

# Summary of the Proposed Agreement between **Alcoa and the United Steelworkers**

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## **Term of Agreement**

May 16, 2014 through May 15, 2019.

## **Wage Increases**

The current schedule of standard hourly rates for all job grades will be increased as follows:

June 9, 2014:	2.5%
June 1, 2015:	2.5%
June 6, 2016:	2.5%
June 5, 2017:	3.0%
June 4, 2018:	3.0%

This represents an average increase of \$3.22 per hour or 14.2% over the contract.

## **Ratification Bonus**

\$1,000 ratification bonus paid to all employees who are accruing pension service as of June 6, 2014. This includes employees actively at work, on vacation, S&A, workers comp, uniformed service, or layoff as outlined in Section 5.1 of the Pension Agreements.

## **Certain Craft Wage Rates**

Due to labor market conditions and ability to recruit, the standard hourly rates for the classifications of Electrician, General Mechanic and Machinist at all Master locations will be increased by 8 job grades, effective June 9, 2014.

New accelerated apprentice program for Electricians, Machinists and General Mechanics will be implemented. Levels and implementation will be based on needs and business conditions.

## **Performance Pay**

The Performance Pay pool will increase from 20% to 22%, effective January 1, 2015. The intent remains that employees should have a realistic opportunity to earn twice the percentage payout of the pre-2007 plan if performance measures are achieved.

The definition of eligible earnings will be expanded to include half-time portion of overtime premium, effective January 1, 2015. This will increase the portion of payments made to hourly employees and comply with wage and hour laws.

Performance Pay measures will be reset annually.

Gum Springs, Badin and Rockdale remain under 2001 Performance Pay Plan.

Employees will be allowed to contribute up to 50% Performance Pay into the Alcoa

### **Important Notice:**

Ratification Vote will be held on Friday June 6, 2014 at your Local Union.

In accordance with the Union's voting procedures, the ratification vote will be based on one member, one vote. The vote will be conducted by each Local Union. The results will be totaled, and each member's vote will count equally. The majority of the total votes cast will determine the results.

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Retirement Savings Plan, beginning with payouts earned in 2015.

## Pension Plan

The current pension factors will be increased by \$2.00 per month per year of service, effective for retirements occurring on or after July 1, 2014.

A new 100% post-retirement surviving spouse option will be offered to employees retiring on or after January 1, 2015.

Employees hired before June 23, 2006 who elect the 100% post-retirement surviving spouse option and retire on a pension other than a deferred vested pension will have their monthly pension benefit reduced by 13% (or equivalent actuarial factor, if less).

Employees retiring on a deferred vested pension or employees hired on or after June 23, 2006, who elect the 100% post-retirement surviving spouse option will have their monthly pension benefit reduced by an equivalent actuarial factor.

## Active Benefits

The Union Committee took a strong stand that given Alcoa's reduction in health care costs, rise in employee premiums, and its prospects for growth, no further health care cuts were necessary. At the eleventh hour, your solidarity prevailed.

There are no changes to employee health care contribution rates.

There are also no increases in deductibles, copays or coinsurance.

Office visit and other copays count toward satisfying the medical expense annual out-of-pocket maximums of \$1,500 single/\$3,000 family.

In the past prescription drugs were excluded from the medical expense annual out-of-

pocket maximums. A new prescription drug out-of-pocket maximum will insure that no one will pay more than \$3,000 single/\$6,000 family for covered prescription drugs purchased in-network or through the mail service program, effective January 1, 2015.

Coverage for additional preventive services has been expanded in compliance with the *Affordable Care Act* (including well woman visits, contraceptives and certain over the counter drugs), effective January 1, 2014.

Out-of-network dental claims will be reimbursed using the FAIR Health charge data at the 90<sup>th</sup> percentile, effective January 1, 2015. [see <http://www.fairhealth.org>]. Out-of-network medical claims will be processed using the standard Highmark BCBS process.

Employees with domestic partners under the Alcoa Health Care Plan will be given the opportunity in November each year to certify that covered dependents are IRS-qualified and avoid having the Company report "imputed income" for health coverage for the year.

Employees will be allowed to carry-over up to \$500 of unused health care fund money into their Medical Flexible Spending Accounts for the following plan year, beginning with the current 2014 Plan Year.

## New AD&D Benefit for Burn Victims

Employees who suffer third degree burns will receive a new burn benefit under the AD&D policy with payments from \$4,800 to \$48,000, based on the body part and extent of the burn, effective January 1, 2015.

## Employees on Workers' Compensation

The Union fought hard to stop Alcoa from cutting off health care coverage for employees on workers' compensation because of a late or missed employee health care premium contribution. In the end, Alcoa refused to waive employee health care premium

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contributions entirely, but did agree that effective January 1, 2015, no employee health care contribution shall be due for the first full calendar month following the effective date of an absence due to a compensable work-related injury.

After the first month following a compensable work-related injury, employees must pay the regular monthly premium contributions to maintain coverage.

## **Retiree Health Care**

The 1993 Labor Agreement between Alcoa and the Unions placed a cap on the Company's retiree health care costs for employees who retired after May 31, 1993. The retiree cost cap was among the most difficult issues during the 2006 and 2010 negotiations. The Union was forced to agree to modify benefits levels and introduce retiree premiums to keep costs within the cap amounts. The Company and Union also created a Retiree Health Care Account to pay costs above the cap and provide a cushion for future negotiations.

The Retiree Health Care Account currently has a balance of over \$175 million, which will enable the parties to maintain retiree benefits and premiums unchanged for the next five years. The Company will continue to contribute \$3.75 million per year to the Retiree Health Care Account.

There are no changes in the Alcoa Medicare Supplement Plan or MedOption Supplement Plan for Medicare-eligible retirees who retired after May 31, 1993. The prescription drug coverage for Medicare-eligible participants remains the same as active employees (plus Rx Step Therapy) and will include the new prescription drug out-of-pocket maximum.

Non-Medicare eligible retirees will also have the same medical and drug coverage as active employees (plus Step Therapy), including the

same changes as described above for active employees:

- copays counted toward satisfying the medical expense annual out-of-pocket maximums,
- new Rx drug out-of-pocket maximum,
- expanded preventive coverage,
- reimbursement of out-of-network medical claims using Highmark BCBS standards, and
- domestic partner coverage for employees retiring on or after January 1, 2015.

## **Health Care for Pre-1993 Retirees**

There are no changes in retiree health care or prescription drug benefits for employees who retired before May 31, 1993 or their dependent spouses, or eligible surviving spouses.

## **Employees Hired After July 2010**

Employees hired or rehired on or after July 1, 2010 remain ineligible for the retiree health care and prescription drug benefits. Instead they continue to receive a Company contribution into their 401(k) savings account of \$0.40 per hour worked, after one year of employment and beginning on his/her first anniversary date.

## **Surviving Spouse Lump Sum**

The payments to the surviving spouses of post June 1, 1993 retirees are renewed as follows:

December 2014:	\$1,000.
December 2016:	\$750.
December 2018:	\$750.

## **Joint Efforts Agreement**

Company will renew the public policy fund with a commitment of \$3 million to support public policies promoting the specific interests of the Master Alcoa plants.

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## Employment Security

Employment Security LOU is modified to remove the prohibition of layoffs of less than 10% of workforce or 35 employees. Prior to a layoff of employees with two or more years of seniority, the Company must still offer voluntary quit packages by seniority to employees actively employed in the plant, subject to skills sets needed to maintain efficient operations.

## Language and LOUs

A new Wellness LOU confirms that employee participation in Company wellness programs is voluntary, confidential and will not result in discipline.

The Company will increase the number of Union members of the Joint Health & Safety Committee paid to attend the USW and Joint Health Safety & Environment Conferences.

The 64/66 Hour Work Rule will be modified to allow volunteers to work up to 72 hours in the scheduling period prior to forcing employees to work overtime.

The employee's work shift for any work day within the workweek shall not be changed after the start of the workweek, except for proper and reasonable cause.

The size and duties of the Central Coordinating Committee established under the Wage Manual will be streamlined. A wage evaluation training program will be established (paid for by the Company).

Contract language is added to provide that disciplinary suspensions of 5 days or less [3 days or less at Davenport, Lafayette, Massena (West), and Warrick] for absenteeism or tardiness shall be administrative in nature and shall not result in the affected employee being removed from active work without pay.

Health and Safety language modified to expand the scope of duties of the Safety and

Health Committee and require that the Company will provide personal protective equipment when required by applicable occupational safety and health regulations.

Training for the Joint Safety and Health Committee will be provided.

The arbitration rules are modified to provide that in the event of a question of arbitrability, the hearings on arbitrability and the merits are combined, but the decision on the arbitrability shall be rendered prior to the merits decision.

The seniority provisions are modified to adopt the language from the former USWA Master Agreement on super seniority for Local Union officials.

The arbitration rules for the former USWA Master Agreement are modified to exclude the records of discipline older than three years.

Time lost due to absence for excused Union business (not to exceed 200 hours) will count in determining vacation eligibility. Time lost due to bereavement will count in determining vacation eligibility at former ABG locations.

Bereavement is expanded to cover death of grandchildren, son-in-law and daughter-in-law.

Bereavement pay will be considered a day worked for purposes of 6<sup>th</sup> and 7<sup>th</sup> day premium (under the former ABG Master).

The maximum period an employee can be assigned as a temporary supervisor is reduced from six months to 60 days (under the former USWA Master Agreements).

## Lake Charles

Economic items from the Master Agreement will continue to be passed through to the Labor Agreement between the Company and the Union covering the plant in Lake Charles, Louisiana.