

Pensions- Handbooks (company)

**AMERICAN AIRLINES, INC.**

## **Retirement Benefit Plan\***

*for pilot personnel.*  
(On and After January 1, 1956)



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[New York, 1957]

\*For Pilot Personnel

# ***AMERICAN AIRLINES, INC.***

**100 PARK AVENUE • NEW YORK 17, N. Y.**

What are the benefits which will be available to me after I have qualified for retirement from active service with American Airlines? That is a question which is of interest to all of us.

This booklet, intended to tell you about the new and revised Retirement Benefit Plan, should provide the answers to your questions. We have tried to write the booklet in everyday language. In the background of the Plan there are, of course, a lot of mathematics, to make sure that the Plan is fundamentally sound. Those have been checked and are in good shape. We will not trouble you with their detail; instead the principal objective of this booklet is to give you a clear understanding of its benefits.

You will see from your reading of the booklet that the potential benefits of the new Plan are much better than the Plan which preceded it. You and the Company have invested and will continue to invest substantial sums in the new Plan, with the objective that your continued welfare will be better assured.

Read the booklet with care. If it does not answer your questions, ask your Superintendent for additional information. Either he will have it or he will be prepared to secure it for you.

This is OUR Plan, for our joint contributions make it possible. I am sure that you will understand and like it.

Sincerely yours,

A handwritten signature in black ink, appearing to read "C. R. Smith". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

**PRESIDENT**

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**AMERICAN AIRLINES, INC.**

# **A Guide to Your Pension Plan**

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## **IMPORTANT**

The material contained in Part I briefly explains and illustrates the Pilot Plan. The full terms and conditions of the Pilot Plan are set forth in Part II which is entitled "Full Text of the Pilot Plan." If there is any conflict between Part I and such Plan as set forth in Part II, the terms and conditions of such Plan will govern.

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# Highlights of the Pilot Plan

## **RETIREMENT INCOME FOR LIFE**

The Plan provides for the payment of an income to you as long as you live after retirement.

## **RETIREMENT INCOME IS IN TWO PARTS**

The Plan provides for two kinds of retirement income:

- (i) A basic fixed income, *plus*
- (ii) A variable income.

## **AMOUNT OF BASIC FIXED INCOME**

The amount of your basic fixed income will be governed by (a) your rate of earnings and (b) the length of your service. Once you retire, this basic fixed income will remain payable in the same fixed amount each month throughout your remaining lifetime.

## **AMOUNT OF VARIABLE INCOME**

The amount of your variable retirement income will depend on the amount of the investment earnings and capital gains or losses in a special Trust Fund from which this benefit will be provided, dependent upon your years of service and contributions paid on your behalf.

## **ADDITIONAL TO SOCIAL SECURITY**

Benefits provided under this Plan are independent of and additional to your Social Security benefits, except in respect of the \$400.00 minimum benefit later described.

## **NORMAL RETIREMENT AGE**

“Normal retirement” is at age 60. The Plan provides for other retirement ages in certain circumstances.

## **PENSION FOR YOUR WIDOW**

If you arrange to accept a reduced retirement income, payments will be continued upon your death after retirement to your surviving widow or other beneficiary.

## **OTHER FORMS OF RETIREMENT INCOME**

The Plan provides other alternative forms in which you can elect to take your retirement benefits.



## **HOW COSTS ARE SHARED**

You will pay, monthly, 3% of your rate of compensation, determined at least every six months, toward the cost of your basic fixed retirement benefits, and an additional 4% toward the cost of your variable benefits. Further, you have the privilege of making "optional additional" contributions for variable benefits, if you so desire.

Over the period of your participation, your Company will pay considerably more than you will pay in respect of your basic fixed retirement benefits and will match your required contributions for variable benefits.

## **REFUNDS ON DEATH**

In the event of your death your contributions in respect of basic fixed benefits will be refunded, together with 2% interest on such contributions made since January 1, 1956, but reduced by any basic fixed retirement benefits already paid to you. Further, the cash value of all units purchased by your contributions for variable benefits will also be payable to your beneficiary or estate, but reduced on account of any units already paid to you as retirement income. If you die prior to normal retirement age under the Plan in effect previously and were a participant in that Plan, your death benefit will be at least as much as would have been payable if you had died on December 31, 1955 as a participant in that Plan.

## **HOW YOUR PLAN IS FUNDED**

The basic fixed retirement and other fixed benefits called for under the Plan will be funded through an insurance company and/or a separate trust into which will be paid your contributions and those of the Company in respect of such benefits. The actuarial soundness of these funding arrangements will be checked and certified each year by an independent actuary selected by the Company.

Your contributions and those of your Company in respect of your variable benefits are paid into a separate Variable Annuity Trust. The operation of this Fund will also be checked by an independent actuary selected by the Trustee with the approval of the Pension Committee for the Pilots. Such actuary will advise on the determination of unit values and benefits which can be provided from the Variable Annuity Trust.

You will be advised each year of the amount of basic fixed retirement annuity which has accrued to your credit, the portfolio of the variable annuity trust, the amount of your contributions to the Basic Fixed Retirement Income Fund and to the Variable Annuity Trust, and also of the number and value of units in the Variable Annuity Trust which you have accumulated for the provision of variable benefits.





# Questions and Answers

## **WHAT IS THE PURPOSE OF THIS PLAN?**

The purpose of this Plan is to make it easier for you to enjoy security and independence in your later years.

## **WHAT IS ITS EFFECTIVE DATE?**

This Plan, as it is described in this booklet, becomes effective as of January 1, 1956, subject to the approval of the Internal Revenue Service. It improves the Retirement Benefit Plan which was first established as of October 1, 1941.

## **WHO IS INCLUDED IN THIS PLAN?**

This Plan includes all Pilots while on the Pilot Seniority List and employed by American Airlines, Inc., or any subsidiary, who (1) shall have attained the age of 25 and (2) shall have completed 1 year of service.

## **HOW MUCH WILL I GET WHEN I RETIRE?**

You will receive the total of two amounts as follows:

- (i) A basic fixed retirement income
- (ii) A variable retirement income

The amounts of these two separate retirement incomes are described hereunder.

### **Your Basic Fixed Retirement Income**

If you retire at your normal retirement date, you will be entitled to a basic fixed retirement income, payable monthly for the rest of your life, in an annual amount as follows:

- (i) *For Service After January 1, 1956:*

1.2% of your annual rate of compensation in respect of which you have made contributions on and after January 1, 1956, *plus*

- (ii) *For Service Prior to January 1, 1956:*

The amount of benefit which you had already accrued prior to January 1, 1956 as a result of your participation previous to that date.

### **Your Variable Retirement Income**

In addition to the basic fixed income described above, you will be entitled to a variable income. The way this operates is as follows:

All your contributions, and those of the Company, in respect of variable benefits will be paid into a Trust Fund known as the Variable



Annuity Trust and credited to your account in the form of "units of interest."

The value of a unit will be determined at the end of each year by dividing the total market value of the Trust Fund by the total number of units standing to the credit of the members. The unit value so determined will be used throughout the following year, both for determining the number of units bought by new contributions and the amounts to be paid to members who receive benefits.

When you retire, the total number of units standing to your credit will determine the number of units to be converted into cash each month, at the unit value at the time of payment, to provide your variable income.

On death or termination of service, the total units to be paid out are similarly converted into cash at the then unit value adjusted by what is known as the Index of Change in respect of the period since the time the latest unit value was determined.

As a means of distributing the value of Company-provided units cancelled in respect of terminating members to the extent that they have not vested, dependent on service, or who receive the value of their own units in a lump sum, the number of units which can be provided by Company contributions at the then current unit value will be increased by 1% at the time the units are credited. Previously credited units of interest attributable to Company contributions will be increased each year by a survivorship factor appropriate to each Member's attained age, which will effectively redistribute to surviving Members any Company-provided units cancelled in respect of Members who die before retirement.

It is assumed that invested dollars earn more dollars. Therefore, the number of units at each valuation which have been standing to a non-retired member's credit for a full year will be increased by what is known as the "Assumed Rate of Yield." This is fixed initially at 3% but may be revised at some future date. Any difference between the actual yield earned by the Trust Fund and the 3% "Assumed Rate of Yield" will emerge annually as a change in the value of each unit. The objective of the Assumed Rate of Yield is to enable pensioners to be paid incomes based on a fixed number of units each month which, by projecting anticipated earnings, will tend to give a more even payment of retirement income; however, market values must be considered.

It should be noted that the actuarial standards used for converting accumulated shares into monthly income at retirement will be those in force at the time the various contributions are made. In the event it



becomes necessary for any reason to change these standards, such a change can only be applied to units purchased by subsequent contributions.

### **Minimum Benefit**

The Plan provides that your total retirement income arising from your required contributions and those of the Company, payable after retirement at age 60 and adjusted to a "level income" basis as described hereafter, will not be less than \$400 monthly. This amount is inclusive of your primary Social Security benefit (which does not commence until age 65) but is additional to benefits payable to you from the Variable Annuity Trust as a result of "optional additional" contributions to that Fund. The Plan provides that if you do not join within a specified period following eligibility, this minimum benefit will not apply.

### **WHAT IS THE PURPOSE OF HAVING A VARIABLE INCOME AFTER RETIREMENT?**

After you have retired your basic fixed retirement income will not change from month to month or from year to year. The combining of the *variable* income with the basic fixed income is an approach to the problem of protecting purchasing power during retirement no matter which way the economy is going at the time.

### **IS MY RETIREMENT INCOME UNDER THIS PLAN RELATED TO MY SOCIAL SECURITY BENEFITS?**

Except in respect of the \$400 minimum benefit described above, the benefits payable under this Plan are independent of and in addition to your Social Security benefits.

### **WHAT IS CREDITED SERVICE?**

Credited service is the period of employment (including sick leave and vacations) in respect to which the employee has made contributions under the Retirement Plan. Service credits as a result of contributing under the





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previous plan will be included in your credited service.

During absence while on authorized leave (unless on Association business), or furlough, you will not continue to accumulate service credits, since neither Company nor employee contributions are then provided for.

### **WHEN DOES MY RETIREMENT INCOME COMMENCE?**

Your benefits may commence when you *actually retire*, provided your retirement is in accordance with this Plan, or at such later date after retirement as you elect.

### **WHAT IS NORMAL RETIREMENT?**

The "normal retirement" date will be the first day of the month coinciding with or next following your attainment of age 60.

In the event of continued employment in any capacity, the monthly amount of retirement income which will commence to be payable to you when you do actually retire will be the same as if you had retired at age 60.

### **MAY I RETIRE BEFORE AGE 60?**

Yes, provided you have attained at least age 50 and completed (a) at least 10 years of credited service, or (b) 10 years of service with the Company in any capacity if you were an employee on December 31, 1955. Your retirement income would be determined as follows:

*As to Basic Fixed Retirement Income:* An actuarially reduced pension based on your service and earnings up to the time of your early retirement and adjusted to reflect the shorter period of accumulation of reserves and longer period over which the annuity will be paid.

*As to Variable Retirement Income:* The total amount of income which can be provided from the units you have accumulated up to the time of your early retirement, calculated according to the same principles as would apply if you were retired at age 60.



## **ARE THERE ANY DISABILITY BENEFITS?**

If your service terminates as a result of disability or disqualification from flying (except for occurrence or continuation of such disability or disqualification by reason of lack of good faith) you will be entitled to benefits as if you had terminated after fulfilling the conditions for full vesting, but actuarially adjusted to the age at which you elect to start to receive such benefits.

## **WHAT IS THE "NORMAL FORM" OF MY RETIREMENT INCOME?**

If you do not elect some other form of retirement benefit, your normal retirement income will be paid monthly, commencing when you actually retire, and continuing until your death. In the event of your death before you have received basic fixed retirement benefits at least equal to your own contributions towards such basic fixed income with an allowance for interest (as described on page 13) or before the Variable Annuity Trust has cashed out for you at least as many units as have been purchased and accumulated from your own contributions towards your variable income, the then dollar value of the balance in respect to both will be payable to your beneficiary or estate as a death benefit.

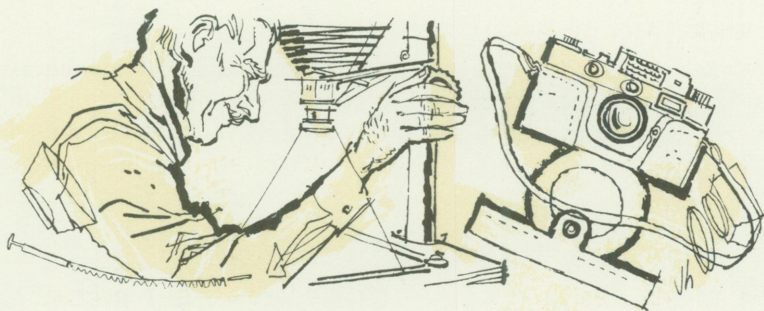
## **CAN I TAKE MY BENEFITS IN ANY OTHER FORM?**

This Plan enables you, if you wish, to provide a joint and survivor income in favor of your surviving spouse or other beneficiary. Under this type of annuity, a monthly income for life will be paid to your surviving beneficiary after your death, or you may arrange for payments to continue to a child or grandchild to age 20. This extra benefit is granted in exchange for a reduction in the amount of monthly benefit paid to you during your lifetime. (See Table B on page 18.)

You have the choice of arranging for such an income to be paid to your beneficiary at the rate of either three-quarters, two-thirds, or one-half of your own income. The amount of your own income is adjusted accordingly. (See Example III on page 24.)

The Plan enables you, if you prefer, to substitute a reduced income which will continue for at least 10 years after your retirement date, regardless of whether you survive such period, and will continue thereafter for the remainder of your lifetime.

The Plan also enables you to select a straight life annuity. This provides an increased retirement income for you which terminates at death without a death benefit. Finally you may select a combination of compatible options of the same value.



### **WHAT IS THE "LEVEL INCOME" OPTION?**

This form of benefit, applicable only to the basic fixed income, provides for an increased fixed retirement income, payable from this Plan, to age 65 (when Social Security benefits commence) and a reduced fixed income thereafter, so that the total fixed income, including both the adjusted fixed income payable under this Plan and the Social Security benefit, will be as nearly uniform as possible both before and after entry upon Social Security benefits.

### **DO THESE OPTIONAL BENEFITS DEPEND ON MY PASSING A MEDICAL EXAMINATION?**

Any of the optional benefits outlined above will be available, without any necessity for a medical examination, if you make your election at least one year before your retirement. If you wish to make an election of an optional benefit within less than one year of your retirement date, satisfactory evidence of your good health will be required.

### **WHO PAYS FOR THESE PENSIONS?**

If you elect to join this Plan you will be required to contribute 3% of your rate of compensation towards basic fixed retirement income. Your Company pays considerably more than you will pay in respect of your basic fixed benefits. You will also be required to contribute a further 4% of your earnings into the Variable Annuity Trust. These required contributions will be matched by your Company.

You may further, if you wish, contribute additional amounts (up to such amount, not exceeding 5% as may be approved by Internal Revenue Service) of your earnings for the provision of additional variable income benefits. (These "optional additional" contributions will not be matched by your Company. These constitute a convenient medium for the provision of more liberal retirement benefits at your own expense.)





## **MAY I DISCONTINUE OR WITHDRAW MY CONTRIBUTIONS WHILE ACTIVELY EMPLOYED?**

**As to Basic Fixed Retirement Benefits:** Once you become included in the Plan, and commence to make contributions towards basic fixed retirement benefits, you may not discontinue or withdraw these contributions at any time prior to your normal or earlier actual retirement date, or the termination of your employment, except that in the event of hardship due to circumstances beyond the control of the individual and peculiar to such individual, such discontinuance or withdrawal may be permitted if deemed appropriate under the circumstance. In the event of withdrawal, at least five years must elapse before further contributions may again be made and retirement credits accrued. No resumption may take place either in the event of discontinuance or withdrawal unless the hardship is found no longer to exist.

**As to Variable Retirement Benefits:** You may not discontinue, withdraw or later resume your required 4% contributions to the Variable Annuity Trust, except for the reasons above described. Your "optional additional" contributions into the Variable Annuity Trust (which are over and above the minimum 4% required contributions) may be discontinued, or a different contribution rate may be elected, provided that not more than one discontinuance, reduction, increase or resumption, may occur within any five-year period.

Note, however, that once made, "optional additional" contributions to the Variable Annuity Trust cannot be withdrawn except in the form of benefits payable at death, retirement, or termination of service, except for the reasons above described.

## **IS THERE ANY DEATH BENEFIT?**

In the event of your death while actively employed a death benefit will be payable as follows:

**As to Basic Fixed Retirement Benefits:** An amount equal to your contributions made after January 1, 1956, together with compound interest at 2% annually, *plus* all of your contributions (if any) made prior to that date.

**As to Variable Retirement Benefits:** An amount equal to the then value of all of the units in the Variable Annuity Trust which have arisen from your own contributions.

If your death occurs after your retirement date, and before you have received basic fixed retirement income payments at least equal to the above basic retirement income death benefit, and all retirement income payments from the Variable Annuity Trust based on at least as many units as are referred to in the above variable retirement income death benefit,

the balance of such benefit will be payable in a single sum (but appropriately modified or eliminated by actuarial adjustment in accordance with any optional form of benefit which has been elected).

**Minimum Benefit:** If you were included in the Retirement Plan as of December 31, 1955, and die before the normal retirement date applicable under that Plan, your basic retirement income death benefit will in no event be less than that which would have been payable in the event of your death on December 31, 1955.

#### **SHOULD I NOMINATE A BENEFICIARY?**

This Plan is for your benefit, and all of the payments made under it will be made directly for your own benefit or to your beneficiary. Unless you have nominated your beneficiary, it may not be possible for you to secure the maximum advantages of the Plan. If you have not designated your beneficiary, or if there is no beneficiary surviving when you die, any death benefit which is due will be paid to your executors or administrators, except that there is discretion to authorize payments to be made instead to one or more of your surviving relatives.

#### **CAN I CHANGE MY BENEFICIARY?**

Yes; you may at any time change a beneficiary whom you had previously nominated. The procedure is to submit your nomination on a form which you can obtain from your supervisor.

#### **WHAT IF MY EMPLOYMENT TERMINATES?**

(a) If your employment terminates other than by retirement, you will be entitled to the following:

**As to Basic Fixed Retirement Benefits:** Your contributions made under this revised Plan together with compound interest at 2% annually *plus* all of your contributions (if any) made under the previous Retirement Benefit program.

**As to Variable Retirement Benefits:** An amount equal to the then value of all of the units in the Variable Annuity Trust which have arisen from your own contributions.

(b) If your employment terminates (i) after you have completed at least 10 years of credited service under the Plan, or (ii) you were an employee on December 31, 1955 and, complete 10 years of service in any capacity, and you elect *not* to take the lump sum benefit provided for in (a) above, you will be entitled to retirement benefits out of the Basic Fixed Retirement Income and the Variable Retirement Income as indicated in the Plan.

#### **MAY I BORROW AGAINST OR ASSIGN MY BENEFITS?**

No. The purpose of this Plan would be defeated if it were to be used for



any purpose other than the direct provision of retirement and similar benefits, and the Plan specifically prohibits any assignment of or borrowing against your benefits.

### **HOW IS THIS PLAN FUNDED?**

**Basic Fixed Retirement Benefits:** Each year a contribution is made by your Company in an amount at least sufficient to maintain the funding of basic fixed retirement benefits on an actuarially sound basis with a trust fund or insurance company as the Company may from time to time determine.

Company contributions for basic fixed retirement benefits are not allocated to individuals prior to retirement. All money is kept invested for the benefit of the group as a whole. At the retirement of each member, his contributions plus the necessary amount of Company contributions are set aside to provide for an annuity payable to him for life, or to be payable according to the optional form he has elected.

**Variable Retirement Benefits:** Contributions towards variable retirement benefits are paid into a separate Trust held by a Trustee. While such Trustee has some powers of discretion, it is intended that investments be made with due respect to dollar cost averaging and the investment of 100% of the Variable Trust in common stock shall be deemed reasonable. Your contributions and those of your Company will be credited with "units of interest," or shares, in this trust fund. The way this trust fund works has been described in the answer to an earlier question (see page 11).

### **WILL THERE ALWAYS BE A PENSION PLAN?**

The Company is committed to maintain the Plan unchanged to the termination date of the next collective bargaining agreement with ALPA and the Company hopes and expects that it will be possible to continue the plan indefinitely. You will understand, however, that due to unforeseeable conditions in the future, the Company cannot make a commitment to maintain the Plan beyond such date.

The provisions of this Plan or any amendment thereto will only become effective upon approval by the Internal Revenue Service.







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**TABLE A**

**Table Showing Percentages Applicable  
to Basic Fixed Retirement Benefits  
Upon Early Retirement**

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Age at Early Retirement	Percentage of Basic Retirement Annuity
60	100.0%
59	93.1%
58	86.9%
57	81.2%
56	76.1%
55	71.4%
54	67.1%
53	63.1%
52	59.5%
51	56.1%
50	53.1%

*Notes:*

- (1) In calculating pensions at intermediate ages between 50 and 60, an adjustment is made to allow for completed months.
- (2) These factors are based on actuarial tables which depend on estimates of interest and mortality rates. Some changes may be found necessary if these underlying estimates change through time.

**TABLE B**

**Percentage of the Basic Fixed Retirement Annuity  
Payable to a Retired Participant Who is to  
Receive a Joint and Survivor Annuity**

Age of Participant at Date Option Becomes Effective	Wife 5 Years Older than Participant	Wife Same Age as Participant	Wife 5 Years Younger than Participant	Wife 10 Years Younger than Participant
<b>Annuity Continuing at <math>\frac{1}{2}</math> Rate to Wife</b>				
60	90.3%	86.5%	82.7%	79.0%
55	91.0%	87.9%	84.7%	81.6%
50	91.8%	89.3%	86.6%	84.0%
<b>Annuity Continuing at <math>\frac{2}{3}</math> Rate to Wife</b>				
60	87.4%	82.8%	78.2%	73.8%
55	88.3%	84.5%	80.6%	76.8%
50	89.4%	86.2%	82.9%	79.7%
<b>Annuity Continuing at <math>\frac{3}{4}</math> Rate to Wife</b>				
60	86.1%	81.1%	76.1%	71.4%
55	87.1%	82.9%	78.7%	74.7%
50	88.2%	84.7%	81.2%	77.8%

**Notes:**

- (1) Factors for other combinations of ages will be supplied upon application to the Employing Company.
- (2) These factors are based on actuarial tables which depend on estimates of interest and mortality rates. Some changes may be found necessary if these underlying estimates change through time.



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**TABLE C**

**Percentage of the Basic Fixed Retirement Annuity  
Payable to a Retired Participant who is to  
Receive an Optional Annuity Guaranteed for a  
Period of 10 Years and Life Thereafter**

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<b>Age of Participant at Retirement</b>	<b>Percentage of Normal Annuity Otherwise Payable at Age 60 or Earlier Retirement</b>
60 or over	94.6%
59	95.1%
58	95.6%
57	96.0%
56	96.4%
55	96.7%
54	97.0%
53	97.3%
52	97.6%
51	97.8%
50	98.0%

*Notes:*

- (1) In calculating pensions at intermediate ages between 50 and 60, an adjustment is made to allow for completed months.
- (2) These factors are based on actuarial tables which depend on estimates of interest and mortality rates. Some changes may be found necessary if these underlying estimates change through time.

## **PILOT "A"**

The following Examples show how the Plan operates in respect of a Pilot whom we shall call "Pilot A," whose age is 35 on January 1, 1956.

He has been a member of the Retirement Plan since 1949 and has already accrued a fixed pension of \$55 a month, payable from age 60.

As of January 1, 1956, he is earning \$800 a month.

Thereafter, his earnings continue to increase,

**averaging \$900 a month between ages 35 and 40**

**averaging \$1,100 a month between ages 40 and 45**

**averaging \$1,300 a month between ages 45 and 50**

**reaching \$1,400 a month at age 50, from which point  
his earnings remain constant.**

In addition to contributing 3% of his earnings towards basic fixed retirement income and the required 4% towards variable retirement income, he elects to contribute an additional 2% of his earnings into the Variable Annuity Trust.



## EXAMPLE I Normal Retirement

Suppose Employee A retires at age 60. His retirement benefits will be calculated as follows:

### Basic Fixed Retirement Income:

For service on and after January 1, 1956, his annual pension is 1.2% of his earnings on which he has made contributions, or ..... \$366.00 monthly

For service prior to January 1, 1956, he will receive the pension already accrued prior to that date, or ..... \$55.00 monthly

His total basic fixed retirement income will therefore be ..... \$421.00 monthly

### Variable Retirement Income:

Suppose by age 60 he has standing to his credit 5,773 units of interest, valued at \$11.36 a unit, of which 3,225 units are attributable to his own contributions and 2,548 are attributable to Company contributions (including units on account of adjustment for forfeitures from terminations and for survivorship—see page 00.) These 5,773 units would produce an income based on  $5,773 \times 5.967$ .

1,000  
or ..... 34.447 units monthly

*Note:* The factor 5.967 is derived from extensive tables which take into account the death benefit shown below.

So long as units are worth \$11.36, the income from the Variable Annuity Trust will be  $\$11.36 \times 34.447$ , or \$391.32 monthly

The total combined income would then be \$421.00 plus \$391.32, or ..... \$812.32 monthly

Thereafter the income from the Variable Annuity Trust would be based on the value of 34.447 units each month, the number of dollars paid each month depending on the value of units from time to time.

### Death Benefit:

If Employee A were to die after retirement and before receiving basic fixed retirement income payments at least as great as his own contributions towards such benefits under the revised Plan, with interest, plus his con-

tributions to the previous Retirement Benefit Plan, the balance would become payable immediately. Further, if Employee A were to die after retirement and before receiving payments from the Variable Annuity Trust based on at least 3,225 units (that is, before receiving 94 monthly payments), the then value of the remaining units, adjusted by the Index of Change, would become payable immediately in a lump sum.

**Note:** *If Employee A were to die before retirement, he would be entitled to a death benefit calculated according to the same principles, and in no event less than (i) the death benefit which would have been provided by the Retirement Plan had he died just prior to its revision effective January 1, 1956, plus (ii) the value of the units of interest in the Variable Annuity Trust attributable to his own contributions.*

## EXAMPLE II Early Retirement

Suppose Employee A retires at age 55, by which time his accrued basic fixed retirement pension, including pension under the previous Retirement Benefit Plan, amounts to \$337 a month, payable from age 60, and his total credit under the Variable Annuity Trust amounts to 4,267 units worth \$11.02 a unit, of which 2,452 units are attributable to his own contributions.

The early retirement benefit is calculated as follows:

### Basic Fixed Retirement Income:

The accrued pension of \$337 a month must be multiplied by the factor 71.4% (see Table A) to give the amount of pension commencing immediately, i.e. . . . **\$240.62** monthly

### Variable Retirement Income:

The number of monthly units of income would be determined in the same manner as in Example I, namely,  
$$\frac{4,267 \times 5.242}{1,000} \text{ or } \dots\dots\dots 22.368 \text{ units monthly}$$

*Note:* As above, the factor 5.242 takes into account the death benefit.

So long as units are worth \$11.02, the income from the

Variable Annuity Trust will be  $\$11.02 \times 22.368$ , or . . . **\$246.50** monthly

If the value of units five years later has risen to \$11.36,

as in Example I, the income from the Variable Annu-

ity Trust would become  $\$11.36 \times 22.368$ , or . . . . . **\$254.10** monthly

### Death Benefit:

The death benefit would be computed in the same manner as in Example I, and in this case a death benefit would be payable from the Variable Annuity Trust if the employee died before receiving 110 monthly payments.



### EXAMPLE III Joint and Survivor Annuity

Suppose Employee A retires normally at age 60, as in Example I, but has elected the joint and two-thirds survivor annuity option, as provided in Sub-section (1) (a) of Article VII.

Assume that the contingent annuitant is his wife and that she is five years younger than he. At the time of his retirement at age 60 her age will be 55.

The benefits payable to Employee A and his wife will be calculated as follows:

#### Basic Fixed Retirement Income:

The pension payable to Employee A, if he had not made the election, would be as shown in Example I, namely, \$421.00 monthly. From Table B, the factor applicable to an Employee aged 60, his wife 5 years younger to receive a survivor annuity at two-thirds rate is ..... 78.2%

The pension payable to Employee A under the option is therefore 78.2% of \$421.00 or ..... \$329.22 monthly

If his wife survives him she will become entitled to two-thirds of this amount for the remainder of her life, or \$219.48 monthly

#### Variable Retirement Income:

At age 60, Employee A will be credited with 5,773 units, as in Example I.

Based on Actuarial Tables which take into account the age of the employee and his wife, each 1000 units would provide, under the joint and survivor option, payments equal to the value of ..... 4.863 units monthly

Employee A's income will therefore be based on  $\frac{5,773}{1,000} \times 4.863$  or ..... 28.074 units monthly

So long as unit values remain at \$11.36 a unit, this would give an income of ..... \$318.92 monthly

If his wife survives him she will become entitled to a monthly income based on two-thirds of this number or ..... 18.716 units monthly

If the value of units is at that time still \$11.36 a unit this would provide an income of ..... \$212.61 monthly

*Note:* Under the joint and survivor option there is no death benefit other than the pension to the contingent annuitant if she survives the member.

## EXAMPLE IV Variable Annuity

### (1) How Units of Interest Accumulate

Suppose:—

- (a) There are 1064.227 units of interest standing to a member's credit at the beginning of a particular year, of which 571.651 units are attributable to his own past contributions and 492.576 are attributable to Company contributions.
- (b) During the year his contributions to the Variable Annuity Trust amount to \$720 and those of the Company amount to \$480.
- (c) The value of a unit at the beginning of the year is \$11.34 and the survivorship factor appropriate to his attained age is 0.653%.

At the end of the year he will have units standing to his credit, calculated as follows:

	<u>Units Attributable To</u>	
	<u>His Own Contributions</u>	<u>Company Contributions</u>
Number of Units at beginning of year . . . . .	571.651	492.576
Further Units credited at end of year on account of assumed yield (3% of number of units at beginning of year) . . . . .	17.150	14.777
	<u>588.801</u>	<u>507.353</u>
Additional Company units credited on account of survivorship (0.653% of 507.353) . . . . .		3.313
Further units purchased by contributions during the year, at \$11.34 a unit . . . . .	63.492	42.328
Additional Company units credited on account of assumed turnover forfeitures (1% of 42.328) . . . . .		.423
Number of units at end of year . . . . .	<u>652.293</u>	<u>553.417</u>
	<u><b>Total 1205.710 Units</b></u>	

### (2) How the Value of a Unit of Interest is Determined

Suppose at the end of a particular year the market value of the Variable Annuity Trust is . . . . . \$5,960,356.93

Suppose at that time the total number of units of interest standing to the credit of the Members (including the value, in units, of the benefits still to be paid to retired Members and other beneficiaries) is . . . . . 516,240.267

Then the value of a unit of interest during the following year would be \$5,960,356.93 divided by 516,240.267 or . . . **\$11.55**

This value would be used to determine the amount each pensioner would receive during the following year and how many units new contributions would buy.

In the event of termination or death involving the final settlement of a Member's account, the value of the units of interest to be paid out would be based on the same unit value, but adjusted by the Index of Change to give effect to the earnings of the Trust and changes in market prices since the last annual valuation date.

### **(3) How Accumulated Units are Converted to Income at Retirement.**

Suppose there are 2642.941 units standing to a Member's credit on retirement at age 60, of which 1417.606 units are attributable to his own contributions and 1225.335 units are attributable to Company contributions.

The whole of the 2642.941 units will be converted to a fixed number of units to be paid each month throughout his lifetime, but with the proviso that if he should die before he has received 1417.606 units in all (that is, the number of units attributable to his own contributions), the balance of this number will be paid out as a death benefit.

The proportion of the total units which constitutes the basis of the death benefit must be taken into account in determining the rate of conversion into monthly units of income. This proportion may vary over a wide range, however, since it depends on the amount of optional contributions a member elects to make and the adjustments in Company units on account of survivorship and assumed turnover.

The tables used in determining the exact conversion rate in any specific case take into account all these factors and are much too voluminous to be included in this booklet. By way of illustration, however, the conversion rates for use in the above example would be as follows:

- (a) 5.985 units a month income per 1000 accumulated units if the member takes his Variable Retirement Benefit in the normal form.

In this event he would receive the value of 15.818 units ( $\frac{5.985}{1000} \times 2642.941$ ) each month so long as he lived. Upon his death, if he had received less than 1417.606 units (that is, if he died before receiving 90 monthly payments), the value at that time of the balance of this number of units would be paid as a death benefit.

- (b) 5.138 units a month income per 1000 accumulated units if the member takes his Variable Retirement Annuity in the joint and survivor form under which his wife, who is 5 years younger than he, is to receive one-half this number of units each month after his



death. Under this option he would receive the value of 13.579 units ( $\frac{5.138}{1000} \times 2642.941$ ) each month as long as he lived. Upon his death his wife, if then living, would commence to receive the value of 6.790 units each month for the rest of her life. No death benefit, other than the annuity to the widow, would be payable under this option.

# Full Text of the Pilot Plan

*Dated December 15, 1956*

## ARTICLE I

### Scope and Purpose.

Effective as of January 1, 1956 the Retirement Benefit Plan of American Airlines, Inc. as applicable to pilots is amended so as to provide the benefits and obligations hereafter set forth.

## ARTICLE II

### Definitions.

1. *Association.* The Air Line Pilots Association, International.
2. *Board of Directors.* The Board of Directors of the Company.
3. *Company.* American Airlines, Inc., and any other subsidiary or affiliated corporation designated as a part of the Company for purposes of The Plan by the Board of Directors of the Company.
4. *Credited Interest.* Compound interest at the rate of 2% annually in respect to contributions required to be made hereunder by Pilot Employees on and after January 1, 1956 in respect to a Basic Retirement Annuity, compounded from the end of the year in which made to the first of the month preceding or coinciding with the date of death, retirement or refund of contributions, as applicable.
5. *Index of Change* shall be determined as follows:
  - (a) A ratio shall be determined by dividing the Dow-Jones Industrial Stock Average at the applicable date by the Dow-Jones Industrial Stock Average at the most recent annual valuation date.
  - (b) Such ratio shall be increased by one-quarter per cent in respect of each complete calendar month during the elapsed period from the most recent annual valuation date to the applicable date. The adjusted ratio so determined is the Index of Change.
  - (c) Value of the units of interest as of the most recent annual valuation date shall be adjusted by multiplying such value by the ratio determined above.
6. *Member.* Any Pilot Employee who is or becomes a Member of The Pilot Plan as provided in Article III hereof.
7. *Pension Committee.* The Association shall certify in writing to the Company and to the Trustee the names and addresses of the two Members of the Pension Committee. The Pension Committee may act through its duly authorized agent certified in writing by the Members thereof to the Company and the Trustee.
8. *Pilot Employee.* Any person who on or after January 1, 1956 is on the Pilot System Seniority List of the Company for such period or periods as he is or has been on such List.
9. *Service.* Service rendered to the Company while a Pilot Employee including leaves of absence approved by the Company or obligated to be granted (which shall not include statutory rights to re-employment by reason of military service) as furloughs, vacations or sick leaves.
10. *Rate of Compensation.* Total gross remuneration (whether base, flying, vacation, sick leave or minimum pay, as applicable, but excluding reimbursement for expenses or allowances therefor) paid to a Member for his services by the Company during the first 12 of the 13 months immediately preceding an interval (not exceeding 6 calendar months as the Company may determine) for which contributions are required for purposes hereof. In respect to any such 12 month period or part thereof when no remuneration is paid, but Rate of Compensation is to be assumed for purpose of contributions under The Pilot Plan, the Rate of Compensation last applicable will be used. In respect to computation for the interval in which retirement by reason of disability or withdrawal occurs and for the immediately preceding interval the Rate of Compensation shall be the actual gross remuneration during such time, annualized.
11. *The Pilot Plan.* The Pilot Plan shall mean those features and provisions of The Plan hereinafter set forth.

12. *The Plan*. Such Plan as was on December 31, 1955 in effect as The Retirement Benefit Plan of the Company applicable to pilots and other personnel of the Company (including the booklets in respect thereto issued by the Company and the Group Contracts of insurance referred to therein) and as thereafter amended or modified, including the modifications herein provided for pilots.

13. *Trust Actuary*. The Actuary appointed by the Trustee pursuant to Section 7 of Article XIV of The Pilot Plan and Section 5 of the Variable Annuity Trust.

14. *Trustee*. The Trustee or Successor Trustee under the Variable Annuity Trust.

15. *Variable Annuity Trust*. The trust created by trust agreement pursuant hereto for the purpose of maintaining a fund to be known as the Variable Annuity Trust.

## ARTICLE III

### Membership.

1. Every Pilot Employee who was a participant in The Plan on June 30, 1956 and every Pilot Employee who had never been a participant in The Plan but was eligible to be a participant in The Plan on June 30, 1956, may become a Member of The Pilot Plan as of January 1, 1956 if he shall have elected so to do on an appropriate application form within sixty days from the date on which the Company will have mailed to such Pilot Employees such application form and copy of The Pilot Plan and if he shall have waived in writing all rights accrued up to January 1, 1956 by reason of previous participation in The Plan as it existed on December 31, 1955. In addition, every other Pilot Employee of the Company (which shall include any Pilot Employee eligible on June 30, 1956 who has not applied for membership under the foregoing provisions of this Section 1 and is not on said date a participant in "The Plan" on condition, however, that he waive any rights to which he might have otherwise been entitled pursuant to Section 4 of Article VI) shall be eligible for membership as of the first day of the month (or other interval not exceeding 6 months as determined by the Company) next following his completion of the following eligibility requirements (except in case of an employee who was a participant in The Plan when he became a Pilot Employee, and such an employee shall be considered eligible, subject to the only requirement of subdivision (c) hereafter, as of the first day of the month following the month in which he became a Pilot Employee):

- (a) He shall have attained the age of at least 25;
- (b) He shall have completed at least one year of service in any capacity; and
- (c) He shall have made application to the Company to become a Member on appropriate forms providing such information as the Company may require for records pertinent to The Pilot Plan and authorizing appropriate payroll deductions for the contributions required of him as well as accepting the terms and conditions of The Pilot Plan. The Company shall notify him by mail of his eligibility and provide application forms at least thirty days prior to such eligibility date and thereafter upon request but his eligibility for more than one year after the said date of notification shall be on condition that he waive any rights to which he might otherwise be entitled pursuant to Section 4 of Article VI.

Once a Pilot Employee has made his initial elections, he may discontinue his required contributions altogether while continuing as a Pilot Employee with a right to resume contributions thereafter only in the event of hardship due to circumstances beyond his control and peculiar to the individual Member so as not to affect a class or classes of Members, all as determined in accordance with Article XIV. Complete withdrawal from membership entitling the Member to refunds of his contributions pursuant to Article IX while continuing as a Pilot Employee is likewise only permissible if a request so to do is determined in accordance with Article XIV to be appropriate by reason of hardship due to circumstances beyond his control and peculiar to the individual Member so as not to affect a class or classes of Members. No Pilot Employee who has so withdrawn from The Plan may be admitted to Membership for five years from the date of withdrawal and then only as if he were a new Pilot Employee except that a Member who withdrew while on furlough may become a new Member when recalled to active service.

2. Membership shall continue for the period of Service but contributions shall not be required nor permitted either of the Company or the Member during, or in respect to, any period of Service when the Member is on furlough or approved leave of absence except that



contributions by the Company and the Member shall continue during a leave of absence on business of the Association.

**3. Membership shall terminate**

- (a) upon the death of a Member, subject to the payment of the death payments as provided in Article VIII, or
- (b) upon withdrawal of a Member by his request if such withdrawal is determined in accordance with Article XIV to be appropriate by reason of hardship due to circumstances beyond his control and peculiar to the individual Member so as not to affect a class or classes of Members, subject to payment to him in accordance with Article IX, or
- (c) at such time as Service terminates (but Membership shall not then terminate if and to the extent the Company and Association may otherwise agree in writing) subject to payment to him of any amounts due pursuant to Article IX, or
- (d) upon expiration of a furlough period without prior recall but only upon payment to him of the termination benefit described in Article IX.

4. Notwithstanding anything herein contained to the contrary, in the case of a Member who, prior to or after becoming a Member of The Pilot Plan, was or is a participant in The Plan, service as other than a Pilot Employee while a participant in The Plan for periods in respect to which contributions were made by such Member pursuant to The Plan and not withdrawn will be considered as Credited Service hereunder for purposes of vesting rights under Article X and optional withdrawal rights under Article IX hereof but amounts payable hereunder shall nevertheless be based on what would otherwise be Credited Service on or after January 1, 1956 under The Pilot Plan except for payments under subdivision (a) of Section 2 of Article VI to be made hereunder if he retires when a Member of The Pilot Plan and he shall not be entitled to such payments under The Non-Pilot Plan.

## **ARTICLE IV**

### **Credited Service.**

Every Member shall be credited with the number of years and completed calendar months of Service rendered since he first became a participant in The Plan and up to the last date of the month in which he became age 60 during any period or periods in respect to which contributions were made by the Company and by him or for his account in accordance with The Plan and not withdrawn.

## **ARTICLE V**

### **Retirement.**

1. The normal retirement date which shall be applicable to each Pilot Employee for purposes hereof shall be the first day of the month coinciding with or next following his 60th birthday. In the event of employment with the Company after age 60 no retirement benefits otherwise payable hereunder in accordance with Article VI shall be payable during the period of such employment, and the retirement benefits which shall be payable during retirement from the employ of the Company in any capacity shall be those as if retirement had actually been at such normal retirement age of 60. The retirement benefits to which a Member shall be entitled upon retirement at age 60 are as set forth in Article VI.

2. Any Member may elect to retire at or after having attained age 50 and prior to age 60 (a) if he shall have completed, at the end of the month in which he desires to retire, at least 10 years of Credited Service or (b) if he were an employee on December 31, 1955 and has completed ten years of service with the Company in any capacity. Upon so retiring he shall be entitled to the Retirement Benefits provided in Article VI, Section 5, to the extent vested in accordance with Article X.

## **ARTICLE VI**

### **Retirement Benefits.**

1. Upon retirement at age 60 in accordance with Article V, each Member shall be entitled, beginning on the first day of the month coinciding with or next following his 60th birthday,

to a Basic Retirement Annuity and to a Variable Retirement Annuity, the latter being payable solely out of the Variable Annuity Trust.

2. A Basic Retirement Annuity shall be payable monthly for life in an annual amount determined as follows:

- (a) A Member who was a participant in The Plan on December 31, 1955 shall continue to be entitled to a Basic Retirement Annuity of which the monthly amount at retirement at age 60 shall be equal to the monthly annuity which has already accrued to his credit on or before December 31, 1955 (including any benefits based on employment with the Company prior to December 31, 1941, and benefits based upon the first \$600 of annual compensation up to and including December 31, 1955);
- (b) In respect of Credited Service after January 1, 1956: 1.2% of the aggregate Compensation (based on Rate of Compensation) of the employee during the period of Credited Service after January 1, 1956 when he was a Member in respect to which he shall have made contributions towards such Basic Retirement Annuity as provided in Section 1 of Article XI and not have withdrawn such contributions.

3. Each Variable Retirement Annuity payable out of the Variable Annuity Trust shall consist of monthly payments in an amount calculated and adjusted in accordance with the provisions of Article XII.

4. Any Member retiring at his normal retirement date (age 60) who shall have made, and not withdrawn, all of the contributions which he was required to make under The Pilot Plan in respect of both his Basic Retirement Annuity and to the Variable Annuity Trust, up to the date of his retirement, and whose total retirement income under The Pilot Plan (excluding any portion thereof arising from optional additional contributions as referred to in Section 3 of Article XI), when converted to a level income basis (as described in sub-section 1 (d) of Article VII but irrespective of the provisions therein relating to evidence of normal health) shall be less than \$400 monthly, shall be paid by or for the Company an additional benefit in an amount which shall be sufficient to increase such total retirement income (inclusive of the primary Social Security benefit to which he shall be entitled or would upon proper application be entitled if he had not engaged in employment which disqualifies him from Social Security Benefits) to \$400 monthly.

5. In the event of early retirement pursuant to Article V, Section 2, a Member shall, at his election and in lieu of the Basic Retirement Annuity hereinabove provided, become entitled to a Basic Retirement Annuity at such age prior to age 60 as he may elect but appropriately actuarially reduced. Such Member, if he shall not have elected any of the optional forms of Retirement Benefits provided in Article VII may change the date for the inception of such Basic Retirement Annuity payments, actuarially adjusted accordingly, at any time prior to the receipt of the first of such payments. A similar election may be made under the same circumstances in respect to his Variable Retirement Annuity in accordance with the provisions of Article XII.

## ARTICLE VII

### Optional Form of Retirement Benefits.

1. In lieu of the Basic Retirement Annuity payable to a Member pursuant to Article VI, Section 2, such Member may elect to receive an income of actuarially equivalent value in any one of the following forms:

- (a) A joint and survivor income, in a reduced amount, to continue during the lifetime of the retired Member, and further to continue after his death at three-quarters, two-thirds, or one-half rate (according to the election of the Member) to a surviving spouse or other designated beneficiary, during the lifetime of such person after the death of the retired Member;
- (b) A joint and survivor income, in a reduced amount, to continue during the lifetime of the retired Member and further to continue after his death at three-quarters, two-thirds, or one-half rate (according to the election of the Member) to a minor lineal descendant until such person attains age 20 if such event occurs after the death of the retired Member;
- (c) A reduced income payable during the lifetime of the retired Member and guaranteed to continue to the retired Member or to a designated beneficiary or to the estate of

the last to die of the retired Member and the beneficiary, for at least 10 years after the retirement of the Member regardless of whether the Member survives such period;

- (d) In the case of a Member who has retired before age 65 or a beneficiary under the joint and survivor income option who becomes entitled, before becoming eligible for Social Security benefits, to Retirement Benefits hereunder, in each instance after providing satisfactory evidence of normal health at attained age determined in accordance with Article XIV, such Member or beneficiary may elect to receive their respective benefits in the form of an adjusted income of equivalent actuarial value payable in a greater amount during the period before becoming eligible for Social Security benefits, and a correspondingly reduced amount, actuarially determined, after becoming eligible for Social Security benefits, such that the total Basic Retirement Annuity Income and Social Security benefits shall be as nearly uniform as possible both before and after entry upon Social Security benefits;
- (e) A straight life annuity, in an increased amount, to continue during the lifetime of the Member and to terminate at his death, with the provision that there will be no residual death benefit after his retirement date;
- (f) In lieu of any of the foregoing options, the Member may elect a benefit in some other form to the extent that the actuarial value of any such elected benefit is no greater than the actuarial value of the Normal Basic Retirement Annuity to which the Member would otherwise be entitled.

2. The foregoing options (other than the option set forth in sub-division (d) or any option based in part upon the adjustments permitted by such subdivision) shall be also available to each Member in respect of the Variable Retirement Annuities payable out of the Variable Annuity Trust. If any such election is made the resultant amount of payments out of the Variable Annuity Trust shall be based exclusively upon the units of interest of the Member therein as calculated in accordance with Article XII.

3. The options provided in this Article VII may be elected by an appropriate written notice filed with and received by the Company. Any such election shall become irrevocable on the normal retirement date or earlier actual retirement date of the Member, whichever first occurs, (a) if made at least one year prior thereto or (b) if made within one year prior thereto and such notice is accompanied by satisfactory evidence of normal health for his attained age, determined in accordance with Article XIV; provided, however, that in each instance the Member shall, prior to the date when the option became irrevocable, provide satisfactory evidence of the age of any contingent beneficiary. Once made, an election of an optional form of benefit may be revoked at any time prior to the date when it otherwise becomes irrevocable, and shall automatically be revoked in the event of the death of the contingent beneficiary prior to such date. Notwithstanding the foregoing, if the Member shall remain in the active service of the Company or become reemployed by the Company after the date upon which the option becomes irrevocable, his option shall nevertheless continue in force, and if the Member shall die before retiring, his beneficiary shall receive the amount of income which would be payable to such beneficiary in accordance with such option, as if such Member had retired on the date of his death, and if the beneficiary shall die before the Member shall actually retire, such Member shall be entitled, after retiring, to receive only the reduced income payable to him in accordance with such option.

## **ARTICLE VIII**

### **Death Benefits.**

1. In the event that a Member shall die before he shall have received Basic Retirement Annuity payments pursuant to Article VI, Section 2, in an aggregate amount at least equal to (a) his own contributions thereto plus (b) Credited Interest thereon, a single sum shall be payable to such beneficiary as he may have designated on the form provided for that purpose by the Company or, if he shall not have so designated a beneficiary, then, as determined pursuant to Article XIV, to any one or more among his executors, administrators, spouse, mother, father, children, brothers or sisters, an amount equal to the total of such contributions by the Member plus Credited Interest less the aggregate amount of any Basic Retirement Annuity payments which shall have been previously paid to him or for his benefit provided, however, that if the Member shall have elected an optional form of receipt of a Basic Retirement Annuity pursuant to Article VII, such amount shall be further reduced or eliminated by actuarial adjustment if and to the extent such option eliminates or reduces



such death benefits. No payments made pursuant to this Section 1 shall, in the case of a Member who dies prior to normal retirement date and was a participant in The Plan as it existed on December 31, 1955 until becoming a Member of The Pilot Plan, be less than the amount that would have been payable had he died on December 31, 1955 as a Member of The Plan. Any payment to be made under this Section may, at the election of the Member prior to death or the beneficiary prior to receipt of payment, be either in a lump sum or in installments over a period of years with Credited Interest.

2. In the event of the death of a Member who has not become entitled to any payments from the Variable Annuity Trust but who shall have contributed thereto, the death benefit shall be the value of the units of interest attributable to his contributions to the Variable Annuity Trust, determined as of the most recent annual valuation date, adjusted by the Index of Change to the last day of the month preceding his death. The value of his contributions shall be determined in accordance with Section 3 of Article XII and shall be paid to his beneficiary, if he shall have elected to designate a beneficiary, on the form provided by the Company, or otherwise shall be paid, as may be determined in accordance with Article XIV, to any one or more among his executors, administrators, spouse, mother, father, children, brothers or sisters.

3. In the event of the death of a Member after he shall have begun to receive Variable Annuity payments pursuant to Article VI, the death benefit payable out of the Variable Annuity Trust shall be the value, determined as of the most recent annual valuation date adjusted by the Index of Change to the last day of the month preceding the death of such Member, of the excess, if any, of the number of units of interest arising from the value of his contributions at retirement, over the aggregate number of units of interest paid to the Member out of the Variable Annuity Trust after retirement except that in the event of the death of a Member who has elected to receive Variable Retirement Annuity payments under the optional elections provided in Article VII, the death benefit shall be adjusted in accordance with the option elected. Such death benefit shall be paid to his beneficiary, if he shall have elected to designate a beneficiary, on the form provided by the Company, or otherwise shall be paid, as may be determined in accordance with Article XIV, to any one or more among his executors, administrators, spouse, mother, father, children, brothers or sisters.

## **ARTICLE IX**

### **Withdrawal Rights Upon Termination of Membership.**

1. Upon termination of membership for other than death, the Member shall upon such termination have the right to receive (a) an amount equal to the sum of his contributions towards the Basic Retirement Annuity provided in Article VI with Credited Interest, and (b) the value of the units of interest attributable to his contributions to the Variable Annuity Trust pursuant to Sections 2 and 3 of Article XI determined as of the most recent annual valuation date adjusted by the Index of Change to the last day of the month succeeding the month of such termination. Upon such payments having been made all units of interest, based both upon the Company's contributions and such Member's contribution, then standing to the credit of such terminating Member shall be cancelled. If the value of the units of interest based on the Company's contributions and released by terminations of employment as provided in this Section 1 of Article IX in any year exceeds the discount of one per cent for the anticipated effect of non-vested terminations as provided in Section 3(b) of Article XII the excess shall be credited against the Company's obligation to contribute.

2. In lieu of the benefits described in the preceding Section, a terminating Member, if he shall have completed at least 10 years of Credited Service, may elect, within sixty days of the date of termination of membership, to waive his rights pursuant to such Section, and to receive instead the benefits provided in (a) and (b) below, subject to such Member's right thereafter to revoke such election at any time prior to receipt of payment pursuant to this Section 2, and receive instead the payment provided for in Section 1 of Article IX but in such event the payment out of the Variable Annuity Trust shall be determined as of the most recent annual valuation date, adjusted by the Index of Change to the last day of the month succeeding the month in which notice of such revocation of election was given to the Company:

- (a) A Variable Retirement Annuity, determined in the same manner as in subdivision (d) of Section 3 of Article XII and commencing at age 60 based upon his units of interest,

if any, in the Variable Annuity Trust, or at an earlier age, not sooner than 50, if he so elects but appropriately actuarially reduced, *plus*

- (b) A Basic Retirement Annuity commencing at age 60, based upon his annuity credits determined, at the time of his termination, as described in Section 2 of Article VI, or at an earlier age, not sooner than 50, if he so elects but appropriately actuarially reduced,

provided that the units of interest referred to in (a) that are attributable to contributions by the Company and the entire Basic Retirement Annuity referred to in (b) shall be payable only to the extent of the following percentage factors:

<i>Completed Years of Credited Service</i>	<i>Percentage Factor</i>
10 .....	50%
11 .....	60%
12 .....	70%
13 .....	80%
14 .....	90%
15 .....	100%

Notwithstanding the foregoing provisions of this section,

- (i) in the case of a Member who was an employee of the Company on December 31, 1955, has completed then or thereafter 10 years' of service with the Company in any capacity and terminates after age 45, he shall be entitled to the election provided in this Section 2 and the entire amounts payable under (a) and (b) hereof; and
- (ii) in the case of a Member who was an employee of the Company on December 31, 1955 and has completed then or thereafter ten or more years of service with the Company in any capacity (as specified in the following table) and terminates his employment, he shall be entitled to the election provided in this Section 2 but upon such election shall only be entitled to first, a Variable Retirement Annuity determined as set forth in (a) above but based solely upon the units of interest attributable to his own contributions thereto and a Basic Retirement Annuity in an amount equal to 100% of that portion of his accrued Basic Retirement Annuity attributable to his own contributions and, secondly and in addition thereto, a Variable Retirement Annuity determined as set forth in (a) above based upon a percentage of the units of interest attributable to contributions by the company and a percentage of the balance of the Basic Retirement Annuity otherwise accrued hereunder, as follows:

<i>Completed Years of Service</i>	<i>Percentage Factor</i>
10 .....	50%
11 .....	60%
12 .....	70%
13 .....	80%
14 .....	90%
15 .....	100%

3. Notwithstanding the foregoing, if service as a Pilot Employee shall have terminated as a result of disability or a disqualification from flying except for occurrence or continuation of such disability or disqualification by reason of lack of good faith, such Member may elect to waive his rights as provided in Section 1 of this Article IX, and to receive benefits at age 60 equal to 100% of the amounts described in (a) and (b) of Section 2 above or at an earlier age, if he so elects, but appropriately actuarially reduced. Further, such Member may elect to receive Variable Retirement Annuity benefits determined in the same manner as in subdivision (d) of Section 3 of Article XII and based upon 100% of the units of interest attributable to his optional additional contributions (as provided for in Section 3 of Article XI) which he shall have made prior to his termination of membership, and which he shall not have withdrawn.

## ARTICLE X

### Vesting.

1. Each Member (a) who has attained age 60 while a Member, or (b) has completed at least 15 years of Credited Service, or (c) was an employee of the Company on December 31, 1955, has completed then or thereafter ten years of service in any capacity with the Company and has attained age 45, or (d) whose Service terminates as a result of disability or disqualification from flying as provided in Section 3 of Article IX, and who shall not have withdrawn his own contributions towards his Basic Retirement Annuity or to the Variable Annuity Trust, shall in each such case be entitled to a full and vested interest in the Basic Retirement Annuity accrued to him under Article VI and in a Variable Annuity based upon all his units of interest in the Variable Annuity Trust.

2. Each Member who is not included within the terms of Section 1 above, but who has completed either the years of service or the years of Credited Service which would entitle such Member to an election pursuant to Section 2 of Article IX and who shall not have withdrawn his own contributions towards his Basic Retirement Annuity or to the Variable Annuity Trust, shall be deemed to have a vested interest in a Basic Retirement Annuity and Variable Retirement Annuity to the same extent and calculated in the same manner as in Section 2 of Article IX in the case of a Member entitled to exercise the election therein provided.

## ARTICLE XI

### Contributions.

1. After January 1, 1956, a Member shall be required to contribute in respect to his Basic Retirement Annuity and benefits hereunder, monthly during each month of Service (excluding furloughs and approved leaves of absence, subject to Section 2 of Article III), an amount equal to one-twelfth of 3% of his Rate of Compensation. The Company shall make contributions in respect to the Basic Retirement Annuity and benefits hereunder of each Member, not less often than annually, in such amounts and in such manner as, in the opinion of the independent Actuary selected by the Company pursuant to Section 1 of Article XII, constitutes the funding on an actuarially sound basis of the benefits set forth in The Pilot Plan other than those payable from the Variable Annuity Trust.

2. After January 1, 1956, a Member shall be required to contribute, monthly during each month of Service (excluding furloughs and approved leaves of absence, subject to Section 2 of Article III), an amount equal to one-twelfth of 4% of his Rate of Compensation to the Variable Annuity Trust. The Company will, monthly, pay an amount equal to the contributions to the Variable Annuity Trust made by any Members pursuant to Section 2 of this Article. The Company's contributions shall be subject to credit, if any, as provided in Section 1 of Article IX.

3. After January 1, 1956, a Member may also elect to make optional additional contributions, monthly during each month of Service (excluding furloughs and approved leaves of absence, subject to Section 2 of Article III) to the Variable Annuity Trust, in an amount equal to one-twelfth of 1% of his Rate of Compensation up to such additional percentage, in even multiples thereof to not in excess of 5%, as will not disqualify The Pilot Plan as a qualified pension plan under the Internal Revenue Code. The Company will not match any such optional additional contributions.

4. An appropriate authorization must be given to the Company, if a Member is actually rendering Service, for appropriate deductions to cover the contributions required or elected under this Article XI. A Member may elect to discontinue or reduce his optional additional contributions pursuant to Section 3 hereof by appropriate notification in writing to the Company, or may increase, resume or commence such optional additional contributions by like notice, provided, however, that not more than one such discontinuance, reduction, increase, resumption or commencement may occur within any 5 calendar year period. Once a Member has made his initial elections, he may discontinue his required contributions while continuing as an employee with a right to resume contributions thereafter only in the event of hardship due to circumstances beyond his control and peculiar to the individual Member so as not to affect a class or classes of Members, all as determined in accordance with Article XIV. Complete withdrawal from membership entitling the Member to refunds of his



contributions pursuant to Article IX while continuing as an employee is likewise only permissible by reason of hardship due to circumstances beyond his control and peculiar to the individual Member so as not to affect a class or classes of Members, all as determined in accordance with Article XIV. No Pilot Employee may be admitted to membership for 5 years from the date of withdrawal and then only with the consent of the Company and as if he were a new Pilot Employee. No contributions shall or may be made after age 60 has been attained.

5. The Company may fund the amounts paid or payable by Members and by the Company under The Plan in respect to Basic Retirement Annuities and benefits hereunder through a Trust Fund or Trust Funds or pursuant to arrangements with an insurance company or otherwise irrevocably set aside amounts to provide for such Basic Retirement Annuities and benefits hereunder, as the Company may from time to time elect, prospectively and retroactively, but under and pursuant to The Plan. Each Pilot Employee who becomes a Member effective as of a date prior to December 31, 1956 when payroll deductions for contributions required of him commence to be made pursuant to subdivision (c) of Section 1, Article III, may, to the extent that all of the contributions required of him pursuant to requirements of Section 2 of this Article XI have not been fully paid in, elect, upon making application for membership, either to pay such difference in contributions in a lump sum to be deducted with the first payroll deduction of contributions, or to pay such difference by equal monthly payroll deductions over the period commencing with the first payroll deduction made under subdivision (c), Section 1, of Article III through June 1957. The Company shall match and provide an amount equal to all contributions required of such Member in respect to 1956 and shall pay in such amounts not later than the time the Member shall make such contributions hereunder.

## ARTICLE XII

### Accounts.

1. The Company shall annually cause an Actuary, who is a member of the Society of Actuaries and who is selected by the Company, to evaluate the liabilities of The Plan in respect to benefits other than those payable from the Variable Annuity Trust and to report to the Company and the Association as to whether the funding in respect thereto has been maintained or caused to be maintained on an actuarially sound basis.

2. The Company agrees to maintain on behalf of each Member an account of the amount separately contributed by such Member to the Variable Annuity Trust pursuant to Sections 2 and 3 of Article XI.

3. (a) An account shall be maintained for each Member representing his accumulated units of interest in the Variable Annuity Trust.

(b) Each contribution made to the Variable Annuity Trust by and on behalf of a Member shall be credited to the Member's Account by adding to the account the number of units of interest which result from dividing the contributions made by the value of a unit of interest as determined at the most recent annual valuation date. The number of units attributable to the Company's contributions and so credited shall be increased by one percent to discount the anticipated effect of non-vested terminations for reasons other than death.

(c) On each annual valuation date, the units of interest which were standing to the credit of a Member at the previous annual valuation date shall be increased as follows with respect to each Member who has not yet begun to receive retirement payments from the Variable Annuity Trust:

(i) All such units shall be increased by three percent (3%) on account of assumed rate of yield; and

(ii) Units attributable to Company contributions shall be increased by a survivorship factor appropriate to the Member's attained age and based on the mortality table assumed.

(d) Upon the retirement of a Member, the units of interest standing to his credit shall be divided by an annuity value appropriate to his age and the number of units payable to him monthly shall be determined, subject to an adjustment appropriate to any optional form of payment he may have elected. These units shall be paid to the retired Member, or beneficiary, if any, at the value at the most recent annual valuation date preceding each payment.

(e) Units of interest shall be valued once annually by dividing the total value of the Variable Annuity Trust on the annual valuation date (which shall be the last business day of

each calendar year after June 30, 1957) by the total number of units of interest then credited to all Member's accounts (including the present value in units of the unit benefits still to be paid to pensioners and other beneficiaries receiving benefits from the Variable Annuity Trust). The first valuation date shall be June 30, 1957 and prior to that date units of interest shall be credited on the basis of one unit for each \$10 in contributions.

The Variable Annuity Trust shall be valued at market value as of the valuation date and shall include both cash and securities of whatever kind held by such Trust, and each valuation shall include dividends declared but unpaid as well as gains or losses, realized or unrealized and accrued income.

(f) The mortality table assumed shall be fixed by the Trust Actuary. The actuarial assumptions with respect to mortality and rate of yield may be changed by the Trust Actuary from time to time, but any such change shall not affect the number of units already credited.

In changing the mortality assumptions the Trust Actuary shall be guided by its judgment of actuarial data then available and any determination made on the basis thereof shall be binding so long as made in good faith. In changing the assumed rate of yield the Trust Actuary shall be guided by the intent to purchase units of interest which, upon payment, will be worth approximately the same number of dollars apart from fluctuations due to capital appreciation or depreciation and shall be under no obligation to integrate assumed rate of yield precisely to experience, and its judgment, based upon such standards, shall be binding so long as made in good faith.

## **ARTICLE XIII**

### **Variable Annuity Trust.**

1. As of January 1, 1956, the Company shall enter into a Trust Agreement, substantially in the form attached as Exhibit A, with a trust company selected by it, under which such Trustee shall receive all contributions made by Members and the Company hereunder to the Variable Annuity Trust, will manage the investment of such funds and will make the payments due from such Trust to those entitled thereto as directed in accordance with Article XIV hereof.

2. The aforesaid Trust Agreement will provide that the Company may from time to time remove the Trustee and if the Trustee is so removed or shall resign, to appoint a Successor Trustee which must be a trust company having a capital and surplus of not less than \$10,000,000.

3. The assets of the Variable Annuity Trust shall be held for the exclusive benefit of Members and beneficiaries under The Pilot Plan and no part of the corpus or income shall be used for or diverted to purposes other than for the exclusive benefit thereof except for the purpose of paying a reasonable compensation and expenses to the Trustee, the Trust Actuary and such other persons or agents as the Trustee may reasonably employ or retain (excluding any compensation or reimbursement of expenses to the Company in respect to such duties as it may expressly undertake to discharge under this Pilot Plan). In no event shall any part of the Variable Annuity Trust be returned to the Company except to the extent of miscalculation of its contributions. No Member of The Pilot Plan, or any other person, shall have any interest in or right to any part of the earnings of the Variable Annuity Trust, or any rights in, to or under the Trust or any part of the assets thereof, except to the extent expressly provided in The Pilot Plan.

4. Nothing contained in the aforesaid Variable Trust Agreement or the provisions of this Article XIII shall in any way be deemed to modify or diminish, enlarge or alter any rights or obligations of the Members or the Company provided under The Pilot Plan.

## **ARTICLE XIV**

### **Administration of The Pilot Plan.**

1. The Pilot Plan shall be administered solely by the Company except to the extent, and in respect to the responsibilities, hereinafter in this Article XIV set forth.

2. The Trustee of the Variable Annuity Trust shall be solely responsible for the investment and custodianship of the contributions made to the Variable Annuity Trust and shall

make payments therefrom in the amounts and to the persons certified as entitled thereto pursuant to the provisions of Section 4 of this Article XIV or as may be required by law. While such Trustee has some powers of discretion, it is intended that investments be made with due respect to dollar cost averaging and the investment of 100% of the Variable Trust in common stock shall be deemed reasonable (but no investments shall be in stock or securities of the Company or its affiliates).

3. The Pension Committee shall have available to it or to such consultant as it may at its expense employ, the books, records and reports pertinent to the Variable Annuity Trust of The Pilot Plan including the books, records and reports of the Trustee.

4. The Company shall give appropriate directions to the Trustee for the payment of funds from the Variable Trust to such persons and in such amounts as may be entitled thereto from time to time, pursuant to The Pilot Plan but shall be bound by the judgments and instructions of the Trust Actuary for the Variable Annuity Trust hereafter provided in Section 7. A copy of every direction to the Trustee shall be sent by registered mail to the Pension Committee and to the Association and shall be acted upon by the Trustee only if an assent in writing is received from the Pension Committee by the Trustee, or if no such assent is so received but no objection is received from the Pension Committee by the Trustee, on or before the 15th day after the mailing of the direction to the Trustee by the Company. In the event of such objection, the Company will, within 15 days from the mailing of such objection to it by registered mail, either

- (a) designate an individual as its official representative, or
- (b) designate an individual not its representative,

(in either instance in writing to the Association and the Pension Committee) to meet with an individual selected by or a representative of the Association, as the latter may elect. The two persons so selected shall meet and if they resolve the objection thus presented shall give appropriate direction to the Trustee accordingly. Such persons shall have the obligation either (a) to promptly resolve such objection or (b) to select a third individual by agreement or through the American Arbitration Association if either so requests so that in such latter alternative such three individuals may by majority action issue to the Trustee firm and binding instructions, positive or negative, in respect to the subject matter covered by the tentative direction of the Company and properly objected to but subject to the actuarial judgment and instructions of the Trust Actuary. Notwithstanding the foregoing, the Company may if it so elects directly invoke the foregoing procedure for designation of individuals to make decisions and give instructions to the Trustee without first making any administrative decision affecting the rights or benefits from the Variable Annuity Trust with respect to either

- (a) a hardship application pursuant to Section 1, of Article III or Section 4 of Article XI, or
- (b) a person possibly incompetent under Section 11 of Article XIV, or
- (c) a possible forfeit under Section 12 of Article XIV, or
- (d) a possible health disqualification under subsection (f) of Section 1 or under Section 3 of Article VII, or
- (e) the selection of the payee of death benefits where no contingent beneficiary exists, or
- (f) any other matter involving a decision that would reduce or reject benefits or payments applied for.

If the Company, in respect to any matter of the kind specified in (a) through (f) aforesaid elects to make a tentative decision, such decision, whether corresponding instructions to the Trustee or no instructions to the Trustee may thereby be involved, must be communicated to the Pension Committee (with a copy to the Association) which may invoke the foregoing provisions for designation of individuals to determine final instructions, if any, to the Trustee. All three individuals shall be composed solely of medical personnel in the case of (d) aforesaid. Any compensation to an individual designated by the Company, whether designated as a representative or not, shall be borne by the Company but otherwise the costs, expenses and compensation in respect to such individuals shall be borne by the Variable Annuity Trust as approved in respect to the reasonableness thereof by the Pension Committee.

5. In the event that a dispute arises between the Company and a Member as to whether his membership has terminated as a result of disability for physical reasons, pursuant to Article IX of The Pilot Plan, such Member may have a review of his case pursuant to the procedures set forth in Section 26 of the Agreement, effective February 24, 1956, between the Company and the Air Line Pilots in the Service of the Company as represented by the Association or such procedures as may hereafter be agreed to between the Company and



the Association. The determination as a result of such procedures shall be binding upon the Company in its administration of The Pilot Plan.

6. In administering The Pilot Plan, the Company shall be bound by any determination made pursuant to the Agreement between the Company and the Air Line Pilots in the Service of American Airlines, Inc. as represented by the Association under date of May 15, 1939 and known as the "System Board Agreement", affecting such issues as discharge of an individual Member or a group of Members. The Company shall likewise not administer The Pilot Plan in any manner inconsistent with a final determination under such "System Board Agreement" provided, however, that neither the interpretation of The Pilot Plan nor its administration shall as such be within the jurisdiction of such "System Board Agreement".

7. For purposes of enabling all actuarial judgments and instructions to be made that are required or appropriate for the administration of the Variable Annuity Trust and in connection with the rights or benefits arising under or in respect to such Trust under The Pilot Plan, an actuary who shall be a member of the American Society of Actuaries shall be selected as actuary to the Variable Annuity Trust and be known as "Trust Actuary". All actuarial judgments and instructions of such Trust Actuary shall be binding upon the Company. The Trust Actuary and any successor Trust Actuary shall be selected by the Trustee subject to the approval of the Pension Committee. Upon the written request of the Pension Committee the Trustee shall remove any Trust Actuary so selected, such removal to be effective upon the selection of a successor Trust Actuary with the approval of the Pension Committee. The fees of the Trust Actuary shall be fixed by the Trustee subject to prior approval of the Pension Committee.

8. The Company shall at its expense publish a brochure setting forth a summarized statement of The Pilot Plan and annexing a full and complete copy of The Pilot Plan and Variable Trust Agreement. The Company will, in addition, annually review, as provided in Section 1 of Article XII, the actuarial soundness of the funding operations in respect to the Basic Retirement Annuities contemplated by The Pilot Plan, distribute annually a report concerning the portfolio of the Variable Annuity Trust to be prepared and printed by the Trustee at its expense, and render an accounting to each Member of the value of his contributions through the calendar year of such report in respect to the Variable Annuity Trust, together with the number of units of interest in such Trust credited to the Member and a statement of the Basic Retirement Benefits then accrued (whether or not vested) together with a statement of his then aggregate contributions towards Basic Retirement Benefits.

9. The Company shall maintain adequate records for the operation of The Pilot Plan and prepare calculations in respect to the Variable Annuity Trust in accordance with the directions of the Trust Actuary and the provisions hereof, at its expense.

10. The Company, its officers, directors and employees, the Pension Committee and the Association shall be entitled to rely upon all tables, valuations, certificates, reports, opinions, determinations or directions furnished or made pursuant to The Pilot Plan or the Trust by the Variable Annuity Trustee, the Trust Actuary, the Pension Committee and the Association, or any accountant or counsel appointed by the Company for purposes hereof. In so doing, the Company, its officers, directors and employees, the Pension Committee and the Association shall be fully protected against any liability in respect to any action taken in good faith and reliance thereon, and no officer, director or employee of the Company or Member of the Pension Committee or officer or Member of the Association acting in a representative capacity, shall be personally liable by virtue of any instrument executed by him or on his behalf, or for any mistake of judgment made by him or any other such employee, officer or director of the Company or Member of the Pension Committee or officer or Member of the Association acting in a representative capacity, as the case may be, or for any neglect, omission or wrongdoing of any other officer, employee or director of the Company or of any other Member of the Pension Committee or officer or Member of the Association acting in a representative capacity, as the case may be, or for any loss whatever unless resulting from his own gross negligence or wilful misconduct.

11. If there is satisfactory evidence that a person entitled to receive any benefit under The Pilot Plan is, at the time when such benefit becomes payable, physically unable or mentally incompetent to receive such benefit and to give a valid release therefor, and that another person or an institution is then maintaining or has custody of such person, and that no guardian, committee or other representative of the estate of such person shall have been duly appointed, the Company may direct payment of such benefit otherwise payable to

such person to such other person or institution, and the release of such other person or institution shall be a valid and complete discharge for the payment of such benefit.

12. If the Company is unable within 5 years after any benefit becomes due hereunder to a Member or beneficiary to authorize payment because the identity or whereabouts of such person cannot be ascertained, such benefit and all further benefits with respect to such person may be forfeited and all liability for the payment thereof terminate. In any such case, the funds and units of interest released as a result of such forfeiture shall be dealt with in the same manner as in the case of termination of service prior to vesting.

13. If any Pilot Employee or Member or beneficiary, in his application to participate in The Pilot Plan, or in making any election under The Pilot Plan, or in response to any request of the Company for information, makes any statement which is erroneous or omits any material fact or fails before receiving his first payment to correct any information that he previously incorrectly furnished to the Company for its records, the amount of any benefit payable shall be adjusted on the basis of the facts, and the amount of any overpayment theretofore made shall be deducted from any succeeding payments. Similarly, if there shall have been a miscalculation in respect to payments made to or by any person, later payments made hereunder may be adjusted accordingly to rectify such miscalculations as well as correct future payments.

## **ARTICLE XV**

### **Miscellaneous.**

1. No benefit payable under The Pilot Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge and any action by way of anticipating, alienating, selling, transferring, assigning, pledging, encumbering or charging the same shall be void and of no effect; nor shall any such benefit be in any manner liable for or subject to the debts, contracts, liabilities, engagements or torts of the person entitled to such benefit, except as specifically provided in The Pilot Plan.

2. If any Member or beneficiary under The Pilot Plan shall become bankrupt or attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any benefit, except as specifically provided in The Pilot Plan, then such benefit shall, in the discretion of the Company, cease and terminate. In that event, the Company shall direct the Trustee to apply the benefit or any part thereof to or for such Member or beneficiary, his spouse, children or other dependents, or any of them, in such manner and in such proportions as the Company shall in its sole discretion determine.

3. The establishment of The Pilot Plan shall not be construed as conferring any rights upon any pilot or any person for a continuation of employment as a pilot, nor as in any way affecting such employment, nor shall it be construed as limiting in any way the right of the Company to discharge any Pilot Employee or to treat him without regard to the effect which such treatment might have upon him as a Member of The Plan.

4. All payments provided to be made hereunder shall be in lawful money of the United States.

5. The obligations of the Company under The Pilot Plan shall be limited to obligations specifically assumed by it hereunder. To the extent that the Company has made the contributions required of it under The Pilot Plan to the Variable Annuity Trust, the Company shall not be liable in any way as guarantor of the solvency of the Variable Annuity Trust or of any benefits payable therefrom. The Company undertakes, however, to guarantee the payment to beneficiaries and Members, so long as The Pilot Plan continues, of such fixed benefits and rights based thereon as are vested or payable pursuant to The Pilot Plan other than from the Variable Annuity Trust and except to the extent any such benefits or rights have become the unconditional obligation of an insurance company or companies. Notwithstanding the foregoing the Company's sole obligation, should The Pilot Plan be discontinued or terminated, is that it shall have theretofore funded the benefits payable thereunder other than from the Variable Annuity Trust on an actuarially sound basis which shall be deemed to have been fulfilled if the Actuary selected by the Company pursuant to Section 1 of Article XII shall have so reported in accordance therewith and that it shall have paid to the Variable Annuity Trust the contributions required of it thereto.

## ARTICLE XVI

### Modification or Discontinuance.

1. The Company expects to continue The Plan indefinitely, but necessarily reserves the right to modify, suspend, or discontinue it at any time, including, but without limiting the generality of the foregoing, modification, suspension or discontinuance in its entirety or with respect to any feature thereof such as The Pilot Plan. However, any modification, suspension or discontinuance shall not adversely affect the benefits provided under The Pilot Plan for any Member or beneficiary as of the date of such modification, suspension or discontinuance.

2. If The Plan is discontinued, no further contributions will be made by either the Members or the Company. In the event that the Company's contributions hereunder shall be suspended and The Plan shall thereafter be discontinued before resumption of such payments, Members who shall have terminated employment during the period of the suspension shall be entitled to participate in the application of funds provided for in the next succeeding section as if the discontinuance had occurred upon the date of the suspension of contributions.

3. (a) In the event that The Plan shall be discontinued as aforesaid the amounts funded thereunder and available shall be applied to the benefit of the Members in the following manner and according to the following priorities:

- (i) The Variable Annuity Trust shall be applied first to securing for the Members of The Pilot Plan the benefit of the value of their contributions, determined in accordance with Section 3 of Article XII, less any amounts theretofore paid to them from the Variable Annuity Trust; secondly, to the benefit of Members of The Pilot Plan in proportion to their respective remaining units of interest. The amount to be applied to the benefit of any Member shall be applied as a retirement, termination or withdrawal, or death benefit, consistent with the provisions of The Pilot Plan;
- (ii) The amounts paid by the Company and employees in respect to Basic Retirement Annuities under The Plan, including The Pilot Plan, and already funded shall, subject to any priority already existing by reason of annuities already purchased pursuant to The Plan from an insurance company be applied in the following order, all persons in each class being entitled to their respective proportions and shares:
  - (a) provision to participants in The Plan, whether or not Pilot Employees, who have contributed in respect to Basic Retirement Annuities, and any beneficiaries of such employees who have retired, of benefits of such character based on contributions by the participants in respect thereto to the extent that such benefits are derived from such contributions;
  - (b) provision to participants in The Plan already retired, whether or not Pilot Employees, and their beneficiaries, of the remainder of the Basic Retirement Annuity benefits not otherwise provided, to which they are entitled on the basis of contributions by them and by the Company;
  - (c) provision to participants in The Plan, whether or not Pilot Employees, who have not retired but have vested rights to Basic Retirement Annuity benefits under The Plan, of the remainder of the Basic Retirement Annuity benefits to which they have vested rights;
  - (d) provision to participants in The Plan, whether or not Pilot Employees, of the remainder of the Basic Retirement Annuity benefits to which they do not have vested rights under The Plan were all such benefits vested; and
  - (e) any surplus remaining after satisfaction of the foregoing rights upon discontinuance shall, subject to the applicable provisions of Federal or State law, be returnable to the Company.
- (b) In the event that The Pilot Plan only shall be discontinued the amounts paid by the Company and Pilot Employees under The Pilot Plan and already funded, determined by proportionate allocation as between Non-Pilot Employees and Pilot Employees if such funding is joint as to Basic Retirement Annuities, shall, subject to any priority by reason of annuities already purchased from an insurance company pursuant to The Pilot Plan, be applied as available in the following manner and according to the following priorities:
  - (i) The Variable Annuity Trust shall be applied first to securing for the Members of The Pilot Plan the benefit of the value of their contributions, determined in accord-



ance with Section 3 of Article XII, less any amounts theretofore paid to them from the Variable Annuity Trust; secondly, to the benefit of Members of The Pilot Plan in proportion to their respective remaining units of interest. The amount to be applied to the benefit of any Member shall be applied as a retirement, termination or withdrawal, or death benefit, consistent with the provisions of The Pilot Plan;

(ii) The amounts paid by the Company and Pilot Employees in respect to Basic Retirement Annuities under The Pilot Plan so available shall be applied in the following order, all persons in each class being entitled to their respective proportions and shares:

- (A) provision to participants in The Pilot Plan who have contributed in respect to Basic Retirement Annuities, and any beneficiaries of such employees who have retired, of benefits of such character based on contributions by the participants in respect thereto to the extent that such benefits are derived from such contributions;
- (B) provision to participants in The Pilot Plan already retired and their beneficiaries, of the remainder of the Basic Retirement Annuity benefits not otherwise provided, to which they are entitled on the basis of contributions by them and by the Company;
- (C) provision to participants in The Pilot Plan who have not retired but have vested rights to Basic Retirement Annuity benefits under The Pilot Plan, of the remainder of the Basic Retirement Annuity benefits to which they have vested rights;
- (D) provision to participants in The Pilot Plan of the remainder of the Basic Retirement Annuity benefits to which they do not have vested rights under The Pilot Plan were all such benefits vested; and
- (E) any surplus remaining after satisfaction of the foregoing rights upon discontinuance shall, subject to the applicable provisions of Federal or State law, be returnable to the Company.

4. (a) In the event that either The Pilot Plan shall be terminated or the full current cost of The Pilot Plan shall not have been met, within 10 years after January 1, 1956, then anything contained in The Pilot Plan to the contrary notwithstanding except in the various paragraphs of this Section 4, the following limitations shall apply to the amount contributed by the Company which may be used for the benefit of any of the following persons:

As to any Pilot Employee who on January 1, 1956 shall have been among the 25 highest-paid Pilot Employees of the Company, and whose anticipated annual retirement benefits payable under The Pilot Plan on normal retirement exceeds \$1,500, if such event should occur within 10 years following January 1, 1956, such amount shall not exceed the greater of:

- (i) \$20,000; or
  - (ii) An amount equal to 20% of the Pilot Employee's average Rate of Compensation, but not in excess of \$10,000, multiplied by the number of years of Credited Service on and after January 1, 1956.
- (b) If the full current cost of The Pilot Plan shall not have been met, but The Pilot Plan shall not have been terminated, at any time within 10 years following January 1, 1956, the limited amount of current monthly retirement benefits allowable to any person under subsection (a) of this Section 4 shall be increased to the extent necessary to provide the full monthly benefit otherwise allowable under The Pilot Plan, provided however, that the aggregate of such additional monthly payments in the calendar year then current to all such persons does not exceed the aggregate contributions of the Company already made under The Pilot Plan in the year then current. If the aggregate of such contributions would be so exceeded, the additional payments to which any such person would otherwise be entitled shall be reduced in the proportion that the aggregate of such contributions bears to the aggregate of such additional payments.

(c) As to any Pilot Employee who shall have been among the 25 highest-paid Pilot Employees of the Company as of January 1, 1956, and who shall cease to be a Member of The Pilot Plan or who shall withdraw from participation therein when the full current costs thereof have been met, the funds or benefits which he may receive from the contributions of the Company (including any funds or benefits he has already received) shall not, at any time within 10 years from January 1, 1956, exceed the maximum benefits permissible at that time, computed in accordance with subsection (a) of this Section 4.

(d) If the benefits of any person shall have been suspended in part in accordance with subsection (a) of this Section 4 because the full current costs of The Pilot Plan shall not then have been met, and if the full current cost thereafter shall have been met, the full amount of the benefit payable to him shall be resumed and the part of any benefit which shall have

been suspended shall then be paid in full.

(e) In the event that it should subsequently be determined by statute, court decision, ruling by the Commissioner of Internal Revenue, or otherwise, that the provisions of this Section 4 are no longer necessary to qualify The Pilot Plan under the Internal Revenue Code, this Section 4, to the extent so rendered unnecessary, shall be ineffective without amendment to The Pilot Plan.

## **ARTICLE XVII**

### **Internal Revenue Approval.**

The provisions of The Pilot Plan shall become effective only upon approval of The Plan, as amended to include The Pilot Plan, as a qualified Pension Plan pursuant to the provisions of the Internal Revenue Code of 1954.

## **EXHIBIT A**

THIS AGREEMENT dated as of the 1st day of January, 1956, by and between AMERICAN AIRLINES, INC., a corporation organized under the laws of the State of Delaware (hereinafter referred to as the "Company"), and OLD COLONY TRUST COMPANY, a corporation organized under the laws of the Commonwealth of Massachusetts (hereinafter referred to as the "Trustee").

### **WITNESSETH:**

WHEREAS, the Company has, as of January 1, 1956, amended its Retirement Benefit Plan so as to provide certain benefits and obligations thereunder in respect to its Pilot Employees, such benefits and obligations with reference to Pilot Employees only being herein referred to as "The Pilot Plan", a copy thereof being attached hereto as Exhibit 1; and

WHEREAS, The Pilot Plan provides for the establishment of a trust fund to be known as the "Variable Annuity Trust" from which variable retirement annuities will be paid; and

WHEREAS, The Pilot Plan provides for contributions to such Variable Annuity Trust by the Company and Members of The Pilot Plan, to be held by the Trustee thereof for the exclusive benefit of the Members of The Pilot Plan, retired Members thereof, and their beneficiaries; and

WHEREAS, the Company by this instrument desires to establish the Trust which in The Pilot Plan and herein is referred to as the "Variable Annuity Trust"; and

WHEREAS, The Pilot Plan provides for a Trust Actuary and reliance by the Trustee upon instructions given, and responsibilities taken, by the Company, the Trust Actuary and others in certain respects;

NOW THEREFORE, the Company and the Trustee do hereby declare and agree, each with the other, as follows:

1. The Company hereby establishes with the Trustee, pursuant to The Pilot Plan, the Variable Annuity Trust, comprising an initial deposit of \$1,000 made concurrently with the delivery hereof, and such funds as shall from time to time be deposited with the Trustee by the Company representing the contributions of the Company and of its Pilot Employees who are Members, and any increment thereto and the income therefrom. Such property, hereinafter collectively referred to as the Variable Annuity Trust, shall be held by the Trustee, in trust, as herein provided. The Trustee shall be under no duties whatsoever in respect of the administration of The Pilot Plan, attached hereto and marked Exhibit 1, it being expressly understood that the rights, powers, duties and obligations of the Trustee shall be only those expressly stated in this instrument establishing the Trust without reference to the said exhibit.

2. The Trustee shall make payments from the Variable Annuity Trust pursuant to direction in writing given in accordance with Article XIV of the Pilot Plan. The Trustee may also make payments from the Variable Annuity Trust in respect of expenses or compensation authorized herein to be paid by the Trustee and any other payments required to be made by law. The Trustee shall have no duty to inquire as to whether any direction received by it pursuant to Article XIV of The Pilot Plan and to be acted upon by it is, in fact, in accordance with the provisions of The Pilot Plan so long as any direction to be acted upon and

received from the Company is upon certification by an officer of the Company thereunto duly authorized or so long as any direction to be acted upon and received from persons designated in accordance with Article XIV of The Pilot Plan is signed by such persons upon their representation they have been so designated and are authorized so to do. Such payments shall be made directly to the persons so certified to be entitled to receive them under The Pilot Plan or to the Company for distribution to such persons or for the reimbursement or payment of such expenses.

3. Within thirty (30) days after their receipt the Trustee shall invest moneys received in the Variable Annuity Trust not currently required to pay benefits under The Pilot Plan in common or equity capital stocks and securities convertible into such stocks (except the stock or securities of the Company or its affiliates), whether or not authorized by law for the investment of trust funds. It is intended that investments shall be made with due respect to dollar cost averaging and that the investment of 100% of the Variable Annuity Trust in common stock shall be deemed reasonable. The Trustee shall not be liable for any loss arising from the making or retention of any investment in accordance with this provision. The Trustee may retain uninvested in cash such sums as it considers advisable for the proper payment of obligations of the trust and shall not be required to pay interest thereon.

4. If as a result of its investments hereunder and the exercise of any of the powers granted to it in this Paragraph 4 the Trustee shall acquire other stocks, securities, evidences of indebtedness or other property, real or personal, the Trustee is authorized to hold any such securities and property in its discretion even though the same may not otherwise be authorized for investment under Paragraph 3 hereof. With regard to any of the securities and property that the Trustee may acquire, the Trustee is authorized and empowered in its discretion but not by way of limitation:

- (a) to sell, exchange, convey, transfer or dispose of and also to grant options with respect to, any property, whether real or personal, at any time held by it, and any sale may be made by private contract or by public auction, and for cash or upon credit, or partly for cash and partly upon credit, as the Trustee may deem best, and no person dealing with the Trustee shall be bound to see to the application of the purchase money or to inquire into the validity, expediency, or propriety of any such sale or other disposition;
- (b) to retain, manage, operate, repair and improve and to mortgage or lease for any period any real estate held by it;
- (c) to compromise, compound and settle any debt or obligation due to or from it as Trustee hereunder and to reduce the rate of interest on, to extend or otherwise modify, or to foreclose upon default or otherwise enforce any such obligation;
- (d) to vote in person or by proxy on any stocks, bonds or other securities held by it; to exercise any options appurtenant to any stocks, bonds or other securities for the conversion thereof into other stocks, bonds or securities, or to exercise any right to subscribe for additional stocks, bonds or other securities and to make any and all necessary payments therefor; to join in, or to dissent from, and to oppose, the reorganization, recapitalization, consolidation, liquidation, sale or merger of corporations or properties in which it may be interested as Trustee, upon such terms and conditions as it may deem wise;
- (e) to make, execute, acknowledge and deliver any and all deeds, leases, assignments and instruments;
- (f) to cause any investments from time to time held by it to be registered in, or transferred into, its name as Trustee or the name of its nominee or nominees, or to retain them unregistered or in form permitting transferability by delivery, but the books and records of the Trustee shall at all times show that all such investments are part of the Fund;
- (g) to do all acts whether or not expressly authorized which it may deem necessary or proper for the protection of the property held hereunder.

5. The Trustee may consult with legal counsel (who may be of counsel to the Company) concerning any question which may arise with reference to its duties under this agreement, and the opinion of such counsel shall be full and complete protection in respect to any action taken or suffered by the Trustee hereunder in good faith and in accordance with the opinion of such counsel. The Trustee shall appoint a Trust Actuary in accordance with Section 7 of Article XIV of The Pilot Plan.

The Trustee may employ such counsel, accountants and other agents as it shall deem advisable. The Trustee may charge to the Trust the compensation of such counsel, accountants and other agents, employed by the Trustee and the Trustee's reasonable compensation



for its services and any other expenses (including such compensation to, and expenses of, the Trust Actuary) as are approved by the Pension Committee.

6. The Trustee shall keep accurate accounts of all investments, receipts and disbursements and other transactions hereunder, and all accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by the Company, the Board of Directors of the Company, the Trust Actuary, the Pension Committee and the Association.

Within ninety days following the close of each calendar year the Trustee shall file with the Company and the Pension Committee, with copy to the Association, a written account setting forth all securities and other property purchased and sold, all receipts including as a separate item all amounts received from the Company, disbursements, and other transactions effected by it during such annual period, and showing the securities and other property held at the end of such period at book and market values. The assets of the Trust on any annual valuation date determined by The Pilot Plan shall be valued at market value as of such date, including cash and securities of whatever kind held by the Trust, and each valuation shall include dividends declared but unpaid as well as gains or losses, realized or unrealized, and accrued income. Printed or multilith copies thereof shall be made available to the Company by the Trustee at the same time and in sufficient quantities to permit distribution thereof by the Company pursuant to The Pilot Plan to Members of The Pilot Plan and beneficiaries receiving payments therefrom as estimated by the Company. Within 90 days from the date of filing of such account the Company and the Pension Committee may each file with the Trustee either written approval, or written disapproval with the reasons therefor, of the account so rendered. Upon the filing of such approval of the Trustee's account or at the expiration of 90 days after the filing of such account if written disapproval thereof shall not have been filed with the Trustee, the account of the Trustee shall be deemed to have been approved and the Trustee shall be relieved from all liability, responsibility and accountability for its acts as set forth in said account. The foregoing provision, however, shall not preclude the Trustee from having its accounts settled by a court of competent jurisdiction.

7. The Trustee may be removed by the Board of Directors of the Company at any time upon notice in writing to the Trustee, the Pension Committee and the Association. The Trustee shall have the right to resign at any time and, without limitation as to any other methods, may do so by giving notice in writing to the Company, the Pension Committee and the Association. Upon such removal or resignation of the Trustee, the Board of Directors of the Company shall within 60 days appoint and designate a Successor Trustee which shall be a corporation authorized to act as a Trustee and which shall have Capital and Surplus of not less than \$10,000,000, who shall qualify as such by delivering a written acceptance of the trust to the Company and the retiring Trustee with a copy thereof to the Pension Committee and the Association. The retiring Trustee shall file forthwith with the Company and the Pension Committee and the Association a written account of its acts from the date of its last annual account to the date of its removal or resignation, and shall assign, transfer and pay over to the Successor Trustee the funds and property then constituting the Variable Annuity Trust as shown by such account less the actual and prospective expenses chargeable thereto. The said account shall be settled in the manner in which annual accounts may be settled under Paragraph 6. When such account has been approved as provided in Paragraph 6 hereof, the Trustee shall assign, transfer and pay over to the Successor Trustee the balance of funds and property of the Variable Annuity Trust then remaining in its possession. Notwithstanding the foregoing, the Trustee may have its accounts settled by a court of competent jurisdiction.

8. Any action by the Board of Directors of the Company pursuant to any of the provisions of this agreement shall be evidenced by a resolution of such Board of Directors certified to the Trustee over the signature of the Secretary or an Assistant Secretary of the Company under its corporate seal and the Trustee shall be fully protected in acting in accordance with such resolutions so certified to it. All requests, directions, requisitions for moneys, certifications and instructions by the Company to the Trustee shall be in writing, signed by the President, the Senior Vice President-Finance, the Comptroller or the Treasurer of the Company or by such other person or persons as may be designated from time to time by the Board of Directors of the Company and the Trustee shall act and shall be fully protected in acting in accordance with such requests, directions, requisitions, certifications and instructions. The Company shall promptly furnish to the Trustee from time to time a certificate of its Secretary or any Assistant Secretary evidencing the appointment and termination of office of the foregoing officers or persons, together with specimens of their signatures, and for all purposes hereunder the Trustee shall be conclusively entitled to rely upon the identity

and authority of the Secretary and other persons as disclosed by such certificates.

9. This agreement and trust hereby created are part of a Retirement Benefit Plan as amended which the Company intends shall qualify under the pertinent provisions of the Internal Revenue Code as amended and, until advised to the contrary, the Trustee may assume that the Plan so qualifies and that the Trust is exempt from tax. However, any taxes that may be assessed on or in respect of the Variable Annuity Trust shall be a charge against the Variable Annuity Trust. The Trustee may assume that any taxes assessed on or in respect of the Variable Annuity Trust are lawfully assessed unless the Pension Committee shall in writing advise the Trustee that, in the opinion of its counsel, such taxes are not lawfully assessed. In the event that the Pension Committee shall so advise the Trustee, the Trustee, if so requested by the Pension Committee, shall contest the validity of such taxes in any manner deemed appropriate by the Trustee or its counsel, but at the expense of the Variable Annuity Trust. The word "taxes" in this Paragraph 9 shall be deemed to include any interest or penalties that may be levied or imposed in respect to any taxes.

10. The Company reserves the right, at any time and from time to time, by action of its Board of Directors to modify or amend, in whole or in part, any or all of the provisions of this agreement; provided that no modification or amendment shall be effective until filed with the Trustee and until the Company certifies to the Trustee that such modification or amendment does not make it possible for any part of the corpus or income of the Variable Annuity Trust to be used for or diverted to purposes other than the exclusive benefit of Members of The Pilot Plan, retired Members thereof and their beneficiaries or the administrative expenses of The Pilot Plan, and further certifies that such amendment does not make it possible for any part of the Variable Annuity Trust to be returned to the Company, and that such amendment or modification is not inconsistent with the provisions of The Pilot Plan as it then exists and does not divest a vested right thereunder; and provided further that modification or amendment shall not affect the rights, duties or responsibilities of the Trustee without its consent. Any modification or amendment may be made effective retroactively if in the opinion of the Board of Directors of the Company such modification or amendment is necessary or advisable in order to comply with the provisions of the Internal Revenue Code or any rulings or regulations issued thereunder pertaining to pension plans and trusts.

11. The Company shall maintain or cause to be maintained the account of each Member and make and record all calculations provided for in The Pilot Plan to reflect the value of each Member's contributions (as defined in The Pilot Plan) to the Variable Annuity Trust, the number of his units of interest (as defined in The Pilot Plan) in the Variable Annuity Trust and the amount of benefits payable out of the Variable Annuity Trust, provided, however, that in making any calculations the Company may employ agents and assistants and shall use and rely upon actuarial tables assumptions and directions determined by the Trust Actuary.

12. Upon receipt by the Trustee of a certification by the Secretary of the Company that the Board of Directors of the Company has discontinued The Pilot Plan as therein provided with respect to its employees and that the Variable Annuity Trust is to be distributed in accordance with the termination provisions thereof, and upon the approval by the Company and the Pension Committee of the Trustee's account from the date of its last annual account or the judicial settlement of its account, the Trustee shall pay such amounts from the Variable Annuity Trust as the Company may direct, either directly to the persons certified by it to be entitled to receive such amounts, to an insurance company or companies for the purchase of annuity contracts, or to the trustee of some other trust fund, or to the Company for distribution, provided the Company further certifies that all such amounts are payable under The Pilot Plan to Members, retired Members and their beneficiaries of such Company. All such directions and certifications by the Company shall be in accordance with the provisions of The Pilot Plan; provided, however, that the Trustee shall have no right or obligation to inquire as to whether such directions or certifications are, in fact, in accordance with the provisions of The Pilot Plan. Upon discontinuance of The Pilot Plan by the Company with respect to its employees and the payment of the amount of the Variable Annuity Trust due to such discontinuance as herein provided, the trust shall terminate.

13. The Trustee, in making any payments or taking any other action hereunder or making any decisions with respect to any matter herein referred to, may rely upon the authenticity and contents of certificates, directions, statements, resolutions, requisitions and communications from the Pension Committee, the Association, the Trust Actuary, the Company or the Board of Directors thereof, furnished or delivered to it as herein provided.

14. Any term or phrase used herein which is the same as a phrase or term used in The

Pilot Plan and defined in Article II of The Pilot Plan shall have the meaning assigned thereto by any such definition.

15. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger, reorganization or consolidation to which the Trustee may be a party, or any corporation to which all or substantially all the trust business of the Trustee may be transferred shall be the successor of the Trustee hereunder without the execution or filing of any instrument or the performance of any further act.

16. This instrument and the trust created hereby shall be construed, regulated and administered under the laws of the Commonwealth of Massachusetts.

17. The Trustee by joining in the execution of this agreement hereby signifies its acceptance of this trust.

IN WITNESS WHEREOF, the parties have hereunto set their respective hands and seals as of the day and year hereinabove first mentioned.

Attest:  
(CORPORATE SEAL)

A. A. PARADIS

*AMERICAN AIRLINES, INC.*

By: WM. J. HOGAN

Attest:  
(CORPORATE SEAL)

JOSEPH L. HEALY  
Asst. Tr. Officer

OLD COLONY TRUST COMPANY

By: JOHN A. BLANCHARD  
Vice President





Pensions - Hand books (company)

