Retirement

# The Time Factor

by Jill Frank,
*APFA Retirement Specialist*

In previous ***Skywords***, we've written articles about computing the value of your pension when you are ready to retire. But what we haven't really discussed are the measures you must take to qualify for those benefits.

In this article, we will address the various time factors that influence the value of and eligibility for retiree benefits, as well as what those benefits are.

When you are hired by American Airlines, many clocks begin. The following information is meant to familiarize you with all of the time measures that influence your benefits.

**Age –** All retirement benefits available to us are based upon minimum age requirements. In every case, you must attain a certain age to qualify for a benefit.

**Classification Seniority (Pay)** – This is the seniority upon which pay is based. It accrues from the date you 'went on the line' as a Flight Attendant. It is adjusted during leaves, even though Occupational Seniority is not.

**Company Seniority (Benefits/Vacation) –** This seniority begins with your date of hire at American and is adjusted during any time you spent off of payroll. This seniority determines your vacation accrual and some retiree benefits, excluding pension.

**Occupational Seniority (Bidding) –** This seniority is based upon length of service as a Flight Attendant with American Airlines. This is bidding seniority and is adjusted annually on June 1. It is also known as 'Union Seniority."

**Vesting –** This is time you have accrued towards a pension benefit. Vesting begins on your date of hire at AMR and for Flight Attendants requires 386 hours flown within a calendar year. You must fly 386 hours in a calendar year to receive a year of vesting credit. You do not receive credit for partial years of vested service. Five years of vesting are required to own your pension benefit and it is all or nothing. If you leave American before you turn 65 and don't have five years of vested service, you have not earned a pension benefit. Your vesting time determines your eligibility to receive a pension.

**Years of Credited Service (YCS) –** After you complete one year of eligibility service, you earn one year of credited service for each year you participate in the plan and fly 734 hours of service (this averages out to about 62 hours a month). If you are credited with less than 734 hours of service, you earn a fractional year. As a guideline, if American pays you, the time counts (Vacation and paid sick time are included; disability payments are not). You can check your hours in the computer by pulling up HISK (current year) and HISK/L (last year) in your personal mode. It is important that you keep these records.

(**NOTE**: For those of us who were hired during the '60s and '70s, entry into the pension program involved three primary factors:

1) following the completion of one year of service;
2) turning age 25; and,
3) limited to two opportunities a year, July 1 and January 1.

APFA negotiations have made everyone whole for the years earned prior to turning age 25; the July and January entry dates have remained. The number of YCS you have earned determines the age at which you are eligible to begin your pension benefits.

Normal retirement age is 65. Early retirement is available to us if we meet the following criteria:
1) age 55 and a minimum of 15 YCS (retiring at this age results in a reduced pension benefit); or,
2) effective with the new Contract, 60 years of age and a minimum of 10 years of credited service. (This early retirement is with no reduction in your pension).

In order to qualify for your pension you must meet the following criteria.

The qualifying times listed above are for retiring with a pension (being a pensioner) along with health and travel benefits (known as being a retiree). What about the people who won't have the required YCS in order to retire early? Are there any benefits for them?

The answer is yes. In order to qualify for retirement benefits other than your pension you need a combination of age and various seniority types.

**Appendix T –** This is no longer available as of November 12, 2001. This was the youngest age at which you could qualify for any form of severance. It provided a lump sum of $10,000 for an active Flight Attendant with a minimum of five years of Occupational Seniority whose age plus seniority equaled a minimum of 40. There were eight round-trip D-2 passes annually with this severance. No

There is a lot of information here, and it is easy to get confused. If you are considering leaving American, consider your age and length of service to get an idea of what you might have earned.

health insurance was available with Appendix T, and recipients forfeited all seniority rights or claims for recall. However, if they qualified for retirement benefits under Article 36, they could have taken both Appendix T and retire under Article 36.

**Article 30 –** This article addresses early retirement benefits for Flight Attendants retiring between 45 and 55 years of age. In order to take Article 30 (located on page 134 of your Contract) you must be between 45 and 55 with a minimum of 20 years of Company Seniority. There is a lump sum of $25,000, pass benefits equaling 10 round-trip D2 passes for the Flight Attendant, spouse and dependent children, declining life insurance and medical coverage in the amount of $20,000 lifetime for each of the Flight Attendant, spouse and dependent children. (When you take Article 30, you lock in your health and travel benefits and they will not alter once you collect your pension – you are restricted from any type of upgrade of benefits.)

**50 – 55 Rule –** This benefit is located on page 15 of your *Employee Benefits Guide*. If you terminate employment after you reach age 50 (but before 55) and if you have at least 10 years of Company Seniority, you become eligible for Retiree Medical and Retiree Travel once you begin your pension. When? Remember that you need at least 15 years of credited service to begin your pension at 55 and a minimum of 10 YCS to begin at 60. Using this rule, you can resign between 50 and 55 and then begin your pension when you are eligible (with the applicable reductions for early benefits), based upon your YCS. At that time you will also have retiree medical (if you have prefunded continuously from the time eligible until you begin to collect the benefits $300,000 lifetime until you reach 65) and full retiree travel benefits.

**Note on 50 – 55 rule:** If you are leaving before 55 and qualify for Article 30 you might wish to forgo Article 30, since it restricts the health and travel benefits. If you took Appendix T or you choose to resign, you will still be eligible to collect your full retirement benefits when you collect your pension assuming you have prefunded. Unless you have alternate medical coverage, the $300,000 quickly makes up for a lump sum of $25,000.

**55 Retiree –** You can collect your pension if you have enough YCS, but what if you want to retire and haven't accrued the required amount? If you have 10 years of Company Seniority, and if you have prefunded from when first eligible until you retire, and you are 55 (or you are collecting Social Security Disability), you can retire with full retiree medical. You will collect your pension when you qualify. Anyone who retired prior to January 1, 2002, was not required to prefund and will qualify for retiree medical.

**55 Travel Retire –** If you have 10 years of Company Seniority (five years if hired prior to 1/1/96) you can leave at age 55 with retiree travel.

There is a lot of information here, and it is easy to get confused. If you are considering leaving American, consider your age and length of service to get an idea about what you might have earned.

We are in the process of establishing a Retirement Department at APFA and are happy to answer your questions and assist you in determining which benefits work best for you. Please feel free to contact me, Jill Frank, with your questions at APFA Headquarters, Ext. 8397. Each of you must consider specific personal facts in making decisions regarding which path will be best for you.

# Is Our Pension Safe?

**by Jill Frank,**
*APFA Retirement Specialist*

***This article has been reprinted at the request of many members who are concerned about the security of our pensions.***

One of the questions that has arisen, especially lately, is the safety and protection of our pension funds. We've all heard horror stories of misspent monies and missing pensions. So this is a good time to find out what protections are in place for our future retirement dollars.

**WHAT IS OUR PENSION PLAN?**–The Retirement Benefit Plan of American Airlines, Inc. for Flight Attendants is a 75-page document that specifies the terms and conditions of our pension plan. It spells out definitions, eligibility requirements, formulas for benefit calculations, methods of payment, and the administration and management of the Plan's assets.

**CAN THE COMPANY TERMINATE THE PLAN?**–In the Plan page 67, Article XIII 1 a it is clearly stated that "the company will not amend, suspend, or terminate the Plan for the duration of the Collective Bargaining Agreements between the company and the Association."

Additional protections against unilateral Company action to amend or terminate the Plan are spelled out in Article 36 of the new American Airlines-APFA Collective Bargaining Agreement. So, for those who are worried that American will simply terminate the Plan to save money, that is not an option.

**WHAT IF AMERICAN (REORGANIZES) OR GOES OUT OF BUSINESS?**–Every employee at American (management included) has a vested interest to ensure this doesn't happen. No one is going to choose this as a solution to the current financial challenges. Instead, every effort will be made to make American Airlines a profitable company again.

**BUT WHAT IF THIS DOES HAPPEN? WHAT HAPPENS TO OUR PENSION MONEY THEN?**–The demise of a company does not necessarily terminate the pension plan. If a Plan is fully funded (and it was for the year ending 12/31/2000), it would remain in place for anyone who is owed a pension.

**HOW IS THE PLAN FUNDED?–**The obligation to fund our Plan is based upon an annual review of the assets. Supported by the successful stock market growth of the last 10 years, the Plan has actually been fully funded at more than 100 percent.

**WILL THE PLAN NEED TO BE FUNDED AT THE END OF THIS YEAR?**–In light of the stock market performance for the year 2001–plus the fact that our new Contract made our pensions more valuable–American may have to contribute additional funds to the Plan for the year 2001.

**WHEN MUST THE FUNDS BE CONTRIBUTED?**–The accounting is done based upon year-end calculations, and the due date for any required company contributions is September 15 of the following year. So it is the responsibility of American to make the necessary contributions annually by September 15.

**WHAT IF AMERICAN GOES BANKRUPT OR FILES TO REORGANIZE?**–Bankruptcy doesn't necessarily terminate the Plan. If it is fully funded, it would remain in place.

**IS OUR MONEY PROTECTED?**
Yes, The Employee Retirement Income Security Act of 1974 (ERISA) created The Pension Benefit Guarantee Corporation (PBGC, available online at **www.pbgc.gov**) to guarantee payment of basic pension benefits earned by workers.

**HOW DOES IT WORK?–**If the employer terminates a Plan in which it does not have enough money to pay all benefits owed, and the employer can prove to the PBGC that the business is financially unable to support the Plan, there would be a distress termination. If that were to occur, the PBGC would take over the Plan and step in to serve as Plan trustee, supplementing the Plan's assets with PBGC funds in order to make sure that current retirees and future retirees receive their pension benefits to the extent required by law.

**WHAT BENEFITS DOES THE PBGC GUARANTEE?–**PBGC guarantees monthly pension benefits beginning at normal retirement age, certain early retirement benefits, and spousal benefits under joint and survivor coverage. These are subject to federal limitations on the maximum amount and types of benefits that the PBGC can guarantee. PBGC does not guarantee health care, vacation pay, or severance pay.

**WHAT IS THE MAXIMUM AMOUNT THAT THE PBGC CAN GUARANTEE?–**The maximum benefit guarantee is set each year under the provisions of ERISA. For pension plans terminated in 2001, for example, the maximum guaranteed amount is $3,392.05 monthly, for a worker who retires at age 65, with somewhat lower amounts for those who retire at earlier ages.

**ARE THERE OTHER LIMITS ON THE PBGC'S GUARANTEES?–**Yes. For example, if the Plan was amended to increase benefits within the five years before it terminated, the PBGC's guarantee of the improvements may be gradually phased in over a five-year period.

**IF AN EMPLOYEE IS STILL WORKING, BUT FULLY VESTED, WILL SHE/HE STILL BE ELIGIBLE FOR A PENSION?**
–The eligibility is the same whether retired or still employed.

This information is offered to help educate all of us about the protections that exist for our money if our Plan was to terminate. Remember though, that is not something that can be arbitrarily done and, if the Plan were fully funded, it wouldn't happen even if American Airlines were to reorganize in bankruptcy. While it is understandable that due to recent events people are concerned about our Plan, at this point there is no threat to the benefits provided under the Plan.

## RETIREMENT OUTLINE

***RETIREE MEDICAL BASED ON MEETING PRE-FUNDING REQUIREMENTS**

| AGE | SERVICE REQUIREMENTS | BENEFIT | REFERENCE LOCATION | BRIEF DESCRIPTION | EFFECT ON RETIREMENT |
|---|---|---|---|---|---|
| 45 – 55 | 20 YEARS COMPANY SENIORITY | ARTICLE 30 | CONTRACT | A. $25,000<br>B. LIMITED LIFE INSURANCE<br>C. $20,000 MEDICAL COVERAGE<br>D. TEN ANNUAL D2 PASSES | A. ELIGIBILITY TO BEGIN PENSION TIED TO YEARS OF CREDITED SERVICE.<br><br>B. NO OTHER BENEFITS |
| 50 – 55 RULE | 15 YEARS COMPANY SENIORITY | AGE 50 – 55 RULE | JETNET | ELIGIBILE TO RECEIVE RETIREE MEDICAL* & TRAVEL AT AGE 55 | ELIGIBILITY TO BEGIN PENSION TIED TO YEARS OF CREDITED SERVICE |
| 55 RETIREE | 10 YEARS COMPANY SENIORITY | MEDICAL COVERAGE & TRAVEL | JETNET | ELIGIBLE TO RECEIVE RETIREE MEDICAL* & TRAVEL | ELIGIBILITY TO BEGIN PENSION TIED TO YEARS OF CREDITED SERVICE |
| 55 RETIREE & PENSIONER | 15 YEARS CREDITED SERVICE | RETIREMENT | ARTICLE 36 CONTRACT; SUMMARY PLAN DESCRIPTION ON JETNET | A. GUARANTEED ANNUITY<br>B. RETIREE MEDICAL*<br>C. RETIREE TRAVEL<br>D. RETIREE LIFE INSURANCE | A. 3% REDUCTION IN PENSION PER YEAR UNDER 60<br><br>B. FORMULA:<br>1.667 X FAE X YCS |
| 60 RETIREE & PENSIONER | 10 YEARS CREDITED SERVICE | RETIREMENT | ARTICLE 36 CONTRACT; SUMMARY PLAN DESCRIPTION ON JETNET | A. GUARANTEED ANNUITY<br>B. RETIREE MEDICAL<br>C. RETIREE TRAVEL<br>D. RETIREE LIFE INSURANCE | FORMULA:<br>1.667 X FAE X YCS |

July 20, 2004

# FROM STEWARDESS TO RETIREE

(FROM GIRDLES TO PANTYHOSE)

REVISED JULY 2004

By Jill Frank
Retirement Specialist

## WHO WE WERE-THE BEGINNING

In the mid 1970's the Flight Attendants at four major carriers: Pan Am, TWA, Continental and American Airlines, decided to leave the umbrella of big unions and to represent themselves with small, independent unions. Thus was born our Association of Professional Flight Attendants; certified 27 years ago in 1977.

The previous decade had seen gigantic changes in the job: Hired as "Stewardesses" until we acquired Trans Caribbean Airlines and its "Stewards" in 197O; we were now Flight Attendants. We "girls only" had been required to wear white gloves, false eyelashes and girdles. Now we had men in our ranks and panty hose had been invented! You had been required to be a female between 20 and 25 to get the job, and you knew you would be forced to 'retire' (with NO benefits) when you got married, became pregnant or reached the ripe old age of 32.

At the time, we were responsible for funding our retirement plan and therefore had been obliged to decide whether to join or not. It was hardly an issue since you were offered the opportunity to 'join' the AA Retirement Plan ONCE, at age 25, but you needed to participate for 10 years in order to be vested. Since you were going to get fired at 32 – you do the math - it becomes obvious that few (if any) had bothered to join.

In 1978 we elected our first APFA National Officers and soon thereafter we entered into contract negotiations. In the years since APFA was certified we have had six rounds of bargaining plus the 2003 concessionary agreement. From the 'pay for your own' to a 'fully funded defined benefit plan' the improvements are significant. A quick review of the contracts:

## WHAT WE'VE DONE-A BRIEF CHRONOLOGY OF RETIREMENT

1979 - The first contract negotiated by APFA.

- For the first time retirement had its own place, Article 36 became the retirement article.
- American would now fund the plan – no more need to pay ourselves.
- For all those retiring after September 1980 their pension would be calculated at 1 2/3% of the pay for hours up to 67 per month.

- F/A's no longer had to 'join' the plan, everyone was automatically enrolled after the completion of one year of service and those who had never joined were now members
- The reduction taken when retiring before 62 was favorably changed from an actuarial table to the present 3% per year.

## 1981 AND 1983 – A TOUGH TIME IN THE AIRLINE INDUSTRY

Just when we were beginning to consider our job as a potential long term career, along came the 1980's, with deregulation and a cry from management for B scale! We spent the next two contracts trying not to lose the few things we had, but in 1981 we did make two improvements in retirement. Included in a side letter of agreement known as Appendix P we were able to negotiate:

- The return of any money that F/A's had contributed to the plan in earlier years
- Retroactive entry (back to turning 25 and having one year of service) into the plan for those people who had not joined voluntarily when we were responsible for funding it ourselves.

For those changes we agreed not to discuss retirement in the next (1983) round of bargaining!

## 1987 – REAL BARGAINING RESUMES

By now we had a large number of F/A's who had been hired under B scale. It was time to fix that and most of our efforts went towards that goal.

There were two changes to retirement in this contract:

- We increased the number of hours eligible to be considered in calculating our Final Average Earnings from our base pay of 67 hours to a maximum of 75 hours, however, the additional 8 hours would only be considered at base pay rates!
- We improved the vesting rules from needing 10 years to being eligible for any pension to being 50% vested after 5.

## 1993 – AN INCREDIBLE YEAR FOR APFA BROUGHT SOME SIGNIFICANT IMPROVEMENTS IN OUR RETIREMENT PLAN

- You would be 100% vested after 5 years, retroactive to 1/1/1989
- All years of credited service were to be restored to those who had not been eligible to join the plan until they were 25.
- We improved the number of hours that would be considered for your FAE to 77 Domestic and 82 International, and the hours over 67 would be considered at the incentive rates they were earning!
- Purser pay would included in our FAE

## 1999 NEGOTIATONS – RATIFIED SEPTEMBER 12, 2001

By 1997 APFA recognized that large numbers of the men and women who had begun this job in the 1960's and 1970's would become eligible to retire during the term of our next agreement. These were the people who had blazed the trail and worked to overturn the discriminating rules that had prevented this from being a career. It was important to make their retirement possible with improvements and the opportunity to do so was now!

APFA began research into the retirement plans that other F/A groups and other employees at American enjoyed. The goal was to bring our Plan up to standard to make sure we had the best retirement in the industry. We negotiated significant improvements:

- The hours considered for our FAE went to 1020 a year (average of 85 per month) for both operations to be considered at the pay earned for those hours. This meant you didn't have to struggle to hit a certain number every month as before but could do it in the course of 12 months.
- For the first time the above provisions would be retroactive so that everyone, including people out on long term sick, who retired after ratification would benefit from this increase (prior to this contract you always had to fly after ratification to be covered)
- We also had the policy of months with no pay being dropped from you FAE written into the agreement.
- Pay prospectively for galley, language, longevity and narrow body lead were added to Purser for inclusion in one's FAE. Retroactive monies and lump pay sums were also to be included.
- Full retirement was available at 60 with 10 YCS.
- The charge for the pre retirement survivor annuity (QPSA) was eliminated.
- A new form of 'pop-up annuity' was added to the choices f payments.
- We became eligible for supplemental health insurance
- Active F/A's who retired within 60 days of ratification could take advantage of Appendix T and have a $10,000 exit payment.
- Pay for vacation time could be contributed into your 401K
- Sick hours not used prior to retiring would be paid into 401K at $3.75 per hour.

## 2003 – CONCESSONARY AGREEMENT

Although this was not positive bargaining, we did manage to retain our pension formula and benefits but the lowered pay will have a negative impact on ones final average compensation.

## 2004 – WHO WE ARE AND WHERE WE'RE HEADED

We have been hurt by the events of September 11, 2001 and the downturn in the airline business. US Air and United have been operating under Chapter 11 bankruptcy and Delta is still teetering on the edge. American has improved the bottom line but has not yet emerged as a profitable entity – only the future will tell whether that is possible or not.

The PBGC talks of shortfalls and Social Security is needing attention as least; an overhaul at most. Our younger, fellow workers talk of giving up a pension plan for more income now. There are fears of cash balance programs or other corporate shenanigans which have a negative impact on workers.

APFA has a complicated task to determine what is in the collective best interest of the many interests of the Flight Attendant corps, then to achieve the best we can in the current airline environment. Creative solutions must be found to insure we maintain our existing benefits and find a way to go forward with protection for our hard earned retirement savings.

Retirement information has become far easier to obtain. Americans website JETNET has a wealth of personal information. The Flight Service Web Site publishes the number and names of all Flight Attendants who retire and updates the site on a monthly basis. The APFA web site has retirement articles and resources. The 401K site has a retirement planner. Each of us needs to be aware and informed of our existing benefits in order to evaluate what tomorrows need be.

7/19/2004

# HOW ARE MY PENSION BENEFITS DETERMINED?

REVISED JULY 2004

In order to maximize your pension benefit you must plan properly. In order to accomplish this we must first understand how the benefit is determined. In June 2002 I spent two days in TUL and DFW with the AA people who gather this information and 'crunch' the numbers. I went in thinking all I had to do was translate my HISK (shows monthly hours) into salary and I would know my Final Average Compensation (FAC). Wrong!

The following is my best shot at describing the way the pension plan and pension system work.

**The Contract**: The language in the contract (Article 36 I. 1.) reads as follows: "Final Average Compensation shall be determined by taking the average of the highest paid 48 consecutive calendar months out of the 120 consecutive calendar months of plan participation preceding the date of retirement, disability, death or termination of employment disregarding any month in which the Flight Attendant did not perform duties (or receive credit) for which the Flight Attendant would be entitled to receive pay."

How is this applied? Let's break it down step by step.

## STEP 1 – YOUR PAY AND HOURS ARE ACCUMULATED MONTHLY.

Since we receive our base pay for the month in progress (based upon an assumption that we will work at least 67 hours) but our overtime is paid the following month, the pay numbers gathered are actually based upon your hours from the current and the previous month. The hours you worked and the associated pay, both base and incentive, are summed up each month and recorded in the pension system.

EXAMPLE: You work 90 hours in December. In January you are paid the base pay (70 hours) for January and the incentive (20 hours) for December. When the pension people calculate your pensionable earnings, they start out with all of that salary paid to you in January.

The category of pensionable earnings will show the money you were paid for the entire month. (The following example is based upon our rates of pay effective 5/1/2004 for an international flight attendant in the 15 + year category).

| PAY TYPE | HOURS | DOLLARS |
|---|---|---|
| BASE | 70 | $3241.00 |
| INCENTIVE | 20 | $1065.00 |
| GALLEY | 10 | $ 8.80 |
| PURSER | 80 | $ 240.00 |
| TOTAL PENSIONABLE | 90 | $4554.80 |

**STEP 2 – YOUR ELIGIBLE PAY AND HOURS ARE CALCULATED YEARLY:**

A. ***Get an average value for the hours***. The base pay for the whole year is added up then divided by the number of hours that were in that category. The incentive pay (all of it) is then added and divided by the number of overtime hours flown. What that does is give you an average value for each base pay hour and an average value for each overtime hour. That is particularly helpful because many people go through pay step and contract raises (or fly a mix of domestic and international) at various times during the year. This method makes sure that it isn't just the hours earned at the beginning of the year that count. Now each hour of base pay and each overtime hour are given an 'average' value.

B. ***Credit all eligible pay***. The next step is the actual calculation of the eligible pay. The contract (Article 36 I. 2.) states that, "for purposes of determining pensionable pay, the following shall be included: longevity pay, narrowbody lead pay, language pay, galley pay , purser pay, lump sums, retroactive pay **and *base and incentive pay up to 1,020 paid flight hours per year regardless of which operation in which the flight attendant serves during each applicable calendar year, provided that paid flight hours of service paid to the Flight Attendant at incentive rates in excess of 216 will be credited for this purpose, and only this purpose, at base rates.***"

That means the average value of an overtime hour will be counted for up to 216 hours of overtime and the average base pay value will be used for up to 804 hours. Then add in the other forms of pensionable pay (longevity pay, narrowbody lead pay, language pay, galley pay, purser pay, lump sums and retroactive pay) and you have the total for the calendar year.

**STEP 3 – HOW YOU CAN DETERMINE "THE HIGHEST PAID 48 CONSECUTIVE CALENDAR MONTHS OUT OF THE LAST 120 CALENDAR MONTHS."**

Your total eligible pay for each year will be divided by the number of months you worked to calculate the value of pay for each month that year. Remember in Article 36 I. 1. where it said "disregarding any month in which the F/A did not perform duties (or receive credit) for which the F/A would be entitled to receive pay?" This is the 'zero' month concept that you may have heard reference to.

It means that once the above calculations are done, the year's activity is looked at (this is the actual months with activity, not the pay; {the HISK actually comes in handy here}). So, if there are months with zero activity, they are taken out of the equation.

Now 120 of these 'non-zero' months are placed end-to-end and the 48 consecutive that yield the highest FAC are identified. Those 48 are added up, then divided by 4 and you have now determined your Final Average Compensation!

**STEP 4 – CALCULATING YOUR PENSION BENEFIT**

**1.667% times FINAL AVERAGE COMPENSATION (FAC) times YEARS OF CREDITED SERVICE (YCS)**

1.667% is the contractual value in the pension formula. YCS is based on flying 734 hours in a calendar year. The FAC has now been added up. If you do the math you determine your annual pension value.

Your pension benefits are maximized by being paid for as close as possible to 85 hours every month because the 1,020 maximum paid hours in a year is equivalent to twelve 85-hour months. If you want to take significant time off, and your goal is to have that least impact on your pension benefits, it would make sense to drop an entire month (or months) so that they have zero activity and then will be disregarded when it comes times to determining your 48 highest consecutive months. (Of course, you may have other reasons for not wanting to do this.)

For those who fly pretty consistently high time, there will be no problem in reaching the 1,020 annual paid hours figure. If you go below 85 paid hours one month, the annual cap allows you the benefit of flying a bit more the other months to get to the 1,020 annual paid hours cap. For those who like to fly partial schedules, your pension benefits will be maximized by flying hi-time some months then zero others, even if you don't reach the 1,020 annual paid hours figure.

What about the other forms of pay? There is no cap on them, so beginning September 12, 2001 they are included. Prior to that date include only purser and the lump sums and retroactive monies paid in 2001 and applied to prior years.

Many of us want to be able to verify American's calculations. The best way to do this is by keeping good records. Begin now. Print a hard copy of all your pay check stubs and keep them for at least 10 years. It isn't a big deal to have a file folder from every year with your HISK, HI-2's, and paycheck stubs in it. If there is ever a question, these records could be extremely helpful. If you fly many zero months, you will need to keep these records longer than 10 years so that you have records for the final "120 consecutive months" from which the highest consecutive 48 will be selected.

You can access American's calculation of your Final Average Compensation on JETNET as follows:

JETNET
BENEFITS AND PAY
RETIREMENT PLANNING – MY RETIREMENT
REQUEST/VIEW ESTIMATES (complete the fields in Request an estimate then click on highlighted section under Sate Estimate Created)
PLAN CALCULATION FORMULAS
7/19/2004