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March 3, 2016

TO: IAC

FROM: David Rosen, TWU General Counsel

RE: TWU Prefunding Arbitration

Arbitrator Richard I. Bloch has denied the grievance regarding distribution to TWU represented employees of the company contributions that were made over the course of the years to match employee contributions to their prefunding accounts. At the arbitration hearing, on November 17 and 18, 2015, TWU had argued that the provisions of the collective bargaining agreement that had governed contributions over the years, and which provided for employees to draw down their accounts at the rate of ten percent per year upon retirement so as to assist them with the costs of retiree medical insurance, continued to apply under the current collective bargaining agreement. The argument was based, in great part, that this obligation had accrued over the years under prior collective bargaining agreements, and that Article 45 of the current agreement requires that "All rights and obligations, monetary or otherwise, which may have accrued because of services rendered prior to the effective date of this Agreement, will be satisfied or discharged." In rejecting the TWU argument, the Arbitrator held that a letter agreement dated September 12, 2012, between TWU and American, modified "...the previous treatment of Company matching contributions, making them, for the first time, subject to distribution to employees...." However, he further held, any such distribution was made contingent, in that letter, upon "successful resolution of the Section 1114 process," which has not occurred. TWU has reserved for presentation to the Arbitrator its claim that developments in the 1114 process require prompt distribution of all the company matching contributions to TWU represented employees; the claim may be presented at such time.

Arbitrator Bloch has also denied an APFA grievance claiming that flight attendant prefunding contributions had to be promptly paid out to flight attendants.

TWU is currently reviewing the two opinions by Arbitrator Bloch, and the current state of the Section 1114 litigation, to determine what further steps may be advisable so as to press its remaining claim regarding the prefunding, and when it would be most advantageous to do so.

David Rosen
TWU General Counsel

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