



From: Doug Kight

Sent: Friday, August 22, 2008 1:31 PM

Subject: IAM negotiations update – first offer increases pay, pension and continues outstanding health care

****This message is being sent by Doug Kight, vice president of Human Resources, to all managers and HR employees in Washington, Oregon and Kansas ****

IAM negotiations update – first offer increases pay, pension and continues outstanding health care

Boeing presented its first full offer to IAM leaders today, which increases pay every year, increases the pension multiplier to **\$75** per month for each year of credited service and continues Boeing's outstanding health care plans at a low cost to employees. The proposal, on average, would provide employees approximately \$24,000 in additional wages and incentive payments during the three-year agreement.

This offer reflects our commitment to rewarding employees for contributing to the company's success while addressing head on the challenges we face in managing long-term costs so that we can continue providing great pay and benefits. When the company succeeds, we all succeed.

Highlights of the first offer include:

Pay and incentives:

	Year 1	Year 2	Year 3
General Wage Increase (GWI)	2.5%	2.0%	2.0%
Estimated Cost of Living Adjustment Continue current COLA formula	1.5% (On average, or \$0.41/hr)	0.8% (On average, or \$0.22/hr)	0.7% (On average, or \$0.21/hr)
New Incentive Pay Plan This plan is based on meeting achievable goals for Economic Profit, quality and safety		10 days extra pay for meeting targets (Potential of between 0-20 days of pay)	10 days extra pay for meeting targets (Potential of between 0-20 days of pay)
Lump Sum Available to active employees, including employees on military leave and on LOAs of 90 days or less	\$2,500		



Minimum pay rates increased

- **\$1.28/hr** increase to the minimum pay rates effective Sept. 5, 2008.
- Employees below the new minimum rate, after the application of COLA and GWI, will have base rates increased to the new minimum

AOG travel premium pay rate increased from \$0.75/hr to \$2.00/hr

Team Leader pay premium increased from \$1.75/hr to \$2.00/hr

Retirement:

Pension increase

- **\$75** per month for each year of credited service (a 7.1% increase to the current basic benefit level of \$70 per month of service).
- Base pay increases and the incentive plan payments in this contract offer will generate additional pension increases for employees who retire under the alternate, pay-based formula.

Voluntary Investment Plan

- Maintain current company match of 50% for the first 8% of employees' contribution.
- Increase amount employees can contribute from 20% to 25% of base pay.

Early retiree medical

- Continue coverage for current employees.
- Not offered to employees hired after Jan. 1, 2010.

Defined contribution plan offered for employees hired after Jan. 1, 2009

- Replaces traditional defined benefit pension plan with an enhanced savings plan that provides portability, immediate vesting, and employee control over investments. Boeing will contribute **4%** of base pay each pay period whether or not employees contribute to the plan.
- Does not apply to current employees.

Health care:

The following plans offered with \$0 monthly payroll contributions for the duration of the contract:

- Traditional Medical Plan (for Puget Sound and areas not listed below).
- Preferred Plus of Kansas HMO (for Wichita).
- Kaiser Permanente HMO (for Portland; Cowlitz and Clark counties in Washington state; and California).
- Approximately 60% of IAM-represented employees currently are enrolled in these \$0 contribution plans



Improved health care and insurance coverage

- Increase coverage for routine physicals—including annual exams and well-child care—from \$200 to **\$500** annually. In addition, Boeing will cover **100%** of the costs of most associated tests and laboratory work, including colonoscopies, mammograms and pap tests.
- Provide health care coverage for same-gender domestic partners.
- Improve coverage for organ transplants.
- Increase non-network coverage for inpatient and outpatient mental health care from 50% to **60%**; increase coverage for network outpatient mental health care from 80% to **95%**.
- Increase neurodevelopmental coverage from \$1,000 to **\$1,500**.
- Increase life insurance and short-term disability coverage.
- Increase hearing aid coverage from \$600 to **\$800**.
- Increase eyeglass frame coverage from \$70 to **\$90**, and increase contact lenses coverage from \$105 to **\$120**.
- Provide a health care spending account, enabling employees to set aside money to cover health care costs on a pre-tax basis.

Offer the following medical plans:

Monthly Payroll Deductions						
	Individual Employee Coverage		Employee + Spouse; or Employee + Children		Employee + Family Coverage	
	Current	New	Current	New	Current	New
Washington						
Traditional Medical	\$0	\$0	\$0	\$0	\$0	\$0
Select Network	\$27	\$56	\$54	\$112	\$81	\$168
Group Health	\$46	\$59	\$92	\$118	\$138	\$177
Oregon						
Kaiser Permanente	\$0	\$0	\$0	\$0	\$0	\$0
Traditional Medical	\$33	\$56	\$66	\$112	\$99	\$168
Selections Plus	\$61	\$53	\$122	\$106	\$183	\$159
Kansas						
Preferred Plus	\$0	\$0	\$0	\$0	\$0	\$0
Traditional Medical	\$12	\$62	\$24	\$124	\$36	\$186

Wichita:

Boeing withdrew its proposal to negotiate a separate contract for Wichita.

IAM/Boeing Joint Programs:



Continue to invest in the IAM/Boeing partnership at a minimum of \$15 million annually, including an additional **\$1 million** to focus on productivity improvement and employee engagement.

Employment stabilization:

Form a joint committee to study the feasibility of mitigating the disruption that results from large hiring and layoff cycles. The committee will complete its study within one year and make recommendations subject to approval by both Boeing and the IAM.

Increase Category A recall rights as listed below:

Years of Company Service	Current Recall Rights	New Recall Rights
0-1 year	1 year	3 years
1-3 years	3 years	3 years
3-5 years	5 years	5 years
5+ years	7 years	8 years

Next steps:

We provided the union with a complete copy of our initial contract offer, and we intend to post a full copy of the proposed contract online when we make our best and final offer. We remain committed to providing our best and final offer before the Labor Day weekend, giving employees and their families the time they've requested—and deserve—to review the offer before voting on the contract.

Today's offer is the result of the great work done during our joint subcommittee and steering team meetings. All of the issues included in our proposal have been discussed by Boeing and the IAM in subcommittee meetings over the past many months. These have been challenging yet productive discussions, and while we have disagreements, I'm confident that we will succeed in achieving an outcome that's in the best interest of employees and our company. We will continue to post updates online at: www.boeing.com/2008negotiations.

Actions for managers:

Please read this information carefully, reference our fact sheets, share this message with your employees and be available to discuss these issues with your team and respond to their questions. If you are uncertain about your role, please review the "[Connecting with your team](#)" section on our Web site and work with the HR generalist who supports your organization.

I will continue to send messages to you through these main-table negotiations. We are counting on you to be a vital link in communicating our offers and successfully reaching agreement on a new contract. Thank you for your support during these negotiations and for taking the time to be available to discuss questions and concerns with your employees.

Doug