Summer 2020 payroll changes

Learn more about upcoming changes to the way you’re paid
A Quick Overview

Now that American and the TWU-IAM have ratified new agreements under the JCBA, we’re moving ahead with certain payroll changes that will bring you closer to migrating to the new payroll and Workbrain timekeeping systems over the next 12 months.

These changes will affect your July 17 paycheck. We want to be sure you have the information you need to both understand and prepare for the changes, so we’ve provided these Q&A sessions to help you through this transition.
What is Paid in Arrears & why are we doing it?

As part of the paid in arrears transition, we must also change our work week to Monday – Sunday to be in compliance with the new JCBA contracts. This is also the work week that Workbrain reads and employees must be converted before they can be migrated.

Paid in arrears refers to what we call a pay methodology, or the “way” we pay employees for the time that they work. Prior to this transition, we have paid the bi-weekly employees in AutoTA with the pay methodology called “paid current”. In “paid current”, the employees received a base pay that is given and taken away with each paycheck.

Paid in arrears is a much more simplistic way of paying employees as it eliminates the base pay entirely and only pays employees for their actual worked hours, and only after they have worked them.

Transitioning the employees to the paid in arrears methodology will help to alleviate many of the current frustrating points of payroll such as overpayments when employees take unpaid leaves or change positions.
Pay Methodology Changes

Beginning in July, there will be several changes to the way you’re paid. Keep in mind that none of these changes will change your hourly pay rate, and you’ll be paid for all hours worked.

**Pay Date Alignment**

Your July 10 paycheck will be the last paycheck you receive on your current bi-weekly pay date schedule. While you’ll still be paid biweekly (every other Friday), your pay date schedule will shift by one week to reset on July 17.

**Workweek**

Currently, your workweek is Saturday through Friday. Beginning July 13, your new workweek will shift to Monday through Sunday. Your July 17 paycheck will cover any work performed July 11-12, which is the two-day gap between the end of your old workweek on Friday and the beginning of your new workweek on Monday.

**Pay in Arrears**

In the same pay period your workweek changes, you’ll move from a pay current methodology to a pay in arrears methodology. Your pay frequency remains unchanged, so every other Friday, you’ll be paid for the hours you worked in the previous two-week pay cycle.
Pay Methodology Changes (cont..)

With the pay in arrears methodology (we no longer assume your schedule)

You’re paid for the actual hours worked in the previous two-week pay period, including scheduled hours plus or minus any adjustments, such as overtime or vacation.

Under you pay current method right now, your paycheck has three primary features:

1.) A base advance for the *CURRENT* pay period (this is the pay current part of your check, and this check is cut before you’ve actually finished working the time)
2.) Pay for actual hours worked in the *PREVIOUS* pay period.
3.) A base recovery of the base advance paid out on the *PREVIOUS* paycheck
Pay Methodology Changes (cont..)

Think of the base advance and base recovery as “PHANTOM PAY” that floats in and out of your paycheck but doesn’t really make a difference to your bottom line because they effectively cancel/balance each other out.

As American transitions all team members to a full pay in arrears method, the base advance and recovery will be eliminated from the pay equation, leaving only the pay for the actual hours worked. Since each base advance isn’t recovered until the following paycheck, that means that the final paycheck using the pay current method (July 17) will have a base recovery but NO base advance.

That final base recovery, without a base advance to balance it out, will “eat up” some or nearly all of the pay for the actual hours worked.
The green boxes below show the relationship between the final base advance and final base recovery.

<table>
<thead>
<tr>
<th>Paycheck Date</th>
<th>Actual Hours You Worked and Will Be Paid for</th>
<th>Base Advance</th>
<th>Base Recovery</th>
<th>Total Hours Paid Out</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 10</td>
<td>June 13-June 26, +80 hours</td>
<td>+80 hours for June 27-July 10 (this is last base advance you’ll receive under pay current method)</td>
<td>-80 hours (from the base advance for June 13-June 26, paid out on June 26 paycheck)</td>
<td>+80</td>
<td>Normal pay current paycheck of +80 hours</td>
</tr>
<tr>
<td>July 17</td>
<td>June 27-July 10, plus July 11-12 (if worked), +80 hours</td>
<td>None. When you transition from pay current to pay in arrears, American stops paying (and later recovering) your base advance and instead just pays you for your actual hours worked.</td>
<td>-80 hours (from June 27-July 10, paid out on July 10). This is the recovery of your final base advance paid out on July 10.</td>
<td>0</td>
<td>This is your transition paycheck. This paycheck is when you may elect a payroll advance or payout. Without an advance or payout, this would be a net zero paycheck.</td>
</tr>
<tr>
<td>July 31</td>
<td>July 13-26, +80 hours</td>
<td>None (not needed under pay in arrears method)</td>
<td>None (not needed under pay in arrears method)</td>
<td>+80</td>
<td>First pay in arrears paycheck.</td>
</tr>
</tbody>
</table>
On July 10, you’ll receive your final paycheck using the pay current methodology based on the Saturday through Friday workweek. This paycheck will include time assumed you’ll work from June 27-July 10. It will also reflect actual time worked, any adjustments (overtime, vacation, sick, etc.) and base recovery from the previous pay period of June 13-June 26.

This is your first paycheck on your new pay date alignment schedule. It will reflect your actual hours worked from June 27-July 10, reduced by any base recovery for time assumed you would work June 27-July 10 paid out on the July 10 paycheck. This paycheck will also reflect any hours worked July 11-12, which is the two-day gap between the end of the old workweek on Friday and the beginning of the new workweek on Monday.

This paycheck may appear short by up to 40 hours, depending on your schedule. Be sure to review this guide closely for information about managing through this transition. This paycheck will include your choice(s) of up to two of the following, if elected: a one-time payroll advance*, time from your comp bank, a payout from accrued vacation time, or a payout from your sick bank.

* Team members participating in AA’s VEOP are not eligible to elect a payroll advance.

This paycheck is your first paycheck with all your payroll changes implemented, including the pay in arrears methodology. It reflects actual hours worked July 13-July 26 and is based on a Monday–Sunday workweek.
2020 Pay Schedule: TWU Fleet Service Agents and TWU Maintenance and Related Team Members (currently paid biweekly)

Switching pay date, workweeks and pay methodology from pay current to pay in arrears doesn’t mean you’re not being paid for the time you worked.

Take a look at the first of three examples to see how every day worked aligns to a pay date.

<table>
<thead>
<tr>
<th>PAY DATE</th>
<th># OF DAYS PAID</th>
<th>PRIOR PERIOD ACTUALS PAID</th>
<th>BASE PAY ADVANCE PAID</th>
<th>BASE PAY RECOVERED</th>
<th>PAYCHECK DETAILS</th>
</tr>
</thead>
</table>
| July 10  | 14             | June 13–26                 | June 27–July 10       | June 13–26 (paid out on June 26) | • Your regular pay current paycheck  
  • Prior period true-up (actual hours worked June 13–26, less recovered base pay from June 26 paycheck)  
  • Base pay for June 27–July 10 in pay current methodology  
  • Workweek Saturday through Friday |
2020 Pay Schedule: TWU Fleet Service Agents and TWU Maintenance and Related Team Members (currently paid biweekly) (cont’d)

Take a look at example #2 to see how every day worked aligns to a pay date.

<table>
<thead>
<tr>
<th>PAY DATE</th>
<th># OF DAYS PAID</th>
<th>PRIOR PERIOD ACTUALS PAID</th>
<th>BASE PAY ADVANCE PAID</th>
<th>BASE PAY RECOVERED</th>
<th>PAYCHECK DETAILS</th>
</tr>
</thead>
</table>
| July 17  | 14 + 2         | June 27–July 10, and July 11–12 (if worked) | None | June 27–July 10 (paid out on July 10) | • First paycheck on your new pay date alignment schedule  
• Prior period true-up (actual hours worked June 27–July 10, less recovered base pay from July 10 paycheck)  
• Actual hours worked July 11–12, if applicable  
• Includes up to two of the following, if elected, based on eligibility: a one-time payroll advance, payouts of your comp, vacation or sick banks  
• Workweek Saturday through Friday, plus July 11–12 |
2020 Pay Schedule: TWU Fleet Service Agents and TWU Maintenance and Related Team Members (currently paid biweekly) (cont’d)

Take a look at example #3 to see how every day worked aligns to a pay date.

<table>
<thead>
<tr>
<th>PAY DATE</th>
<th># OF DAYS PAID</th>
<th>PRIOR PERIOD ACTUALS PAID</th>
<th>BASE PAY ADVANCE PAID</th>
<th>BASE PAY RECOVERED</th>
<th>PAYCHECK DETAILS</th>
</tr>
</thead>
</table>
| July 31  | 14             | July 13–26                | N/A                   | N/A                 | • Your first paycheck with all payroll changes implemented  
• First pay in arrears paycheck  
• Actual hours worked July 13–26 (team members on VLOA/VEO will be paid based on their reduced VLOA/VEO hours)  
• Workweek Monday through Sunday |
Options: Payroll Advance or Using Available Time

To help bridge both the 3 week gap in paychecks and the pay in arrears transition, American is offering a “TRANSITION” check on July 17 where you can elect an optional payroll advance or various payouts from your comp/sick/vacation banks.
Payroll advance

Calculated based upon 20 hours for part-time team members and 40 hours for full-time team members.

This advance will be taxed at supplemental rates (usually 22%) and you’ll repay it through payroll deductions in equal installments over 10 or 26 pay periods, beginning next year with your first paycheck dated after Feb. 1, 2021.

This option is not available to team members who have been approved for participation in one of American’s voluntary early out programs (VEOP).
Payout from accrued vacation time

Paid out via lump sum of up to 20 or 40 hours, depending on your schedule. If you have accrued fewer than 20 or 40 hours, only the number of hours accrued will be paid out.
Payout from accrued sick time
Paid out via lump sum of up to 20 or 40 hours, depending on your schedule. If you have accrued fewer than 20 or 40 hours, only the number of hours accrued will be paid out.
Payout from your comp bank (if eligible)

Paid out based on the numbers of hours available. (This is a new benefit under the recently ratified JCBA and includes the Memorial Day holiday, if you chose to bank it.)
You may combine up to **TWO** of these options to cover any shortage on your July 17 paycheck.

Depending on your choices and eligibility, it is possible to receive a payout of up to 80 hours, depending on accrued balances in your comp, vacation and sick banks.
What do you need to do?

Ensure you understand what the changes mean for you
• If you have additional questions, please contact me @ jennifer.hussey@aa.com or 972-425-4930 you can also email corp.comm@aa.com

Consider whether a payroll advance or payouts from your comp, vacation or sick banks are right for you
• REMEMBER -- You may choose up to two of these options, and payouts will be via lump sum of up to 20 or 40 hours from each bank. If any of the banks you choose to use have fewer than 20 or 40 hours, only the available hours will be paid out. Payroll sent this information on these offers via DocuSign, including instructions for electing them, to your aa.com email address.

The choice is yours, but please let us know either way by the July 5 deadline.

Review the payment schedule for any loans or other accounts with financial institutions.
• We’re partnering with American Airlines Credit Union to help team members whose existing loan payments may be affected. The Credit Union will defer loan payments (with the exception of mortgages and credit cards) during the conversion to help team members through the transition. Please reach out directly to the Credit Union at 800-533-0035 or visit its payroll change information page if you’re interested in this option.

• If you have direct deposits or automatic bill payments with any other financial institution, we encourage you to review your payment schedule and contact the institution directly with any questions you may have.
Questions?

You can always contact myself or any of us at the Team Support Center for assistance!

Team Support Center 972-425-4977
Jennifer Hussey 972-425-4930 or jennifer.hussey@aa.com
TWU Payroll Changes

DEADLINE – July 5th @ 8:00 p.m. CT

Have you made your selection yet?
Need help or have questions?

Hands-On Assistance available at the Team Support Center

Where: The Team Support Center (across from C11)
When: Monday, June 29th 0830-1700
      Tuesday, June 30th 0830-1700
      Wednesday, July 1st 0830-1700
      Thursday, July 2nd 0830-1100 & 1300-1700