



From: Doug Kight
Sent: Tuesday, August 26, 2008 11:18 AM
Subject: IAM negotiations update – Boeing presents improved 2nd offer

***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 – Boeing presents improved 2nd offer

- **Increases pay and pension; improves outstanding health care**
- **Withdraws proposal for defined contribution retirement plan for new hires**

Boeing today presented improvements to pay, pension and health care in its second offer to the IAM.

We listened to the union and proposed General Wages Increases of **9 percent** over three years, increasing minimum pay rates, increasing the basic pension benefit to **\$78** per month for each year of credited service – the highest in the aerospace industry – and further improvements to health care. The proposal, on average, would provide employees with approximately **\$28,000** in additional wages and incentive payments during the three-year agreement.

Since presenting our first offer, we’ve spent a great deal of time meeting with the IAM to focus on their contract priorities. We have made substantial movement in pay, pension and health care. We’ve withdrawn key proposals that were important to the company but of concern to the union. We have been negotiating for more than four months, we’ve had a thorough discussion of all of the issues, and we are near the point of presenting a best and final offer that rewards Boeing employees for their great work while allowing the company to sustain our success in the future.

To help employees understand the value of this offer, we’ve launched the Pay & Benefits calculator on our Web site. More details on this are included below.

Highlights of this second offer are listed below. Bold, blue items indicate changes since the initial offer.

Pay and incentives

	Year 1	Year 2	Year 3
General Wage Increase	4.0 %	2.5 %	2.5 %
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)	0.5 %* (On average, or \$0.15/hr)
New Incentive Pay Plan Based on meeting achievable goals for Economic Profit, quality and safety. Plan effective Jan. 1, 2010			10 days extra pay For meeting targets (potential of between 0-20 days of pay)

Lump Sum Based on gross pay – including overtime – earned between Aug. 31, 2007 and Sept. 4, 2008	5.0%		
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**In the first offer, the year 3 COLA estimate was misstated.*

- **Minimum pay rates increased:**
 - **\$2.28/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**
 - **\$78** per month for each year of credited service (an **11.4% increase** to the current basic benefit level of \$70) — **the highest pension benefit in the aerospace industry.**
 - 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.

Health Care

- Boeing will offer a **\$0** monthly payroll contribution health care plan in each region for the duration of the contract (see table below for details). 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.
 - **Increase lifetime maximum coverage, per individual, from \$1.5 million to \$2 million.**
 - 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	\$42	\$54	\$84	\$81	\$126
Group Health	\$46	\$44	\$92	\$88	\$138	\$132
Oregon*						
Kaiser Permanente	\$0	\$0	\$0	\$0	\$0	\$0
Traditional Medical	\$33	\$42	\$66	\$84	\$99	\$126
Selections Plus	\$61	\$40	\$122	\$80	\$183	\$120
Kansas*						
Preferred Plus	\$0	\$0	\$0	\$0	\$0	\$0
Traditional Medical	\$12	\$47	\$24	\$94	\$36	\$141

*Click on a state name for more information about deductibles, copays and other plan features.

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

Proposals withdrawn:

- In our negotiations with the union, Boeing has made significant movement to address key union issues including:
 - Withdrew proposal to negotiate a separate contract for Wichita.
 - **Withdrew proposal to create a new defined contribution retirement plan for employees hired after Jan. 1, 2009.**
 - **Withdrew proposal to make changes to LOU 2 on Facilities Maintenance Subcontracting.**

Next steps:

Boeing remains committed to delivering a best and final offer before the Labor Day weekend. We will post a full copy of the best and final offer on <http://www.boeing.com/2008negotiations> so employees can carefully review the proposal with their families. It's critically important that each employee understand how the best and final offer affects them, and it's important that employees vote in their best interest on Sept. 3.

Actions for managers:

We are working toward an outstanding offer that rewards employees for their great work while also allowing Boeing to be successful in the future. To help employees understand the value of this contract, today, we will launch the Pay and Benefits calculator on our [Web site](#).

This easy-to-use calculator, which includes the terms of today's second offer, allows employees to estimate what they may receive under those terms. The calculator will be updated with new data when we make our best and final offer later this week.

Please share this message with your teams and provide them with time to review both this – and the best and final – offers in the calculator.

If you are uncertain about any Negotiations issues, please review content of our negotiations [Web site](#), especially the '[Connecting with your team](#)' section. You also can talk with the HR generalist who supports your organization or you can contact the Negotiations Call Center by email (ERPugetSound@boeing.com) or by calling 1-866-725-2180 from 6 a.m. to 6 p.m. Pacific time.

Thank you for your support.

Doug