average value. The 120 last consecutive months worked (the ones with no activity drop away) are then placed "end to end," and the highest 48 consecutive months are identified.

**ONCE THEY HAVE IDENTIFIED MY BEST 48 CONSECUTIVE MONTHS, WHAT'S NEXT?** The eligible earnings for the 48 months are used to determine a monthly average, which is then multiplied by 12 to produce an annual amount.

**WHAT IS THE NEXT STEP?** The FAC is multiplied by the set multiplier, which is 1.667%. **EXAMPLE:** After all of the calculations, your FAC equals \$47,000. When multiplied by 1.667% you get the number \$783.49.

**WHAT DOES THAT NUMBER REPRESENT?** That is what each of your YCS is going to be worth. **EXAMPLE:** Using the number we determined in the above for FAC for someone who had 35.5 YCS the total would be \$27813.89 for your annual pension value. (Multiply 33.5 YCS by \$783.49). Divided by 12 this would be \$2317.82 per month. This is your Single Life Annuity.

**When can I begin taking my pension?**

**CAN I TAKE MY PENSION EARLIER THAN 65?** If you have 10 RES service, you can get an unreduced pension as early as age 60.

**WHAT IF I WANT TO BEGIN MY PENSION AT AGE 55?** If you have a minimum of 15 years of RES and are at least age 55 you may take your pension early. However, if you begin your pension prior to age 60 there is a reduction in your benefit depending upon the age you begin your pension. The reduction is 3% per year but is calculated on a monthly basis of .025%, so if you begin 2 1/2 years before age 60 (at 57 1/2) your reduction will be 7.5% for your lifetime.

**WHY CAN'T I HAVE MY ENTIRE PENSION AT AGE 55?** The pension Plan is funded by AMR based upon the assumption that a full benefit will be available beginning at age 60, and on an assumption as to how long you will continue to receive such benefits after age 60. When you begin taking it early you will be receiving it for that many years longer than the calculations are based on. It is customary in pension plans to have a reduced annuity to compensate for the fact that you are likely to be receiving benefits for a longer period of time.

**WHAT IF I HAVE LESS THAN 15 YEARS OF RETIREMENT ELIGIBILITY SERVICE WHEN I**

**LEAVE?** If you leave before age 60 and are fully vested but don't have at least 15 RES, you will still receive a pension but you must wait to start it. If you have less than RES you must wait until age 65 to start your pension and then you will receive the full amount. If you have at least 10 RES, you can start your pension as early as age 60 but there is a reduction depending upon your age when you start because you left the Company before being eligible for early retirement. It is an actuarial calculation based on how many years before age 65 you start your pension.