



## **AIRCRAFT MECHANICS FRATERNAL ASSOCIATION**

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### **Northwest Bankruptcy 1114 Retiree Committee Update as of June 7, 2007**

*By Committee Member Kevin D. Wildermuth*

Having been appointed pursuant to orders of the United States Bankruptcy Court, the Retiree Committee has monetized (sold) the Bankruptcy Claim acquired and achieved through Negotiations as a direct result of the Bankruptcy's affect on retirees' benefits. The Committee is currently in the process of finalizing the documents related to the completion and settlement of all outstanding issues derived from, and as a direct result of, the Northwest Airlines Bankruptcy Case No. 05-17930 (ALG).

With the proceeds, the Retiree Committee has established a Northwest Airlines Section 1114 VEBA Trust Plan (the "Plan") to provide Health, Dental, and Prescription Drug benefits to eligible persons who retired from one of the Debtors (Northwest) prior to August 1, 2006, and their eligible dependents. In order to receive this coverage under the Plan, such persons are required to pay monthly premiums to the Employer. These premiums will be reassessed from time to time and are subject to the applicable terms of the Agreement. In accordance with the terms of the Trust Agreement, the Plan subsidizes a portion of such monthly premiums. Such premium subsidies are intended to be treated as tax-free employer payments of health insurance premiums under Code Section 106. Any premium subsidy provided by the Plan will be funded directly to the Employer from the VEBA Trust.

The final Agreement provides that all pre-age 65 retirees and spouses who were eligible for paid Medical coverage will be covered by the Basic 80/20 plan. All future years have a cap on the allowable percentage increase. The VEBA account will be used to pay down the retiree and eligible dependents monthly 50% premium cost. Retirees who paid 20% of the Basic premium will now pay 25% of the premium. Retirees who had free or no payments for the basic plan will pay 5% of the premium. IAM retirees who had free basic medical coverage will be paying 2.5% of the premium. The following is an approximation of the retiree premium amounts: A 5% cost for single coverage will be approximately \$16.97 per month and retiree and spouse coverage will be approximately \$36.64 per month.

Northwest will be sending information concerning this new plan to all eligible retirees later this month. All currently covered retirees and spouses will be automatically covered in the Basic Plan. This new coverage for Medical will be effective August 1, 2007. The enrollment period will be to opt out of the plan if so desired.

All retirees under the age of 65 with the required years of service and who retired prior to August 2006 are covered by this agreement. All retirees under age 65 who retired in August 2006 or later are covered by their respective labor agreement or management agreement.

For those approaching the age of 65, the Committee has been in contact with a Company who is getting bids on supplemental Medical Coverage to Medicare in lieu of the Northwest Insurance. This Medical Insurance will have options for "donut hole" in Medicare coverage, Prescriptions, Eye care, and Dental. This information will be sent to retirees as an option when you approach age 65. Payment for this plan, if selected, will be a retirement check deduction through Northwest.