

# *UAL/US Airways/AMR Benefit Comparison Untangled— Parts 2 and 3*

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**B**y now you have received a copy of the *UAL/US Airways/AMR Benefit Comparison* which was mailed to you by MEC Chairman Chris Beebe. From the calls we have fielded in the MEC office, there are lots of questions and just as much confusion on what it all means. Some of the questions deal with abbreviations, and others deal with the intent behind the words.

Part one of this series ran in the May 2001 *US AIRWAVES*. Parts two and three are combined in this article. Hopefully, this article will help to clarify some of the concerns and questions raised to date.

**Defined Contribution Plan (DC)**—This is often referred to as a B-Plan. In the cases of United and American, the respective companies contribute an amount equal to 11 percent of each pilot’s pay to a real account in each pilot’s name. The pilots may also contribute to the account up to the maximum allowed by law in both pre-tax and post-tax dollars. At United, the fund is considered a 401(k), while American’s plan is considered a Money Purchase/401(k) plan. The most noteworthy difference is that the individual pilot at United can exercise control over how all of the money is invested. Available are 10 different funds ranging from one index fund, five pre-mixed portfolios and a mutual fund window limited to 50 percent of the assets in the account. At American, money in the Money Purchase Plan is invested by the Company and pilots do not have control over the funds. However, the 401(k) portion of that plan has three

pre-mixed portfolios, a credit union fund, and 22 mutual fund options. When you contribute pre-tax dollars to a 401(k), that contribution is deducted from your earnings before the federal income tax tables are applied to your paycheck. In the case of post-tax dollars, the contribution is made with earnings that have already been taxed. United pilots can invest in the market by using the Schwab brokerage account. Only 25 percent of a United pilot’s assets, however, may be invested in this manner. American and US Airways don’t currently have this brokerage option.

The Defined Benefit and Defined Contribution plans described previously are considered Qualified Plans. This means they meet the requirements set forth by the IRS for certain tax-favored statuses and deductions. They enjoy protections under the Code, the Employee Retirement Income Security Act of 1974 (ERISA), and the Pension Benefit Guaranty Corporation (PBGC).

**Nonqualified Plans**—These types of plans are often referred to as Top-Hat Plans. The IRS establishes regulations for how much money can be paid from a pension plan and still enjoy the tax-deferred status provided by IRS Code. Since pilot pension plans often pay more than these limits, and the plan sponsors are bound by contractual arrangements, companies must make up the difference from their treasury. These funds are at risk if a company fails. Recipients of these funds become creditors, like any other creditor in a bankruptcy or

reorganization. When money is received from a nonqualified plan, it is taxed as ordinary income in the year in which it is received and cannot be rolled over into an IRA or other qualified investment vehicle.

**Disability Benefits**—Among the three carriers, the plans are fairly similar. At United, a pilot receives 55 percent of the average pay over the last 12 months or of the highest calendar year pay in the last five years. This is paid until age 60 or the end of the fifth year of payments, whichever is later. At American, the benefit is also 55 percent of the average of the last 12 months. However, it is capped at \$6,000 per month, so anyone earning over \$10,910 per month will not receive full credit for earnings.

**Loss of License benefits (company-paid)**—Neither United nor American offer any company-paid loss of license (LOL) insurance. US Airways carries a benefit of \$600 per month for 48 months for every pilot on the property at no cost to the pilot. Insurance is provided through the ALPA program.

**Survivor Income benefits (in addition to retirement plan)**—Again, nothing is provided by United or American. US Airways has a survivor income plan that pays a percentage of final average earnings to your survivors should you die prior to retirement. It is funded by the company-paid life insurance that you receive as a function of Section 27 of the contract.

**Basic Life Insurance (company-paid)**—United offers the higher of \$80,000, or one times your annual salary. American has a schedule based on whether you are above or below age 50: getting \$175,000 prior to age 50, and \$70,000 after age 50, with an additional \$105,000 if you are unmarried or married less than one year. US Airways company-paid life insurance follows a schedule based on your annual earnings. The lowest level of coverage is \$36,000, and the highest is \$150,000.

**Optional Life Insurance**—All three carriers offer voluntary additional life insurance, for which you pay a premium. United offers from one to eight times salary, with a \$2 million maximum. Insurance is purchased in increments of one-half of salary, and coverage is group universal life rather than term life insurance. American offers up to \$105,000, but we don't have any details on the increments. US Airways offers up to \$500,000 in additional life insurance, available in \$10,000 increments.

**Accidental Death & Dismemberment (AD&D) Insurance (company-paid)**—United offers \$35,000 in coverage, plus the medical

plan will pay an additional \$4,000. American provides \$10,000 in free coverage, while US Airways provides an amount equal to what is provided under the Basic Life Insurance amount.

**Optional Accidental Death & Dismemberment (AD&D) Insurance**—United offers between \$25,000 and \$300,000, and American offers between \$10,000 and \$350,000 in coverage, at pilot cost. US Airways offers up to \$300,000.

**Dependent Care Account**—All three companies have dependent care spending accounts for day care expenses. United and American are the most generous, allowing a pilot to defer \$5,000 per year, while US Airways allows \$4,800 per year.

**Medical Care Account**—Again, all three offer medical care spending accounts. United allows deferrals to \$5,000, American to \$4,000, and US Airways to \$2,500.

**Retiree Pre-Medicare Medical**—A pilot who is 50 years of age and has five years of service at United, or is permanently grounded due to illness or injury, receives the same medical coverage as all other pilots without any contributions unless certain cost increases occur. At American, a pilot must be 50 and have 10 years of service to receive the indemnity medical plan. It does have a reduced lifetime maximum of \$300,000, but there are no pilot premium contributions required. US Airways requires the same age and service as United (50 and five). However, retirees pay 50 percent of what the active pilots pay in premiums, plus one half of the difference between the indemnity and managed care program premiums.

**Retiree Post-Medicare Medical**—United requires age 50 and 10 of years service or permanent grounding, and will allow a pilot the choice between the same plans as the active pilots get, to be coordinated with Medicare or an HMO. It costs the pilot \$51.62 per person as a supplement, or \$109.82 for the HMO. Assuming a life span to age 85, a pilot would pay over \$27,000 in premiums. At American, the requirement is age 65 and 10 years of service to receive the same coverage as pre-Medicare with a \$50,000 lifetime maximum. There are no contributions required. US Airways requires that a pilot be age 50 and have five years of service to receive the same plan as the active pilots receive. On the Point of Service (POS) or managed care plan, there is a lifetime maximum of \$100,000. Premiums range from \$10.91 per person to \$21.83 for a family on the indemnity plan and between \$7 and \$12.50 on the managed care plan. A US

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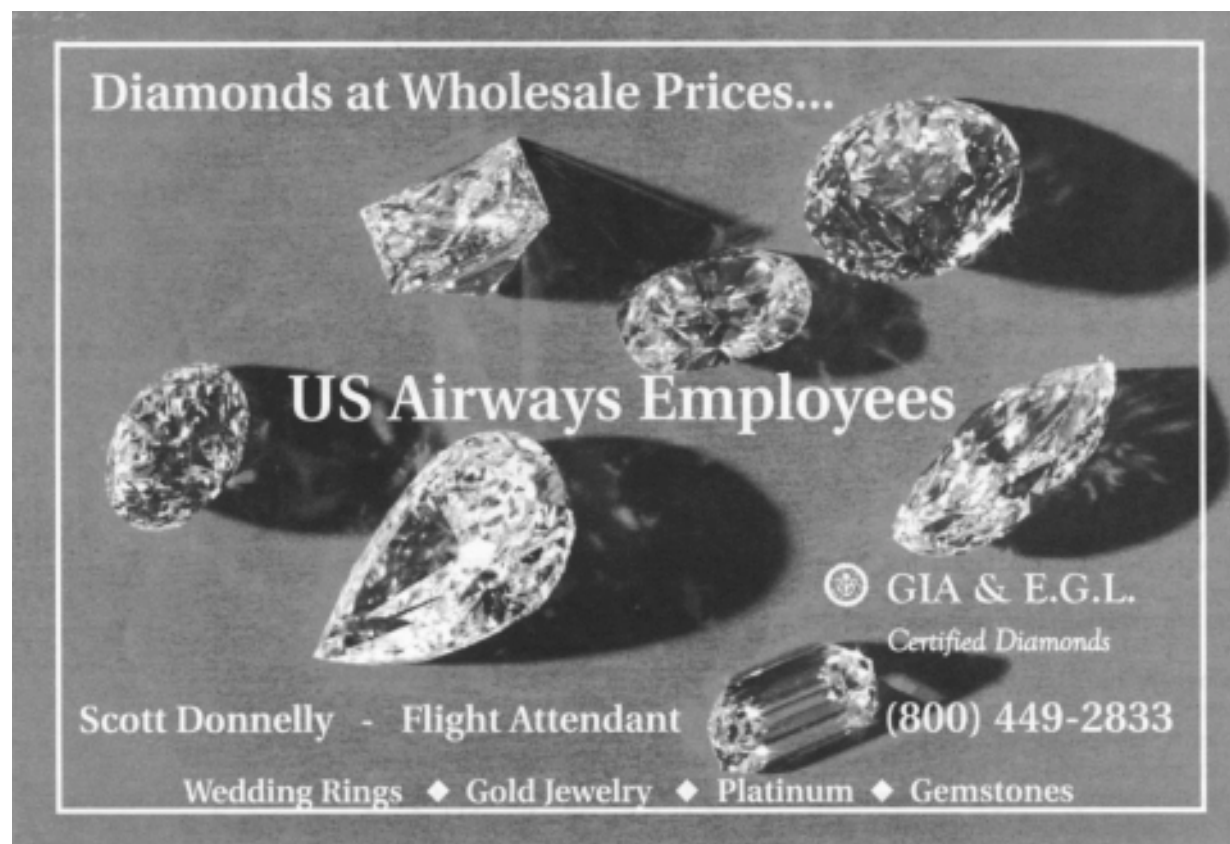
*“US Airways provides its retirees with life insurance from the schedule based on how much the retiree would receive in annual pension earnings from the plan. It does not matter that the pilot chooses to be paid in a lump sum.”*

Airways retiree would pay between \$4,000 and \$13,000 through age 85.

**Retiree Life Insurance (company-paid)**— A pilot retiring from United receives \$50,000 in free life insurance, which reduces by \$3,500 each year until it reaches the minimum of \$15,000. It remains at this level until the pilot reaches age 70. At American, a retiree receives \$45,000 in life insurance, which reduces to \$20,000 in the sixth year after retirement (or further to \$5,000 if there are no dependents remaining at that time). US Airways provides its retirees with life insurance from the schedule based on how much the retiree would receive in annual pension earnings from the plan. It does not matter that the pilot chooses to be paid in a lump sum. This amount ranges from \$36,000 to \$150,000 and stays at that value until the pilot's 65<sup>th</sup> birthday. It is then reduced to 25 percent of the face value but not less than \$10,000.

Well, we've covered a lot of ground, but hopefully the comparison now makes more sense to you, and you are well enough informed to follow what happens in the merger negotiations.

We hope you find valuable the information contained in this article and others provided by the Retirement & Insurance Committee. If you have questions, you may contact Karen Browne at the MEC office at 1-800-872-4763, or any member of the R & I Committee as listed in the gray pages of this issue. As always, the R & I articles are posted on the ALPA website at [www.usairwayspilots.org](http://www.usairwayspilots.org) under "USAIRWAVES archives." If you don't have an ID number and password, call Stephanie Forbes at 703-689-4163 to obtain one.



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