

The Association.



THE TWU-IAM ASSOCIATION

Mechanic & Related, Fleet Service and Stores Pay Increase Q & A

General

Q: What improvements are included in the interim agreement?

A: On average, the interim agreement provides immediate pay increases ranging from 15 to 36 percent for Mechanic & Related employees, and an average 24 percent for Fleet Service employees, 31 percent for Tower Planners and 55 percent for Weight & Balance Planners. The average pay increase percentage by classification is available in the table to the right. All pay scales and associated premiums are available: [Fleet Service](#):

<http://www.usaamerger.com/wp-content/uploads/2016/08/Executed20AA20Fleet20Pay20Adjustment20LOA-2.pdf>, [Mechanic & Related/Stores](#): <http://www.usaamerger.com/wp-content/uploads/2016/08/Executed20AA20MR-Stores20Pay20Adjustment20LOA.pdf>.

Mechanic & Related Average Pay Increases by Classification (including license premiums)

- AMT/Mechanics: 23%
- Cleaners: 15%
- Inspectors: 25%
- Maintenance Control Technicians: 15%
- Maintenance Support Persons: 20%
- Maintenance Training Specialists: 23%
- Overhaul Support Mechanics: 22%
- GSE/Plant Maintenance: 26%
- Quality Assurance Auditors/Consultants: 16%
- Stock Clerks: 19%
- Planners: 29%
- Tech. Documentation Specialists: 36%

The agreement also means an increase in your profit sharing checks next spring, since profit sharing is calculated based on your eligible earnings for the full year.

Since IAM members do not currently receive matching contributions in the American 401(k) plan, the company will increase its contribution to the IAM National Pension Plan to ensure all Association-represented employees are treated equally.

As part of this agreement, the Association agreed to a uniform cross utilization. Today, under the IAM contract, legacy American TWU Mechanic & Related and Fleet Service employees can perform work on legacy US Airways aircraft at a station where both TWU and IAM are represented. However, the opposite is not the case. The flexibility the parties agreed to will allow both IAM and TWU Mechanic & Related and Fleet Service employees to perform work on either legacy

Fleet Service Average Pay Increases

- Fleet Service: 24%
- Weight & Balance: 55%*
- Tower Planners: 31%

*These employees are being compensated to be more closely aligned with United's Weight & Balance Planners who are covered by a separate collective bargaining agreement.

carrier's aircraft. If the company uses this flexibility at a station, Association- represented employees, by classification cross utilized, would be protected at that station.

Q: Why now?

A: Both the TWU-IAM Association and American Airlines believe Association members should not have to wait to receive the industry-leading wage rates they deserve, and the company should not have to wait to realize the efficiencies that cross-utilization will bring . Both parties know that through continued negotiations, we can reach complete agreements for Mechanic & Related, Fleet Service, Stores and all others represented by the Association. In the meantime, this is an unprecedented way to address employees' priorities.

Q: What about other contractual changes like outsourcing, benefits and work rules?

A: Both parties will continue negotiating these important contract articles. As negotiations continue, these issues will remain unchanged from the existing agreements.

Q: Will this affect the pace of negotiations?

A: No. Both parties are committed to reaching joint collective bargaining agreements as quickly as we can.

Q: Could you explain what "date of signing" and "pay rate implementation" mean?

A: Date of signing/effective date is Aug. 5, 2016. The pay rate implementation date (early November) is the date these pay changes will be reflected in your paycheck. There will be some steps between then (addressed elsewhere in this Q&A), including a lump sum payment.

Q: When will the company begin increasing its contribution to the IAM pension plan?

A: Increased contribution rates are effective as of Aug. 5, 2016.

Q: What about the American 401(k) plan match for TWU-represented employees?

A: Since the 401(k) contributions are tied to your eligible earnings, these increases, inclusive of the lump sums/supplemental checks, will be reflected in the company's contribution to your 401(k).

Q: Are Association represented Simulator Technicians/Flight Simulator Engineers included in the interim agreement?

A: No. Both parties are continuing the negotiations process, and hope to reach joint collective bargaining agreements for these groups soon. American remains committed to paying these employees industry-leading wages.

Pay – All

Q: How were the new rates determined?

A: For all Association members, the union and company analyzed the highest wage rates in the airline industry for each classification and job group. Based on that analysis, both parties agreed to the industry-leading wage rates negotiated in the Interim Wage Agreement.

Q: When will the new rates become effective?

A: The new rates became effective Aug. 5, 2016. There are a number of programming changes to make to get the new rates and pay scales implemented, so employees will receive a lump sum in advance. More details on the lump sum, please see pages 6-7.

Q: What are the Mechanic & Related premium changes?

A: License, line and skill premiums will be the higher of the existing legacy American or legacy US Airways premiums and will now be the same for both legacy American TWU- and legacy US Airways IAM-represented employees.

Q: Does this pay increase involve employees who were previously unrepresented at legacy American but are now represented by the Association?

A: Yes, among other benefits of being covered by a collective bargaining agreement, Planners, Quality Assurance, Maintenance Training Specialists, Tower/Central Load Planners, and Technical Document Specialists will receive the pay increases.

Q: Will GSE/Plant Maintenance employees get these increases, too?

A: Yes. All GSE/Plant Maintenance employees are included. They will receive increases averaging 26 percent.

Q: How are the lengths of the pay scales changing?

A: The lengths of the pay scales are modeled on other major carriers' scales in like classifications so valid comparisons regarding industry-leading wages rates could be made.

Q: What does this mean for employees who are still on probation? Do we get the increase as well or do we get the increase after the probation period expires?

A: Yes. Increases apply to active employees on payroll as of Aug. 5, 2016, whether on probation or not.

Q: How will we keep track of overtime and comp time over the next 90 days?

A: The company will keep track of it the same way it always does. For legacy American employees, it'll be tracked in AutoTA and for legacy US Airways, it'll be tracked in WorkBrain. As it relates to the lump sum payment, if your lump sum payment assumed you worked 40 hours, but you actually worked 40 hours and 4 hours of overtime, the company will true it up in a separate payment (the separate payment will be paid by or in early January 2017).

Q: I moved into the Association post-merger as a Tower or Maintenance Planner. Did you use my company seniority to slot me on the new pay scale?

A: Yes. Your company seniority date as of Aug. 5, 2016 was used to slot you in on the new pay scale.

Q: What if I am at Top of Scale (TOS) currently, but my seniority doesn't reach TOS in the new steps?

A. If you were TOS prior to Aug. 5, 2016, you will be TOS moving forward.

Q: Does this mean our health insurance will change?

A: No. This agreement has no impact on health insurance premiums. Represented employees will remain on their respective health plans until a joint collective bargaining agreement is in place. Any increases in premiums will be in accordance with the respective existing collective bargaining agreements.

Q: I'm out on short-term disability, which covers 50 percent of my wages. As a legacy American employee, will my disability pay change as a result of this interim agreement?

A: No. Disability benefits are based upon the wages as of the first date of disability for legacy American plans.

Q: Will there be further increases for the Association-represented employees in subsequent years?

A: Yes. The existing contractual increases due in September 2017 still apply. Any additional increases will be determined when a full JCBA is reached.

Q: What is an example of how the flex rate works?

A: Here's an example:

- A new-hire legacy American Fleet Service employee works in a location using the flex rate scale.
- He or she was hired in at \$13.43 per hour, which is the third step on the current pay scale.
- Based on the new rates, this employee would move to \$16.55 per hour, which is the third step on the new pay scale.
- The employee will remain at \$16.55 per hour (the third step on the new scale) until he reaches four years of service. At that time, he or she will move to \$17.79 per hour (the fourth step on the new scale).

Pay – Mechanic & Related Specific

Q: Currently our contract states that the auditors are QA-Consultants. What is the QA Coordinator job title listed in David Seymour's Aug. 5, 2016 letter?.

A. These previous job titles are IAM CBA-covered auditors and legacy American auditors. These job titles are now combined as the QA Coordinator title, represented by the Association.

Q: The communication says that effective Aug. 5, 2016 MTS and MLS wages are equal to United's newest rates + 1 percent. By newest rates, do you mean the rate that is effective Nov. 15, 2016?

A: Yes. The new rates for our MTS and TOS MLS employees will be United's newest agreed upon rate (which is effective for them on Nov. 15, 2016) +1 percent.

Q. How are legacy American AMTs (AMTOs) or Plant Maintenance Mechanics currently at the pay rate of \$22.47 being slotted on to the new scale?

A. All legacy American AMTs (AMTOs) and Plant Maintenance Mechanics currently at top of scale (TOS) prior to Aug. 5, 2016 will remain at TOS regardless of years of service; however, if you were not at TOS prior to Aug. 5, 2016, the step you are currently on, regardless of actual seniority, is where you will slot into the new pay scales. For example, a legacy American AMT being paid rate of \$22.47 prior to Aug. 5, 2016, will move to the new rate of \$28.93.

Pay – Customer Experience Specific

Q: Will Tower Planners and Weight & Balance Planners get these increases, too?

A: Yes. Those groups will also benefit from moving to the new pay scales.

Cross-Utilization – All Groups

Q: Why the need for the cross-utilization language?

A: One of the benefits of the merger is the ability to schedule planes where needed most. The cross-utilization provision, by this agreement, allows legacy US Airways IAM-represented employees to perform legacy American work and legacy American TWU-represented employees to perform legacy US Airways work. The flexibility agreed to means the company can schedule the airline more efficiently and allows the workforce to more effectively maintain the fleets.

Q: Does the cross-utilization language extend to contractors/vendors?

A: No. The provisions in the IAM and the TWU collective bargaining agreements regarding contracting work, are status quo.

Q: Does cross utilization extend to groups who moved into the Association post-merger?

A: Yes, it applies to groups who moved into the Association post-merger (i.e. Auditors, Tech Doc Specialists, Planners and Central Load Planners as four different groups).

Q: When will cross-utilization begin?

A: The company would determine when any cross utilization occurs. Local stations will be notified when this practice is employed, which can also be used for the previously unrepresented groups.

Q: What does the local station protection mean?

A: Association-represented employees will be protected from being involuntarily displaced by the company, when and if the cross-utilization provision is used at that station. Only those employees who are on the applicable seniority list as of the date of the agreement (August 5, 2016) will be provided station protection.

Q: What about employees working at a maintenance base? Is there protection?

A: The current IAM Mechanic & Related collective bargaining agreement already includes protection by establishing a minimum number of base mechanics who must be employed at Tech Ops – CLT and Tech Ops – PIT. For legacy American TWU at Tech Ops – Tulsa and Tech Ops – DWH, the company must maintain a certain percentage of work in-house, which is a form of protection as well. Consequently, no additional station protection has been included for base maintenance employees.

Association Interim Agreement: Lump Sum Details

As shared last week, the company and Association have reached an interim agreement while the parties continue to negotiate a new joint collective bargaining agreement. Programming Payroll changes for 30,000 employees at different pay steps and with different premiums takes time. Because Payroll and IT programming can't be accomplished overnight, employees will be paid a lump sum in advance so they benefit from the agreement as soon as possible. Here's what you can expect:

- The company will estimate the number of the hours you will work over the next 90 days. To calculate that estimate, each full-time employee will be paid based on 40 hours of work per week and each part-time employee will be paid based on 20 hours of work per week. That will be the basis.
- The company will then multiply those hours by the difference of your "old" (pre-interim agreement) hourly rate + applicable premiums and your "new" pay rate (based on the interim agreement) + applicable premiums to get the lump sum payment due to you.
- On Aug. 26, 2016, eligible employees will receive a lump sum payment in the manner you would receive your regular paycheck today (e.g. direct deposit or paper check).
- Payroll and IT expect to have all of the programming in place in about 90 days. Until that time, your paycheck will look the same as it does today.
- At the 90-day mark, the company will compare the actual hours you were paid over the 90-day period to what was estimated in the lump sum payment. If you should have been paid more than was included in the August lump sum payment, the company will make a supplemental payment. That payment will be equal to the amount that the lump sum differed from the hours paid and will be made no later than 150 days after Aug. 5, 2016.

Example of Lump Sum Payment for a two license Base AMT

- Let's assume you are a legacy American AMT with 15 years' seniority. The difference between your "old" hourly rate + license premiums (\$32.63 + \$5.00 license premium) and "new" hourly rate + license premiums (\$41.76 + \$5.00 license premium) is \$9.13 per hour.
- For estimating purposes, the company will assume you'll work 40 hours a week for the next 90 days.
- The company will multiply 520 hours by \$9.13 for a total of \$4,747.60. (Note this is gross pay, and it will be subject to taxes.)
- You'll receive a lump sum payment (via direct deposit or paper check – however you are paid today) on Aug. 26, 2016 to cover the new pay rates for the next 90 days. You'll continue to receive your regular paychecks as they look today.
- In November (or after 90 days), the new Payroll and IT programming will be up and running. At that time, the company will look back over the previous 90 days. If you should have been paid more for those days than the company estimated, you will receive an additional supplemental payment to true up the difference. The company will make that adjustment payment sometime before or in early January 2017.

Q&As

Q: When are the new pay rates effective?

A: The new rates and premiums are effective when all parties signed the agreement, which was Aug. 5, 2016.

Q: How and when will I receive the lump sum payment?

A: On Aug. 26, 2016, you'll receive the estimated lump sum however you receive your regular paycheck today (e.g. direct deposit or physical check).

Q: What are the applicable premiums?

A: Applicable premiums include license premiums, skill premiums and line premiums. The initial lump sum payment is an estimate so if your skill premium is not included, the company will true it up as part of the official true up process. Additionally, if you're a legacy US Airways employee and your line or skill premium is not included, it will be trued up in the official true up process.

Q: Will the lump sum payment be included in my regular paycheck or will it be a separate paycheck?

A: The lump sum payment will be a separate paycheck.

Q: Can I deposit the lump sum payment directly into my 401(k)?

A: Yes. Your lump sum payment, or a portion thereof, is eligible for deposit into your 401(k) account. If you're interested in changing the deferral percentage for the lump sum payment, you can make changes within the following timeframe:

- To be effective for your lump sum payment on Aug. 26, 2016, changes must be made at Fidelity beginning Aug. 15, 2016 and no later than Aug. 19, 2016 at 4 p.m. EDT.
- To revert back to the original deferral percentage for your next normal paycheck on Sept. 2, 2016, changes must be made at Fidelity beginning Aug. 22, 2016 but no later than Aug. 26, 2016 at 4 p.m. EDT.
- For Weekly Paid Employees only: The company is unable to apply different deferral percentages to the amount of your normal paycheck and your lump sum payment. Any election change you make to apply to your lump sum payment will apply both to your normal weekly paycheck and your lump sum payment.

If you wish to make changes, access your account at www.netbenefits.com/aa:

- Choose "Contribution Amount" under "Quick Links" in your plan account and select "Contribution Amount";
- Enter your desired election for the lump sum payment in the applicable deduction type (pre-tax, Roth, catch-up and Roth catch-up if you are 50 or older, and/or after-tax)
- Click on "Change Contribution Amount" to complete your transaction.

You may also contact the American Airlines 401(k) Service Center at Fidelity at (800) 354-3412 to speak with a dedicated representative who can assist you with making changes. If you have any questions on the process for making these changes, or would like assistance calculating the appropriate percentage based on your payment and individual goals, please send an email to my401k@aa.com.

Q: Will the lump sum payment be taxed?

A: Yes. Federal law requires that the lump sum payment be taxed at supplemental rates, which is generally 25 percent.

Q: What happens if I should have been paid more than the company estimated at the end of 90 days, when the new Payroll programming changes are up and running?

A: The company will make sure no one is short any money owed to them. If you should have been paid more than estimated, you'll receive an additional check/direct deposit by early January 2017, as required by the agreement.