

## **Fleet Service Tentative Agreement Retiree Medical Q&A**

### **1. How does the tentative agreement change the FSCs retiree medical coverage?**

- A. FSC employees who are eligible and choose to retire up to ninety (90) days after date of ratification will see no changes to the prefunded Retiree Standard Medical plan.

FSC employees who are eligible and choose to retire ninety-one (91) days after date of ratification will see no change in the pre-age 65 retiree medical benefit; only the way FSC employees pay to participate in the coverage is changing. These FSC employees will pay a monthly contribution when enrolling in retiree medical coverage before age 65. The post-age 65 retiree medical coverage will be discontinued and future retirees will have the opportunity to purchase other plans to supplement Medicare coverage with no exclusions for pre-existing conditions.

### **2. Why did the Company want to change the funding of retiree medical coverage?**

- A. American is one of only two carriers to provide subsidized retiree medical coverage. Of the two, our plan provides a significantly greater benefit to retirees. Beyond the airline industry, only about 25 percent of U.S. employers subsidize or provide access to retiree medical.

As outlined in Flight Plan 2020, our commitment is to provide pay and benefits that are competitive in the industry. As part of that commitment, the company will continue to pay a significant portion of the cost of retiree medical coverage before age 65. Once retirees are eligible for Medicare at age 65, retirees will have guaranteed access to Medicare Supplement coverage regardless of preexisting conditions. Medicare supplements are offered by numerous insurance companies. Should you choose to go through United Healthcare, they offer a dedicated phone line for American's retirees. The Medicare supplement plans offered by them provide more choices, flexibility and coverage than under the current Post-65 American plan.

### **3. What is the average age a FSC employee is retiring?**

- A. The average age of FSCs retiring today is age 62.

### **4. Will the other union-represented workgroups receive the same changes to their retiree medical coverage?**

- A. This retiree medical change is currently exclusive to the FSC workgroup that has reached a tentative agreement. Retiree medical benefits are contractual for unionized employee groups. The AA/TWU agreements covering Maintenance Control Technicians, Ground School and Pilot Simulator Instructors, which have been ratified, include changes to Retiree Medical that are similar to FSC, in that it involves a post funding methodology, however, they have a few differences as well.

<b>PREFUNDING</b>
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### **5. What is the average prefunding balance?**

- A. The balance in the FSCs prefunding retiree medical account depends on when the employee began paying into the program and at what age. Most employees who began paying into the

program in 1990 will have about \$5,000 in their account. That amount will be refunded to the employee with investment earnings and can be used to invest or fund future medical coverage when you retire. At the current single retiree contribution of \$59.42, a prefunding balance would cover nearly 84 months or about seven years of retiree medical, or about three and half years if you're covering yourself and spouse or domestic partner.

Year Began Prefunding	Age Began Prefunding	Approximate Prefunding Balance	Approximate # Months of Pre-65 RM Coverage (Employee only)1/	Approximate # Months of Pre-65 RM Coverage (Employee +1) 1/
1990	30	\$5,000	84	42
1995	45	\$13,000	218	109
2001	30	\$2,000	33	16
2001	45	\$9,000	151	75

1/ based on 2011 monthly cost of \$59.42 per person per month

**6. How can FSC employees find out his/her current prefunding balance?**

A. The company has developed a tool for FSC employees to review how the tentative agreement changes will impact their total compensation package. The FSC employee can find their prefunding balance information in this tool. Go to Jetnet Home Page > TWU Resource Center (located on the right column under Resources) > "Click to Access the TA Tool"

**7. How long will FSC employees continue to prefund for retiree medical coverage?**

A. Prefunding for retiree medical coverage remains in effect up to ninety (90) days after date of ratification and FSC employees will continue to pay into their prefunding account until this time. **Ninety-one (91) days after date of ratification**, all FSC employees will receive a refund of their prefunding account with investment earnings by June 1, 2012.

**8. When can FSC employee expect to receive their prefunding refund?**

A. We expect that FSC employees will receive the balance of their accounts, with investment earnings before June 1, 2012.

**9. Can a FSC employee defer his/her prefunding to their 401(k)?**

A. Prefunding is not eligible for deferral to a 401(k) account. American must first refund the amount to employees. After prefunding is refunded, employees can elect to increase 401(k) contributions. We strongly encourage employees to speak with a financial advisor or the AA Credit Union to help with any investments decision including options for planning for future retiree medical coverage.

**10. What happens to the employer's contributions that are in the prefunding trust?**

A. The employer contributions will be used exclusively to pay administrative costs and medical claims for TWU-represented participants per the Plan

**11. What happens to future employer contributions to the prefunding trust?**

A. 91 days after date of ratification, employer contributions will cease when FSC employee contributions cease. There will be no future contributions made to the prefunding trust beyond the 90 days after date of ratification.

**12. Can a FSC opt out of prefunding for retiree medical today?**

- A. Yes, a FSC could stop prefunding and opt out of the current plan, but the FSC would waive his/her rights to company-paid retiree medical benefits. In this scenario, the FSC would not be eligible to receive their prefunding balance until you leave the company or 91 days after date of ratification. Review the current language in Article 41.M.9.

**13. An FSC employee is 55 and did not prefund when first eligible but did begin prefunding last year. What happens to the FSCs prefunding for retiree medical? Is the FSC eligible to retire between now and up to ninety (90) days from ratification?**

- A. Your prefunding requirements are governed by Article 41(m) of the current AA/TWU agreement. Article 41(m) requires 10 continuous years of prefunding in order to be eligible for retiree medical at the time you choose to retire. If you have not prefunded for 10 continuous years, you are not eligible for coverage.

<b>Questions for FSC Employees Eligible and Considering Retirement up to 90 Days after Date of Ratification</b>
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**14. A current employee retires at age 65 up to the 90 days from date of ratification. His spouse is age 60. Do the employee and his spouse both have retiree medical coverage? What is the retiree medical coverage provided by American for the retiree and spouse?**

- A. The FSC would have American's retiree medical coverage for post age 65 retirees. This coverage is secondary to Medicare, and the retiree must enroll in Medicare Part A, B, and purchase a Part D prescription drug plan. American's secondary retiree medical coverage offers \$50,000 in medical maximum benefit. The retiree's spouse would have retiree medical coverage; the spouses' coverage is primary coverage and offers \$50,000 in medical maximum benefit.

**15. If an active FSC is already age 65 on the date of ratification, if he retires on date of ratification what happens to his retiree medical?**

- A. If the FSC chooses to retire up to ninety (90) days after date of ratification, the FSC will be eligible for post-age 65 retiree medical coverage, just like today. See answer in #15 above.

**16. Using #15 example above, what happens if the FSC spouse is under age 65, is she/he eligible for American's retiree medical coverage?**

- A. In addition to the answer in #15 above, if the FSC employee retires up to the (90) days from date of ratification, the FSC spouse would be eligible for retiree medical coverage. The coverage is limited to a medical maximum benefit of \$50,000 which is based on the retiree's eligible coverage.

**17. A FSC decides to retire up to ninety (90) days after date of ratification, what happens to his/her spouses' retiree medical coverage should the FSC die?**

- A. Coverage for your spouse depends on your spouse's age at the time of your death.

If your spouse is under age 65 at the time of your death: Coverage for your spouse continues until your spouse reaches age 65, becomes eligible for Medicare or remarries, whichever occurs first. At that time, coverage ends.

If your spouse is age 65 or over at the time of your death: Coverage for your spouse continues for six months following your death, even if your spouse is covered by Medicare or becomes eligible for Medicare during the six-month period.

<b>Questions for FSC Employees Eligible and Considering Retirement 91 Days after Date of Ratification</b>
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**18. Pre-Age 65 Retiree Medical – 91 Days after Date of Ratification**

Current eligible FSC will continue to have retiree medical coverage when they retire before age 65.

The company will continue to pay a large majority of a retiree's medical coverage before age 65.

What is changing is when and how future FSC retirees will pay for their portion of retiree medical coverage. Rather than prefunding as they do now, their prefunding balance will be returned by June 1, 2012 and once retired, future FSC retirees will pay a monthly contribution for pre age 65 retiree medical coverage. Monthly contributions for the Retiree Standard Medical Plan will be the same as the contributions paid by active employees for the contractual Value medical option.

For 2012, 2013, 2014, and 2015 future FSC retirees will pay \$59.42 per person per month for the Retiree Standard Medical Plan. At this current rate, the company is paying more than 85 percent of the cost of the Retiree Standard Medical Plan. This contribution could change in future years, as active medical contributions change in the future.

**19. Post-Age 65 Retiree Medical – 91 Days after Date of Ratification**

We are discontinuing the current post age 65 retiree medical option for employees eligible for retiree medical coverage 91 days after date of ratification.

Once retirees reach age 65 and become eligible for Medicare, they will have the opportunity to purchase a Medicare Supplement plan. The supplemental plan will be guaranteed access, which means there will be no restrictions for preexisting conditions.

There are a variety of Medicare Supplement plans to choose from. For example, in Texas supplement plans can range from \$28 to \$200 per person per month, depending on desired coverage levels, state and location.

**20. What are the 2011 contributions for the pre-65 Retiree Standard Medical Plan for a retiree only? Retiree with one dependent (+1)? Retiree with two (2) or more dependents (+2)?**

A. In 2012, the retiree only contribution is \$59.42 per month. For retiree +1, the contribution is two times that rate or \$118.84 per month. For retiree +2, the contribution is \$178.26 per month, or three times the retiree only rate. Again, these rates will not change for 2012 – 2015 and can change as the price of employee-only rates in the coverage for active employees contractual Value medical option changes in 2016 and beyond.

**21. Will the Retiree Standard Medical Plan (RSMP) cost the future FSC retiree more money in the long run?**

A. We can't predict the rate of healthcare inflation, but the company continues to pay the majority of the cost of the plan, and with this change retirees will pay the same contributions for coverage that active employees pay for Value medical option coverage. Future retirees monthly contributions may be higher or lower than the amount a FSC employee is paying today in the

prefunding program, depending on when the FSC employee started prefunding and their age when first eligible to prefund.

**22. What is the Value medical option?**

- A. In the tentative agreement, the Value medical option becomes the contractual coverage offered to FSC active employees, this medical option was introduced in 2011 for FSC employees. Retiree medical rates are tagged to this medical option for retiree medical pricing purposes only. So, retirees can pay the same contribution for pre-65 coverage they would pay if they were active employees enrolled in the Value medical option. For coverage, retirees will receive the Retiree Medical Standard Plan medical option that includes a network co-insurance coverage paid by American at 80% and out-of-network co-insurance coverage paid by American at 60%, the plan design is not the Value medical option.

**23. How does the cost of our retiree medical coverage compare to the cost for Management and Support Staff retiree medical coverage?**

- A. In 2011, Management employees and Support Staff will pay a monthly premium of \$115 a month per person, compared to \$59.42 for future FSC retirees. As with the Management and Support Staff plan, future FSC employees who retire at age 65 or older would have guaranteed access to purchase Medicare Supplement coverage regardless of pre-existing conditions.

**24. If an active FSC is already age 65 on the date of ratification, and waits to retire 91 days after date of ratification, what happens to his retiree medical coverage?**

- A. If the FSC chooses to remain an active employee and does not retire until 91 days from date of ratification, he/she will be refunded their prefunding account with investment earnings and can use this refund to pay for a guarantee issue Medicare Supplement Plan.

**25. Using #25 example above, what happens if the FSC spouse is under age 65, is she/he eligible for American's retiree medical coverage?**

- A. If the FSC employee 91 days from date of ratification, the FSC spouse would not be eligible for pre-65 retiree medical coverage since the FSC is not eligible for pre-65 retiree medical coverage at the time of retirement. The employee's spouse would be eligible for 36 months of COBRA continuation from the active medical coverage at the time the FSC retires.

**26. How does the post-funding for retiree medical work? What happens if I forget to make a payment?**

- A. Upon retirement, an FSC can enroll in retiree medical coverage any time between the ages of 55 up to age 65. The FSC could retire at age 55, but decide to defer their retiree medical coverage until age 60. At age 60 (or when first retired) the FSC would contact HR Services and advise they would like to enroll in retiree medical. After enrollment the FSC will receive a monthly invoice for their retiree medical coverage. They may elect ACH (automatic check withdrawal) or EFT (electronic fund transfers) from their checking or savings account to avoid missing a payment. If the retiree misses a payment, coverage will be terminated and the FSC retiree is not eligible to reenroll in coverage again.

**27. Once a FSC employee retires and begins paying monthly contributions for retiree medical coverage, can the FSC retiree move from the Retiree Standard Medical option to the Retiree Value Plus option?**

- A. Yes, during annual enrollment the retiree can move from the Retiree Standard Medical (RMP) option to the Retiree Value Plus or vice versa; however, if the retiree has reached their Medical Maximum Benefit of \$300,000 in the Retiree Standard Medical option before the plan year ends, they will no longer be eligible for retiree medical coverage and thus “not eligible for coverage” in the Retiree Value Plus.

Example 1: Retiree is enrolled in RSMP and in September 2012 the retiree spent \$300,000 of their medical maximum benefit. This retiree is no longer eligible for retiree medical and cannot move to the RVP because the retiree has exceeded the coverage in the medical option they were enrolled.

Example 2: Retiree is enrolled in the RVP and has spent 600,000 in medical maximum benefit. The retiree wants to move back to the RSMP during annual enrollment; the retiree would not have any eligible benefits left in the RSMP because they have exceeded the \$300,000 in medical maximum benefit; thus the retiree should remain in the RVP which offers a medical maximum benefit of \$1,000,000.

**28. A current employee retires at age 65 and it is 91 days after date of ratification. His spouse is age 60. Do the employee and his spouse both have retiree medical coverage? What is the retiree medical coverage provided by American for the retiree and spouse?**

- A. The retiree medical coverage with a medical maximum benefit of \$50,000 is being discontinued. The retiree will choose Medicare Supplement Plans from American’s administrator partner with or another administrator of their choice. The spouse would not have a retiree medical option to enroll in, but is eligible for 36 months of COBRA continuation from the active medical coverage the retiree was previously eligible for as an active employee.

The COBRA continuation cost for the Value medical option in 2012 is \$476.38 per month for 1 participant. This is coverage without any medical maximum benefit; this is not retiree medical coverage. Once COBRA coverage has lapsed, the spouse will be able to find coverage in the marketplace through the state healthcare exchanges, which will be available in 2014.

**29. A current FSC employee retires at age 60 and it is 91 days after date of ratification. His spouse is age 58. Do the employee and his spouse both have retiree medical coverage? What is the retiree medical coverage provided by American for the retiree and spouse?**

- A. If the FSC employee leaves 91 days after date of ratification and he is still under age 65, he and his spouse will have pre-65 retiree medical coverage until each of them reach age 65, the retiree medical maximum benefit for each of them is \$300,000. But he will receive his prefunding refund back and he will pay a monthly contribution of  $\$59.42 \times 2 = \$118.84$  until he reaches age 65, and then his spouse will pay \$59.42 monthly until she reaches age 65. (NOTE: these contributions are frozen through 2015, and are subject to the same increase as active employees increase in the Value medical option). When each of them turn age 65, they will enroll in Medicare Part A & B, and purchase a Part D plan and provided they need a Medigap (Medicare Supplement Plan) plan they will purchase this option as well (the only coverage that goes away is the retiree medical maximum benefit of \$50,000).

**30. A FSC decides to retire 91 days after date of ratification and the FSC is under age 65, what happens to his/her spouses’ retiree medical coverage should the FSC die?**

- A. Coverage for your spouse depends on your spouse's age at the time of your death.

If your spouse is under age 65 at the time of your death: Coverage for your spouse continues until your spouse reaches age 65, becomes eligible for Medicare or remarries, whichever occurs first. At that time, coverage ends.

If your spouse is age 65 or over at the time of your death: Coverage for your spouse continues for six months following your death, even if your spouse is covered by Medicare or becomes eligible for Medicare during the six-month period.

## MEDICARE

**31. If a FSC is already age 65 and is not planning to retire, is the FSC required to enroll in Medicare Part A, B, and D? What happens to the FSC active medical coverage?**

- A. While an employee is actively working, American's active medical plan is considered primary coverage. The employee can enroll in Medicare (if they choose) but is not required to enroll. Upon retirement, the employee will be provided with a Credible Coverage letter that can be presented to Medicare for late enrollment without penalty to Medicare Part A, B, & D.

**32. What is a Medigap plan?**

- A. Medigap is another term for Medicare supplement plans. There are a number of options available to American's retirees, all of which are "guaranteed issue," meaning anyone will be eligible, regardless of medical history or condition.

**33. Who offers a Medicare supplement and what are the monthly premium costs?**

- A. Medicare supplements are offered by numerous insurance companies. Should you choose to go through United Healthcare, they offer a dedicated phone line for American's retirees. The Medicare supplement plans offered by them provide more choices, flexibility and coverage than under the current Post-65 American plan.

**34. What are the monthly premium costs for a Medicare supplement?**

- A. For 2010, the national average monthly payment for Medicare supplement coverage ranges from \$81 to \$183 per person, depending on the plan and coverage level selected.

**35. Do I have to purchase a Medicare supplement at age 65 or when I become Medicare eligible?**

- A. No, you do not have to purchase a Medicare supplement plan at age 65, but you may be subject to a penalty based on age if you decide to purchase it at a later time.

## AMERICAN'S AGE 50 – 55 RULE POLICY

**36. If a FSC employee would like to leave American under the 50 - 55 rule, can he/she leave up to the ninety (90) days of ratification and keep his/her prefunding for retiree medical coverage?**

- A. An employee choosing to leave American under the 50 – 55 Rule is considered to have resigned. Provided the employee met all eligibility requirements for retiree medical coverage at the time of resignation, the employee may enroll in retiree medical at age 55 up to age 65. In this situation, if the employee has not reached age 55 by ninety (90) days **prior** to the date of ratification, the employee will be refunded their prefunding with investment earnings, and when

the employee reaches age 55, he/she will be eligible to purchase pre-65 retiree medical coverage at the monthly contributions that active employees pay for the Value medical option.

**37. What retiree medical option would a current employee who is 50 or older who has not prefunded, and did not prefund when first eligible?**

- A. If a FSC is 50 or older and did not prefunded, provided the FSC meets all other eligibility requirements for retiree medical at age 55, the FSC will be eligible for retiree medical coverage and will pay monthly contributions.

**38. What happens to current employees age 50 or older who have not prefunded for 10 years, but have prefunded since they were first eligible?**

- A. If a FSC is 50 or older and has not reached the minimum of 10 years of prefunding, the FSC will be refunded their prefunding with investments and will be eligible to pay monthly contributions for pre-65 retiree medical coverage.

<b>AMERICAN'S SUPPLEMENTAL MEDICAL PLAN</b>
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**39. What happens to Supplemental Medical when I turn 65?**

- A. Supplemental Medical requires an underlying AA plan. As a retiree, you would no longer be enrolled in an AA plan when you turn 65, so Supplemental Medical would not apply.

**40. What happens to my Supplemental Coverage for my wife if I turn 65 and she is still under 65?**

- A. The AA Supplemental Medical benefit is a non-contractual supplemental medical benefit and is designed to supplement an AA medical plan. Under the current Supplemental Medical benefit, as long as the wife has AA retiree medical coverage, the supplemental medical will apply until the spouse reaches age 65.

**41. If the retiree purchases American's Supplemental Medical plan, is this plan available for the spouse?**

- A. American does offer Supplemental Medical with an additional benefit of \$500,000 coverage. At retirement and upon entering American's retiree medical coverage, this option is available to both the retiree and their spouse. This benefit supplements American's medical plan only, it does not supplement other healthcare coverage. This medical option will be discontinued on December 31, 2013 or when the Health Insurance Exchanges are fully operational in all 50 States.

<b>NEW HIRES ON OR AFTER DATE OF RATIFICATION</b>
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**42. Will retiree medical be offered to new hires?**

- A. Yes, new hire FSC employees hired on or after date of ratification will be eligible to participate in American's pre-65 retiree medical coverage provided they meet the retiree medical eligibility at retirement. Employees hired on or after the date of ratification will pay 100% of the retiree medical option coverage.