



March 16, 2005

Dear Fellow APA Members,

This morning the APA, the Association of Professional Flight Attendants, Transport Workers Union, and American Airlines management, delivered a joint letter to Pension Benefit Guarantee Corporation Executive Director Bradley Belt outlining our common position on pension reform. This joint letter was signed by American Airlines CEO Gerard Arpey, APFA President Tommie Hutto-Blake, TWU International Executive Vice President James C. Little, and myself. After giving Mr. Belt an opportunity to review the contents of the letter, we issued a joint news release highlighting our common position.

The six principles of agreement are:

1. Maintaining the flexibility to continue defined benefit plans as an effective means to provide retirement security.
2. Reasonably extending the number of years companies would have to make up the unfunded portions of their plans.
3. Setting reasonable interest rates to determine plan liabilities.
4. Providing simpler, better, and more timely disclosure of important pension plan data.
5. Providing an increase in permitted contributions.
6. Supporting the concept that benefit plans be charged risk-adjusted premiums by the PBGC.

The significance of the joint letter and press release is twofold:

1. Congress is almost certain to enact pension reform legislation this year, and it's critical that APA and the other labor groups have a voice in shaping the legislation; and
2. It provides a concrete example of how the "Working Together" process has resulted in a collaborative approach to one of the most important issues we face.

The fact that all three labor groups on the property, together with management, have agreed on the specific direction that we want pension reform to take will not be lost on lawmakers. Its significance as a departure from past practice should also be evident to everyone associated with American Airlines.

Today's edition of the *APA News Digest* contains links to our joint press release and letters from APFA and TWU to their members. I encourage you to click on these links for their comments and specifics of our common position. The overall goal of our common position is to enhance protection of workers' retirement benefits by making it more flexible and affordable for companies to fund those benefits.

We want to emphasize that in the restructuring agreements of 2003, we made significant sacrifices in wages, work rules, and benefits to keep American Airlines solvent and to preserve our pension benefits. We also emphasize that American Airlines has responsibly met its pension plan funding requirements despite difficult economic circumstances in contrast with choices other airlines have made not to fund them.

APA has been intricately involved in preparations for pension reform legislation since pensions were first threatened by economic factors in 2003. Pension Chairman Captain Ralph Kruger has been in Washington working with members of Congress as well as other labor unions in preparing APA's strategy for dealing with impending reform. Accordingly, we are encouraging Congress to acknowledge the substantial investment you have made in our airline, and to permit the collective bargaining process to determine what is best for responsible employers, employees, and their pension plans.

As Congress proceeds with its discussion and debate over pension reform, we will continue to keep you informed, and we will let you know when we need your help in communicating our position to lawmakers.

In Unity,

A handwritten signature in black ink, appearing to read 'R. Hunter', with a long horizontal stroke extending to the right.

Captain Ralph Hunter  
President