



# Summary of 4-Year Contract Extension Between IAM District 751, W24, 70 & The Boeing Company

## UNION RECOMMENDS ACCEPTANCE

### YOUR NEGOTIATING TEAM RECOMMENDS: **ACCEPT**

In late October, senior executives from Boeing approached us to ask if we could get together for a series of meetings to talk about issues that were going to come up in the 2012 contract talks. We agreed to meet with them to hear what they had to say. What resulted was a proposal by the Company to extend the current contract by four years.

The proposal summarized on these pages represents an unprecedented commitment by Boeing to Puget Sound and Portland for the 737MAX and its related fabrication and support work. It also shows Boeing's commitment to the success and continuation of the other airplane programs where our members have shown time and again their expertise, productivity and quality.

We unanimously recommend you vote to accept this proposed four-year contract extension.

If approved, the proposed four-year extension would be in effect upon ratification through September 8, 2016. Highlights of the offer include the following:

#### **JOB SECURITY**

- We were able to secure the future of the 737MAX for Puget Sound, including current parts manufacturing, assembly and supporting shops, such as the Wire Shop & Interior Shop in Everett.
- Continuing a firm commitment to widebody production in Everett.
- Securing a firm commitment to tanker manufacturing for Puget Sound.
- Securing a firm commitment to P-8 manufacturing for Puget Sound.

#### **PENSION**

- Preserved pension for new hires.
- Pension benefit increases each year of \$2 up to \$91 per month per year of service as of Jan. 1, 2016.
- Boeing VIP savings plan remains intact, along with Company match.

#### **GENERAL WAGE INCREASES/COLA**

- General wage increases of 2% each year of the contract.
- Quarterly COLA formula remains the same.

#### **INCENTIVE PAY**

- New program intended to pay bonuses from 2 to 4 percent of annual gross pay (including overtime, shift differential pay, team leader pay, etc.), based on achieving easy-to-understand safety, quality and productivity metrics.

#### **RETIREE MEDICAL**

- Preserved retiree medical benefits for all workers, including future hires – something virtually no other group at Boeing has done. The same changes that apply to the plans for active employees apply to retiree medical (excluding monthly premium language).

#### **HEALTH CARE**

- Members will pay more, with the amount of increase depending on the plan you pick. In the end, we will still have health care benefits far superior to those earned by most workers in our industry and our nation. Current medical plans in all locations continue to be offered.
- Annual out-of-pocket costs are capped.
- New generic drugs and voluntary health screening programs can reduce increased costs in 2013.
- Machinists won't pay any federal health care "Cadillac taxes."

#### **RATIFICATION BONUS:**

- \$5,000, to be paid within 30 days of ratification.

This is a summary of the key points of the proposed contract extension with more details on the following pages and a letter from negotiators. Additional information will be available online at [www.iam751.org](http://www.iam751.org).



Brothers and Sisters,

In late October, senior executives from Boeing approached us to ask if we could get together to talk about issues that were going to come up in the 2012 contract talks. We agreed to meet with them to hear what they had to say. What resulted was an ongoing dialog and a series of meetings that ended with a proposal by the Company to extend the current contract with some changes in certain areas -- but a huge improvement in job security, which was your No. 1 issue in our first survey for the 2012 contract negotiations.

For these meetings, we pulled together our union negotiating teams, who have experience dealing with the various topics the Company wanted to cover: Health and Benefits, Job Security, Pay, Pension and Incentives. Although we had an idea the Company might want to extend the existing contract, we had to wait until they confirmed it in writing that this was their intent.

We did not publicly announce these talks, for reasons we know you understand. In the past, we've gone through negotiations with media, politicians and bloggers second-guessing our moves and trying to determine the outcome while we work against a looming deadline. To make a big public splash this time would have undermined what we were doing and would have gone against the reasons why we agreed to meet with the Company in the first place.

We now know this was the right decision. What has resulted is an unprecedented commitment by Boeing to Puget Sound and Portland for the 737MAX and the related manufacturing that's currently being performed here. This will generate long-lasting security for our members. It also resulted in a Boeing commitment to the success and continuation of the other airplane programs where our members have shown time and again their expertise, productivity and quality, resulting in increased profits for the Company.

Based on many factors -- the current economy, the state of affairs at Boeing and our ability to secure unprecedented Job Security for our members -- we unanimously recommend you vote to accept this proposed contract extension.

We need to be clear: this proposal does include some sharing in the increases in Health Care costs, with the amount varying, depending on the plan you choose. Negotiations are about give and take and to achieve gains in Job Security, Pension and Wages, we had to be willing to compromise elsewhere. However, in doing so, we were also able to increase benefit levels in dental and vision, and win protections that cap the amount you will be paying, including guarantees that you won't have to pay any future federal taxes on health-care plans. In the end, we'll still have health care benefits far superior to those earned by most workers in our industry, and our nation.

On the plus side, there are some significant improvements, which are outlined on these pages. This should be considered as a full package as you discuss this proposal with your family.

Ultimately it is up to you as members to vote whether to accept this contract extension proposal or reject it. Summaries of the proposed contract extension will be available at all Union Halls, and a complete text of the Company's proposal will be available online ([www.iam751.org](http://www.iam751.org)). We urge you to study them carefully.

Taken as a whole, we think you'll like what you see. This proposal addresses what you told us was important to you; therefore we recommend you accept it by voting yes.

In Solidarity  
Your Union Negotiating Team

  
Mark A. Blondin  
Aerospace Coordinator

  
Tom Wroblewski  
District 751 President/DBR

  
Robert C. Petroff  
Assistant Directing Business Rep W24

  
Steve Rooney  
District 70 President/DBR

# JOB SECURITY

Based on the recent survey, members told us their highest priority was job security, and we have been working every day to address that. All members are aware the clock is ticking on certain decisions that could affect aircraft production in Puget Sound for years to come.

Below is the side letter regarding work placement that provides job security.

**1. 737 Work Placement.** The Union has inquired about the Company's intentions to place production work on the 737MAX program in Puget Sound. Independently, the Company has been undertaking a thorough review of the 737MAX program, including options for locating such work. The Company has assessed those options in light of the economics set forth in its proposal to extend the current Collective Bargaining Agreement for four years, and should those economics be achieved through a contract extension, the Company will locate the 737MAX production work in Puget Sound. With approval of the contract extension, the Company will produce the 737NG models and 737MAX models in Renton, to the extent such production can be feasibly completed in the current and existing 737 Renton production facilities. The fabrication work currently being performed by bargaining unit employees in support of the 737 production will be continued in their current and existing facilities in Puget Sound and Portland – again, to the extent such production can be feasibly completed in those current and existing facilities.

**2. Wichita Tanker Work Placement.** In the event the Company decides to place Tanker production work currently performed in its Wichita facilities (or work of a similar type) in a location other than Wichita, the Company agrees that such Wichita Tanker production work will be performed in the Company's current and existing facilities in Puget Sound.

**3. P-8 Production Work Placement.** The Company will continue production of the P-8 program in the Company's current and existing facilities in Puget Sound. The fabrication work currently being performed by bargaining unit employees in support of the P-8 production work in Puget Sound and Portland will be continued in their current and existing facilities in Puget Sound and Portland, to the extent such fabrication work can be feasibly completed in those current and existing facilities.

**4. Everett Wide-Body Airplanes.** The Company intends to continue production of wide-body airplanes in its Everett facilities.

**5. Supplier Warranty Work.** The amount of supplier warranty work required to be performed on 787 aircraft in inventory at Everett (e.g., PlaneTech employees performing supplier warranty work), is higher than anticipated due to incomplete deliveries and engineering changes. It is the Company's intent to expeditiously reduce the amount of supplier warranty work at the Company's Everett facilities, with a target of having minimal on-site work not later than June 2013. The Company will inform the Union in the Joint Union/Boeing Council monthly meeting of plans and actions regarding supplier warranty work.

**6. No Impact to Current Collective Bargaining Agreement.** Except as expressly provided herein, nothing in this Side Letter supersedes or impacts any rights of the parties under the 2008-2012 Collective Bargaining Agreement and the 2012-2016 extension to the Collective Bargaining Agreement, including but not limited to Article 2 and Section 21.7. Nothing in this Side Letter will impact the Company's rights under Section 21.7 of the Collective Bargaining Agreement to make strategic work placement decisions associated with a condition of sale or market access, to subcontract or offload work due to lack of capability or capacity, to subcontract or offload work to prevent production schedule slippage, or to temporarily subcontract or offload work due to emergent short term needs.

**7. Duration.** This Side Letter will become effective on the date that the contract extension has been ratified by the bargaining unit members ("effective date") and shall remain in full force and effect until assembly of the 737MAX commences in Renton.

# ECONOMICS

ECONOMICS				
<b>General Wage Increases</b>	2% - Sept. 2012	2% - Sept. 2013	2% - Sept. 2014	2% - Sept. 2015
<b>Ratification Bonus</b>	\$5,000 for members (see language below) payable within 30 days of ratification.			
<b>New Incentive Pay Plan</b>	Secured new incentive plan that has the potential to pay up to 4 percent of your gross earnings annually for improvements in the following categories: production, quality and reduction in lost work day cases. The metrics used are identifiable and very familiar to all working on the shop floor.			
<b>Cost-of-Living Adjustment</b>	Continue current quarterly COLA formula for life of extension with annual fold-in to base wage.			

## General Wage Increases

Members will receive four General Wage Increases over the life of the extension as follows:

- Effective 2012 - 2%
- Effective 2013 - 2%
- Effective 2014 - 2%
- Effective 2015 - 2%

## Ratification Bonus

The Company agrees to pay a ratification bonus of \$5,000 to employees who are covered by the Collective Bargaining Agreement and on (a) the active payroll on the effective date of this Agreement (including a leave of absence 90 days or less) or (b) approved military leave of absence pursuant to Section 6.6(b) of the CBA on the effective date of this extension, even if such military leave of absence is longer than 90 days. Bonus to be paid within 30 days of ratification.

## Cost-of-Living Adjustment

The quarterly cost-of-living adjustments (COLA) formula remains unchanged with the quarterly adjustments for life of the extension. Accumulated COLA will be rolled into base rates each September.

## Incentive Plan

Secured new incentive plan that has the potential to pay from 2 to 4 percent of your gross earnings annually for improvements in the following categories: production, quality and reduction in lost work day cases. The metrics used are identifiable and very familiar to all working on the shop floor.

This gives our members the ability to make an impact on their work areas that will result in benefits potentially 2 to 4 percent annually. The first potential payout will be January of 2013. The plan is similar in scope to plans that exist in St. Louis and Philadelphia, which have consistently paid out.

Like other incentive plans, it is not a guaranteed amount; however, along with gaining this plan, we have also secured General Wage Increases for each year of the contract (see above).

# PENSION/VIP/RETIREE MEDICAL

## Pension

While most other payrolls and bargaining units no longer have pensions for new hires, this proposed extension not only preserves but increases pension benefits for **ALL** active and future members. Pension will increase \$2 each year of the extended four-year agreement (2013 - \$85; 2014 - \$87; 2015 - \$89; 2016 - \$91).

## 401K - VIP

Preserved existing 401K/VIP with Company matching benefits.

## Retiree Medical

Retiree medical, which has been a contentious issue in the last few rounds, is preserved for current and future hires so that members have a better opportunity to retire early (before Medicare eligibility kicks in). We are one of the only payrolls that continue to have this benefit for new hires.

The same changes that apply to the plans for the active employees also will apply to retirees (except current monthly premiums remain for the same retirees. Note: vision and dental coverage does not apply.)

# HEALTH AND DENTAL

Recognizing both the need for benefit improvements and the increased costs in health care overall, this proposal offers an enhanced dental and vision package with some sharing of the increased cost on medical and dental. In the end, we will still have health care benefits far superior to those earned by most workers in our industry and our nation. Changes take effect January 1, 2013.

The Company will continue the current medical plan offerings: Traditional Medical Plan (TMP) all locations.

Other Washington Plans:

Group Health HMO  
Selections CCP

Other Oregon Plans:

Selections Plus CCP  
Kaiser CCP

Other Kansas Plans:

Preferred Health Systems CCP  
Selections CCP

Other California Plan:

Kaiser HMO

## IMPROVEMENTS TO DENTAL effective 7/1/12:

- Introduced new Network Dental Plan to replace Incentive Plan.
- Increased annual maximum benefit from current \$1,750 to \$2,000 a year.
- Class I preventive care improved from current 70-90% to 100% covered (and deductible does not apply).
- Class II coverage increased from 70% to 80%.
- Class III service increased from 50% to 60%.

## IMPROVEMENTS TO VISION COVERAGE effective 7/1/12:

- Traditional Medical Plan, Selections Washington, Selections Plus Oregon, Selections Plus Kansas and Preferred Plus Kansas vision care benefit increases from \$70 to \$90 frame allowance and \$105 to \$120 contact lenses allowance.

## IMPROVEMENTS TO TMP effective 1/1/13:

- Enhanced preventive care (i.e. full coverage for routine exams, well-baby care, and immunizations).
- Opportunity to use Centers of Excellence per company program for certain procedures (transplants, bariatric surgery, etc.).

## COST SHARING:

### DENTAL effective 7/1/12:

- \$10 co-pay for basic dental services in prepaid dental ONLY.
- Prepaid dental major services was covered at 100% now copay varies by service.
- On network dental (which replaced incentive dental) increased dental deductible to \$50/individual; \$150/family. Current deductibles: \$25/individual; \$75/ family.
- On network dental reduced cleanings to two per year unless needed for periodontics.

### ALL HEALTH CARE PLANS effective 1/1/13:

- Emergency room co-pay increase from \$50 to \$75.
- **PHARMACY MANAGEMENT PROGRAMS** will be applied where possible:

a) **Members Pay the Difference** (i.e., pay the full cost difference between brand and generic drugs, plus generic co-pay).

b) **Step Therapy** (i.e., process whereby member is asked to try equivalent but less costly drug first; where member is using different drug, advance notice to physician and opportunity to request review is provided).

- **NEW WELLNESS PROGRAM:** Beginning January 1, 2013, there will be an additional premium contribution as follows for employees and spouses who do not complete certain health improvement activities consisting of completing the online health assessment. The additional contributions will be as follows for not taking the online health assessment questionnaire:

a) For either employee-only coverage or employee + child(ren) coverage, the additional contribution will be \$20 per month if the employee does not complete the online assessment questionnaire.

b) For either employee + spouse coverage or employee + spouse and child(ren) coverage, the additional contribution will be \$40 per month if both the employee and spouse do not complete the health assessment or \$20 per month if only the employee or spouse completes the online assessment questionnaire.

NOTE: Joint IAM/Boeing Committee will determine acceptable questions.

**TMP: (changes effective 1/1/13)**

- Annual deductible will increase to \$225 individual/\$675 family. (currently \$200/\$600).
- Annual out-of-pocket maximum will increase for family to \$4,500 (currently \$4,000).
- Coinsurance will decrease from 95% to 90% on major medical, inpatient and outpatient hospital, outpatient physical therapy, outpatient speech therapy, etc.
- Prescription co-pay retail increased from \$5/\$15/\$30 to \$5/\$20/\$35 plus pay difference from generic (unless Step Therapy review is approved or no generic available).
- Mail Order prescription co-pay increases from \$10/\$30/\$60 to \$10/\$40/\$70 plus pay difference from generic (unless Step Therapy review is approved or no generic available).

**FOR CCP PLANS - changes effective 1/1/13:**

- The nonnetwork deductible will increase from \$400 to \$450.
- Annual out-of-pocket maximum for out of network will increase to \$2,250/\$4,500 (currently \$2,000/\$4000).

**FOR CCP/HMO Plans - changes effective 1/1/13:**

- Office visit co-pay will increase from \$10 to \$15.
- Retail prescription co-pay increases from \$5/\$15/\$30 to \$5/\$20/\$35 (30 day supply) plus pay difference from generic (unless Step Therapy review is approved or no generic available).
- Mail order prescription co-pay increases from \$10/\$30/\$60 to \$10/\$40/\$70 plus pay difference from generic (unless Step Therapy review is approved or no generic available).

Effective January 1, 2013, monthly contributions will be as follows:

<b>WASHINGTON</b>		
Traditional Medical Plan	Selections CCP	Group Health HMO
\$20/\$40/\$60	\$45/\$90/\$135	\$45/\$90/\$135
<b>OREGON</b>		
Traditional Medical Plan	Kaiser CCP	Selections Plus CCP
\$20/\$40/\$60	\$20/\$40/\$60	\$45/\$90/\$135
<b>KANSAS</b>		
Traditional Medical Plan	Preferred Health Systems CCP	Selections Plus CCP
\$20/\$40/\$60	\$20/\$40/\$60	\$45/\$90/\$135
<b>CALIFORNIA</b>		
Traditional Medical Plan	Kaiser HMO	
\$20/\$40/\$60	\$20/\$40/\$60	

Monthly contribution amounts first number for employee-only coverage; second number for employee + spouse or child(ren) and third number is for employee + spouse and child(ren)/family.

Beginning January 1, 2014, your monthly contributions for all plans will increase ten percent (10%) each year through the 2016 plan year. (Based on the monthly premium you currently pay, i.e. \$20/month would increase to \$22/month in 2014).

# HOLIDAYS

Article 7 of the Collective Bargaining Agreement will be amended to provide for 48 additional holidays for the period of the extension starting with Thanksgiving 2012, consistent with the CBA's historical schedule.

## 2012 HOLIDAYS

Winter Break - January 2, 2012  
Memorial Day - May 28, 2012  
Independence Day - July 4, 2012  
Labor Day - September 3, 2012  
Thanksgiving Day – Nov. 22, 2012  
Day after Thanksgiving – Nov. 23, 2012  
Winter Break – December 24, 2012  
Winter Break – December 25, 2012  
Winter Break – Dec. 26, 2012  
Winter Break – Dec. 27, 2012  
Winter Break – Dec. 28, 2012  
Winter Break – Dec. 31, 2012

## 2013 HOLIDAYS

New Years Day – January 1, 2013  
Memorial Day – May 27, 2013  
Independence Day – July 4, 2013  
Labor Day – Sept. 2, 2013  
Thanksgiving Day – Nov. 28, 2013  
Day After Thanksgiving – Nov. 29, 2013  
Winter Break – Dec. 24, 2013  
Winter Break – Dec. 25, 2013  
Winter Break – Dec. 26, 2013  
Winter Break – Dec. 27, 2013  
Winter Break – Dec. 30, 2013  
Winter Break – Dec. 31, 2013

## 2014 HOLIDAYS

New Years Day – January 1, 2014  
Memorial Day – May 26, 2014  
Independence Day – July 4, 2014  
Labor Day – Sept. 1, 2014  
Thanksgiving Day – Nov. 27, 2014  
Day after Thanksgiving – Nov. 28, 2014  
Winter Break – Dec. 24, 2014  
Winter Break – Dec. 25, 2014  
Winter Break – Dec. 26, 2014  
Winter Break – Dec. 29, 2014  
Winter Break – Dec. 30, 2014  
Winter Break – Dec. 31, 2014

## 2015 HOLIDAYS

New Years Day – January 1, 2015  
Memorial Day – May 25, 2015  
Independence Day – July 3, 2015  
Labor Day – Sept. 7, 2015  
Thanksgiving Day – Nov. 26, 2015  
Day After Thanksgiving – Nov. 27, 2015  
Winter Break – Dec. 24, 2015  
Winter Break – Dec. 25, 2015  
Winter Break – Dec. 28, 2015  
Winter Break – Dec. 29, 2015  
Winter Break – Dec. 30, 2015  
Winter Break – Dec. 31, 2015

## 2016 HOLIDAYS

New Years Day – January 1, 2016  
Memorial Day – May 30, 2016  
Independence Day – July 4, 2016  
Labor Day – Sept. 5, 2016

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## New Joint Union/Boeing Council

The Company and the Union will meet, on a monthly basis, to review and discuss key elements of the business and workforce including market and competition; performance including quality, safety, productivity, schedule and cost; product development and implications to the workforce; work transfer; overtime; and changes in the external environment impacting the Company. In reviewing productivity, the parties will also assess areas such as employee engagement/involvement, the job classification system, multiple machine operation, and the ability to utilize non-Boeing labor for certain types of work.

## Mutual Objectives Statement

The parties to this Tentative Agreement (Agreement) are the International Association of Machinists and Aerospace Workers, District Lodges 751, 70, and W24 (the Union) and The Boeing Company (the Company).

The parties desire to establish a new working relationship to ensure critical mutual objectives are met. These objectives are:

- sustainment and growth of jobs, providing fair wages and benefits
- delivery of safe, reliable, market-leading products and services at competitive prices
- meeting cost and productivity pressures from existing and future competitors in both the commercial and defense businesses
- working closely together to achieve these and other objectives central to mutual success

# VOTING THE PROPOSAL - Puget Sound

**NOTE: Wichita & Portland time & location to be determined**

**WHEN:** Wednesday, December 7, 2011, 5 a.m. to 6 p.m.

**WHERE: PUGET SOUND LOCATIONS AS FOLLOWS:**

- Auburn Hall - 201 "A" Street SW
- Everett Union Hall - 8729 Airport Rd.
- Renton Union Hall - 233 Burnett N.
- Frederickson location (to be determined)
- Seattle Union Hall - 9135 15th Pl. S.

## 1 What Is on the Ballot

There is one ballot:

- To accept or reject the contract extension proposal.

IAM/Boeing contract extension  
CONTRACT VOTE  
December 7, 2011



I ACCEPT the Contract...   
I REJECT the Contract...

## 2 How Are the Ballots Counted?

Members who volunteer to count the ballots will tabulate them and validate the numbers.

## 3 What Do the Results Mean?



✓ If a simple majority of voting members vote to ACCEPT the proposal, it becomes effective immediately.

✓ If a simple majority of voting members vote to REJECT the proposal, the current contract remains in effect until September 8, 2012.

## 4 How do I find out the results?

Once ballots are counted on December 7th, the results will be posted on the Union web page ([www.iam751.org](http://www.iam751.org)), as well as released to the media.

**751 MEMBERS IN PUGET SOUND: WATCH FOR THE GREEN ELIGIBILITY CARD YOU WILL RECEIVE IN THE MAIL. Bring the card to a voting location to exchange for a ballot on December 7, 2011.**

