

LBFO Q & A – Benefits

updated 8-17-12

Q. If I am out sick or injured for 10 days or more, how does the direct billing of my monthly active medical contribution work? Does this change my coverage?

A. Attachment E of the LBFO under Active Medical while on Paid or Unpaid Sick or Injury states that on the 10th day of continuous absence of injury/illness, the Flight Attendant's 12 months of active medical coverage will begin. Flight Attendants in this situation will pay their active medical monthly contributions through the direct bill process established by the company. This does not mean the amount of your coverage will change. Rather it just means the method of payment will change. Rather than having the payments payroll deducted, you will be billed for your premiums similar to those who are on leaves of absence. [8-17-12]

Q. How will the annual cash-out of sick hours work? When does it start?

A. Attachment E provides that when your newly accrued sick hours at the start of each year are added to your short-term sick bank, if your short-term bank reaches or is already at its maximum of 60 hours, then half of the excess hours are paid out to you at your hourly rate. The other half of the excess hours go into your long term bank (up to its maximum of 940). This 50% cash-out of sick hours only applies to newly accrued sick hours beginning in 2014 and not those hours that currently exist in your bank. [8-17-12]

Q. If a Flight Attendant takes the VEOP and has already separated when the AA portion of the prefunding is distributed, will s/he still receive the payment?

A. Yes, they will receive a refund of the employer contribution, however it is contingent upon the successful completion of the 1114 process. [8-17-12]

Q. What is the plan regarding the 2013 retiree health plan?

A. AA's stated intent is to offer the 2012 management retiree plan with similar costs. [8-17-12]

Q. If I retire post LBFO ratification or Term Sheet implementation, what retiree health benefits will I receive: prefunded or post-funded? Will I be a part of the 1114 retiree group?

A. Your retirement health coverage will be dictated by your active status at the time of ratification/implementation and considered a part of the 1113 process. For those retiring post LBFO ratification or Term Sheet implementation you will receive prefunded benefits until AA actually applies the post-funded coverage. At that time, you will begin post-funding and be refunded any remaining balance of your prefunded benefits. [8-17-12]

Q. I have a high balance in my sick bank. The short-term/long-term combination seems complicated. Does this reduce the value of the sick time that I have earned over my career?

A. The company's 1113 Term Sheet contains very convoluted SK language and a real possibility that a great portion of your SK benefit would be reduced by 60% -- paid at only 60% of your hourly rate. Though a split bank is hardly ideal, with the short-term/long-term sick banks provided under the LBFO, accrued SK hours are still paid out on a trips-missed basis at 100% of your hourly rate. The short-term bank pays out for absences of less than 10 days, up to the hours in your short-term bank, which can hold a maximum of 60 hours. The long-

term bank pays out for absences of longer duration and requires authorization. SK accrual remains at a maximum of 36 hours per year. If your short term bank reaches its maximum of 60 when your yearly accrual is credited, one half of the additional hours would be paid out to you at your full hourly rate, with the other half going into your long-term bank (to its maximum of 940 hours.) [8-13-12]

Q. Does the company intend to direct bill for the Flight Attendant's monthly active medical contribution starting the 10th day of absence?

A. Yes. This includes while absent on SK and ID, as well as PL, OL, etc. [8-13-12]

Q. Does the requirement to purchase COBRA to continue health insurance after 12 months of absence include those on paid SK?

A. Yes. [8-13-12]

Q. Can a retiree purchase insurance for a dependent child?

A. Yes, you can have child dependents on retiree insurance. [8-13-12]

Q. What date does AA plan to refund the Flight Attendant's prefunding contributions?

A. The intent is to refund prefunding for all bargained groups within 90-120 days after the successful completion of the 1113 process. This is not anticipated to be prior to January. The employer contributions will be returned after the 1114 process is completed. [8-13-12]

Q. If a retiree is over 65, will s/he be eligible to purchase the retiree health for an under 65 spouse?

A. Yes, the over-65 retiree can purchase retiree health for her/his under-65 spouse. [8-13-12]

Q. When does the annual look-back period begin for purposes of maintaining subsidized health benefits?

A. Currently, the look-back period to maintain subsidized benefits is a rolling 12 months with a 420-hour threshold. This will remain in place - assuming ratification - through December 2013.

The first annual look-back period to maintain subsidized health benefits under the LBFO will occur August 1, 2013, looking back to January 1, 2013. Since that is only 7-months as opposed to the 12 months in a regular look-back period, (for purposes of the health enrollment period in the Fall of 2013), the 600-hour annual threshold for obtaining 2014 subsidized benefits will be prorated to 350 paid hours from January 1, 2013 to August 1, 2013.

Thereafter, beginning with the look-back on August 1, 2014, the required number of hours to maintain subsidized health benefits will be 600 annually. [8-12-12]

Q. With both a short- and long-term sick bank, which bank is credited for Sick Make Up flying?

A. The bank from which the last deduction occurred will be credited. [8-8-12]

Q. If a Flight Attendant retires before the LBFO is ratified, will they fall under the

1114 process for retiree medical?

A. If they retire today, they would fall under 1114, but if the 1114 process is prior to their retirement, they would fall under whatever was determined by the 1114. [8-8-12]

Q. Will the Flexible Spending Account be available to Flight Attendants enrolled in any of the health plan choices?

A. The FSA will be available with the Standard and Value options. The Core option participant can have a limited purpose FSA that could be used for non-medical eligible expenses like dental and vision. [8-8-12]

Q. If an employee who is out and receiving disability benefits takes the Voluntary Early Out Program (VEOP), will their severance payment have any effect on their disability benefits? How about the signing bonus?

A. Neither the VEOP lump sum, nor the signing bonus, will affect disability payments.

Q. If a Flight Attendant, married to another Flight Attendant/pilot/other AA employee, chooses to take the VEOP, would they be able to remain on the spouse's insurance?

A. Yes, as long as the spouse is an active employee. [8-8-12]

Q. If I take the VEOP, can I still be under my AA employee spouse's retiree insurance?

A. If the spouse is an active employee, the VEOP Flight Attendant can join the employee's coverage. Future retirees from AA must have separate coverage. [8-8-12]

Q. Can SK MU hours be cashed out?

A. No, but they can be used build up the short- or long-term SK banks, possibly resulting in a cash out. [8-8-12]

Q. Does AA plan to change or eliminate the dental and vision plans offered to employees?

A. No changes to the plan design/covered expenses for dental or vision are planned. No contribution changes are anticipated for vision. Any contribution changes to dental will be known by mid-August. [8-8-12]

Q. What about the attendance policy and Article 30?

A. The attendance policy is not changing. As far as Article 30.A goes, the company removed the retiree health benefits and life insurance associated with this benefit, but did not change the \$25,000 cash out or the 10 passes a year. [8-8-12]

Q. Under the sick policy, what happens if I am out more than 10 days and I don't get approval?

A. After the 10th day, they could deny you pay for the sick time. [8-8-12]

Q. Is the money from the company's portion of prefunding going into an HRA (Health Reimbursement Account)?

A. That has not worked out. It was too complicated to make the HRA work, so you will get all of your prefunded money refunded to you instead, both the amount that you prefunded plus interest, and the amount that the company matched into the fund. Your portion is

nontaxable, the company's portion is taxable. [Note: see paragraphs 4 and 5 of the "Updated Attachment G" linked to from the LBFO page.] [8-8-12]

Q. The threshold for benefits is 600 paid hours. If I am sick does that hurt me?

A. No, those hours will fall off. You will not lose benefits as a result. [8-8-12]

Q. Will preventive care be covered in the medical insurance?

A. Yes. [8-8-12]

Q. When will the new insurance and deductibles go into place?

A. January 1, 2013. [8-8-12]

Q. Will we have unlimited PVDs for FMLA? How will I be paid when I am out of PVDs?

A. They will be limited to six. You may then continue to use your current year vacation. [8-8-12]

Q. Is the self-funded retiree health available to those 50-55?

A. If the Flight Attendant becomes eligible for retiree coverage, but not before age 55. [8-8-12]

Q. What would be the lowest deductible on the three medical plans being offered, employee only?

A. The lowest deductible is in the most expensive plan:

-- \$300 in network in the Value plan at 112.50 per month

-- \$750 in network in the Standard plan at 70.69 per month

All of the published details are in the LBFO on page 16. [8-8-12]

Q. How will intermittent family leave (for myself) be affected by the sick policy?

A. Sick time will remain paid on a trips-missed basis. The main question will be which bank the sick time is used from as there will be a short term and a long term bank. The short term bank will apply to most intermittent FML that does not meet a company-created standard of essentially being catastrophic, for example, cancer treatment. Another example: migraines under the intermittent FML will only be allowed to access the short term bank. The short term bank will be capped at 60 hours per year. The long term bank will retain the balance of your sick time going forward (up to a total of 940). It may be used for any absence over 10 days and all of those absences will require medical validation. The change to PVDs will also impact those who choose to use PVDs while using intermittent FML. Very soon after ratification, PVDs will be paid at a daily rate of 3 hours per day, regardless of the value of the removed sequence. [8-8-12]

Q. What is the "company sponsored retiree medical option" described in Attachment G of the LBFO?

A. The attachment states, in part: "*Early retirees age 55 – 64 will have access to a company sponsored retiree medical option. Retiree contributions for this coverage will be 100% of projected annual expenses For 2012, the Company will offer the pre-65 plan design (which includes a provider network) offered to management employees.*" This is just providing access to a retiree plan. The employee will bear the entire cost. For the Retiree Standard Plan that would be \$461.96 a month for the Retiree only and that amount would

probably go up each year. [8-8-12]

Q. Am I reading correctly that if you have an absence that is longer than 10 days, you will be required to pay the full cost of your health insurance, and then after 12 months you will be dropped and have to pay COBRA?

A. After an absence of 10 days you would be required to make sure your regular active health premiums were paid. It would only be after 12 months that you would divert to COBRA rates. [8-8-12]

Q. When does the look-back period begin for purposes of maintaining employment with AA?

A. The annual look back period to maintain employment, requiring 420 paid hours, will run concurrently with VC and SK accrual and will begin on December 31, 2013, looking back to January 1, 2013. [8-4-12]