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American Airlines to freeze pension plans as of Nov. 1



By Terry Maxon

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American Airlines officials informed employees Wednesday evening that Nov. 1 is the date upon which American will freeze their pensions. The freeze isn't a surprise – American has stated its intent to do so since March. But the effective date couldn't be set until new labor contracts were finalized.

With U.S. Bankruptcy Judge Sean Lane's order Wednesday approving three contracts, American now has new contracts in place with eight of its nine bargaining units, and voided the ninth, with the Allied Pilots Association.

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Denise Lynn, American's senior vice president of people, informed employees of the timetable for several matters:

-- The Nov. 1 freeze date for the defined-benefit pension plans. Employees will accrue benefits through Oct. 31, but nothing after that. Except for APA members, American will then match employee contributions to a 401(k) plan up to 5.5 percent of earnings.

"Similar to other employee groups, pilot pension benefits will continue status quo through October 31; as we don't yet a consensual agreement with the APA, replacement plan details will be determined at a later date," Lynn wrote.

Pilots rejected a tentative agreement on Aug. 8 that provided that American would contribute to a 401(k) plan an amount equal to 14 percent of their earnings. A 13.5 percent contribution, as provided in a "term sheet" American is relying on instead, was contingent upon the pilots' approval of a consensual deal.

The pilots' B Plan, a defined-contribution plan in which American put an amount equal to 11 percent of a pilot's pay, will be frozen as of Nov. 1 and terminated as of Nov. 30. The money in their accounts will be distributed to pilots.

-- People who retire on Nov. 1 or after will be under new rules in which employees pay the full costs for coverage.

"For those who retire under age 65, two retiree medical options are available at full costs. Those who retire at age 65 and over may purchase a guaranteed issue Medicare supplement plan."

-- Employees will see the new health insurance programs, including higher employee contributions and costs, beginning on Jan. 1.

-- Any employee who retires Nov. 1 or afterward won't be offered life insurance coverage.

For individual work groups, the company will communicate changes affecting them directly.

"There will be changes in our airport, maintenance and cargo operations, among others, as that process moves forward – and you should expect to receive more specific information about implementation plans from your operating leadership," Lynn said in her letter.

"Where these plans involve the outsourcing and job reductions announced previously, Worker Adjustment and Retraining Notification Act (WARN) notices will be mailed to those who may be affected. While this is the hardest part of the whole restructuring, I am encouraged that the actual number of involuntary reductions will be substantially less than originally expected as a result of the Early Out opportunities we were able to make available to people," Lynn added.

Keep reading for her entire letter

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This month marks another milestone in restructuring as we move forward with changes for all of American's people. With Court approval of our

agreements with the APFA and TWU now in place and permission to move forward with changes for pilots that are necessary for our restructuring, we will soon begin to implement universal changes to active medical, retiree medical and retirement benefit plans for everyone. Since these benefits are very important to you and your family, I wanted to make sure you received this information at home so you know what to expect over the next few months.

Among the key dates you should know:

- **Retirement Benefits:** On November 1, the Defined Benefit pension plans and the pilot B Plan will be frozen; within the next few days, plan participants will receive a letter giving official notice of the plan freeze in accordance with federal regulations. Remember, you retain all benefits earned up to the date of the freeze, and will be eligible to draw your pension at retirement in accordance with the plan, but will not accrue additional benefits after October 31. Starting on November 1, the company will instead contribute to eligible employees' \$uper\$aver accounts, matching dollar-for-dollar up to 5.5 percent of your eligible earnings. Additional information is available on the Jetnet Restructuring Resource Center. Similar to other employee groups, pilot pension benefits will continue status quo through October 31; as we don't yet have a consensual agreement with the APA, replacement plan details will be determined at a later date.

- **Retiree Health:** Anyone who initiates retiree medical coverage on or after November 1 will go into the new retiree medical program. For those who retire under age 65, two retiree medical options are available at full cost. Those who retire at age 65 and over may purchase a guaranteed-issue Medicare supplement plan. Flight attendants and TWU-represented employees will receive a refund of their prefunding contributions within 120 days. Information on the retiree medical plan options is also available on the Jetnet Restructuring Resource Center.



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- **Annual Benefits Enrollment:** New medical options and contributions will be implemented for all active employees on January 1, 2013. Annual enrollment for these health plans and other benefits will be held November 1 through November 16. This will be your opportunity to review your coverage choices and select benefits for 2013. A summary of the new medical options can be found on the Jetnet Restructuring Resource Center, and much more information will be provided in advance of the annual enrollment window.

In addition to these benefit changes, the company will now move forward with the implementation of other restructuring changes that vary by department or employee group. There will be changes in our airports, maintenance and cargo operations, among others, as that process moves

forward – and you should expect to receive more specific information about implementation plans from your operating leadership.

Where these plans involve the outsourcing and job reductions announced previously, Worker Adjustment and Retraining Notification Act (WARN) notices will be mailed to those who may be affected. While this is the hardest part of the whole restructuring, I am encouraged that the actual number of involuntary reductions will be substantially less than originally expected as a result of the Early Out opportunities we were able to make available to people.

I’ve attached a fact sheet that summarizes the universal benefit changes, as a reference document for your planning purposes. More information will be provided about all of these changes as we get closer to the effective dates. I also encourage you to visit the Workgroup Specific pages on Jetnet’s Restructuring Resource Center for more comprehensive information about the implementation plan for your employee group. Please take time to learn about the changes that may affect you and contact your manager with any questions about your own situation.

Thank you for your continued commitment to building a strong, successful new American Airlines.

Sincerely,

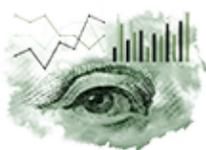
Denise Lynn



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