



AIR TRANSPORT DISTRICT LODGE 142



2017-63

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IAM/BRITISH AIRWAYS PRE-65 RETIREE HEALTH INSURANCE Q & A

Question: How is the Agreement Settling Pre-65 Medical Grievance and Arbitration (“Settlement”) different from the Company’s Pre-65 Retiree Medical Program, originally announced June 30, 2016?

Answer: The Company’s Retiree Medical Program provided to each retiree a \$4,000 contribution to a Retiree Reimbursement Account (“RRA”) in 2017 and 2018, without regard to the number of the retiree’s dependents. Consequently, the most a retiree could receive would be \$8,000.

The Settlement is different in three important ways:

- a. The amount contributed to the RRA takes into account the number of the retiree’s dependents.
- b. British Airways’ annual contributions to the RRA are increased from:
 - \$4,000 to \$5250 for an individual;
 - \$4,000 to \$10,000 for a retiree and spouse/dependent; and
 - \$4,000 to \$15,000 for a retiree and two or more dependents.
- c. The Company does not end its contributions to the RRA in 2018, instead it continues to make contributions each year until the retiree and dependents “age out” when:
 - the retiree reaches age 65;
 - the retiree’s spouse reaches age 65; or
 - a retiree’s child reaches age 26.

Based on these changes, we estimate that the potential value of the Settlement is five times higher than the Company’s Pre-65 Retiree Benefit Program; \$5,000,000 compared to \$1,000,000.

Question: Why didn’t the Settlement reinstate for all retirees the benefits we had under the Aetna Plan?

Answer: The Company told us repeatedly that it was “not willing to remain in the business of providing health benefits to retirees.” Considering this, we devised a settlement that provided the retirees with as much monetary relief as we could negotiate. It should also be noted that while the Aetna Plan may look relatively attractive today, the amount paid by employees and retirees has substantially increased. In 2013, the percentage of the employer’s cost paid by the employee doubled, rising from 10% to 20%. Remember that the Company had tied changes to retiree benefits to those made for active employees, including non-union employees. As a result, the Company could have added costs or reduced benefits at any time.

Question: When employees retired, British Airways sent them a letter explaining their retiree health benefits. In some letters, it mentioned it had the right to terminate these benefits, and in others it did not. Why doesn’t the Settlement, as did the earlier agreement covering 2017, recognize this difference?

Answer: First, the earlier agreement was only a temporary solution and at the time was the best we could do. In negotiating a permanent, comprehensive settlement we had to consider the nature of the dispute. We are dealing with a grievance over whether British Airways violated the Collective Bargaining Agreement when it terminated retiree health benefits. The guarantees of the CBA extend to all employees and retirees without regard to which letter the Company decided to send to an individual. This unilateral communication does not change the protections and rights provided by our CBA. As a result, beginning in 2018 the Settlement does not distinguish between

retirees based on the Company's letter; instead in resolving a contractual grievance, the Settlement provides a uniform remedy.

Question: Does the Agreement retain the provision of the Company's Pre-65 Retiree Benefit Program that if in any year, a retiree is receiving a tax credit/subsidy under the Affordable Care Act he or she is not eligible for an RRA contribution in that year?

Answer: Yes, the Agreement is described as a modification to the Pre-65 Program; so, if not otherwise changed by the Agreement, the terms of the Pre-65 Program remain in place. Accordingly, an individual who is receiving a tax credit/subsidy through the ACA marketplace (also referred to as an exchange) in any given year is not eligible to receive a contribution to an RRA for that year.

Sincerely and fraternally,



James M. Samuel
GENERAL CHAIR

JS/slb

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