



## **Early Out Program**

AMFA – Technicians and Related Crafts Employees  
&  
IAM – Clerical, Office, Passenger Service (“COPS”) Employees  
&  
IAM – Ramp Service and Stores Employees (“RSSA”)

Effective September 12, 2008

## **Program Guide**

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# Section 1 - Overview

In this guide, you will find a description of the features of the Early Out Program (EOP). This one-time opportunity offers a lump sum cash payment (for employees with ten (10) or more years of service), health care continuation and travel privileges. It is designed to give employees and their families maximum flexibility to make important life decisions.

The details of the program follow. Please review the information carefully and contact anyone listed in the *Contacts* section of this document for more details. Before deciding whether to accept or decline participation in this program, please carefully consider what is right for you and your family.

## Eligibility for EOP

Eligibility for and payment, as applicable, of EOP benefits require a solid operational and individual performance that meets company standards. Failure to meet those standards will result in the forfeiture of all or part of an individual's EOP benefits. Any employee who is disciplined or terminated for cause or performance (including attendance) will forfeit eligibility for this incentive program.

Regular full-time and part-time employees employed by Alaska Airlines in the United States on the date of this communication, within the workgroups covered by the AMFA, IAM-COPS and IAM-Ramp Services/Stores collective bargaining agreements, who are active employees or are on approved Leaves of Absence (LOA) as of September 12, 2008, are eligible to request participation in the EOP. Participation is entirely voluntary.

Employees who have previously submitted a resignation, or who have accepted a severance package or consulting agreement from the Company are not eligible.

Alaska reserves the right to determine the number of employees who will be released via the EOP from any work location based on operational need. Separation dates will be offered in seniority order at each bid location where EOP releases will occur. It is the Company's intention to release employees as soon as it is operationally feasible. During this period, employees are required to maintain performance standards and follow all federal regulations and Company policies.

Additionally, if an employee's employment ends before his/her deferred termination date (as determined by the Company at its sole discretion), (s)he will not receive any cash, if applicable, or benefits under the EOP.

Before EOP payments are issued and distributed to an employee, the Company will verify that all property belonging to Alaska Airlines has been returned. This includes, but is not limited to, employee ID badges, airport/SIDA badges, keys, calling cards, Company issued cell phones, laptop computers, manuals and confidential information.

If a specific location determines that they will not be awarding any EOP awards, employees in that location will not be eligible for this program, and their applications for the EOP will not be awarded.

## Important Dates

<b>September 25th</b>	EOP Election Forms from interested individuals must be received no later than the close of business (5:00pm).
<b>Early-October</b>	Confirmation notices will be processed and returned as soon as practical based on the number of employees who are accepted and who submitted paperwork.
<b>Mid-November</b>	EOP General Release and Waivers returned and final EOP approval granted.

## Application Process

If you wish to take advantage of the Early Out Program, you must complete the following steps:

1. Fill out the EOP Election Form that has been posted on *AlaskasWorld.com*. This is your written request to participate in the EOP.
2. All EOP Election Forms are to be returned to Josh Madsen at SEAHS or 19300 International Blvd. Seattle, Washington 98188. Forms must be received no later than the close of business (5:00pm), September 25, 2008.
3. Eligible employees who submit paperwork to participate in the program will receive a confirmation letter and General Release and Waiver at the close of the election period if there is a need to accept EOP in that bid location and classification.
4. **Employees electing to participate in the EOP must return a signed General Release and Waiver form in order to participate in the plan. The deadline for returning this form will be noted on the confirmation letter. No EOP agreement is binding until the General Release and Waiver is returned and any period to revoke has passed.**

***Important Note:** See Attachment A for a sample General Release and Waiver. Please review this sample waiver carefully and ensure that you are comfortable with the terms and conditions, Please feel free to share the EOP General Release and Waiver with your family and/or legal counsel. **You do not need to return the sample EOP General Release and Waiver with your EOP Election Form – upon approval for the EOP, an official General Release and Waiver will be sent to you.***

5. After the company receives your signed General Release and Waiver, your manager will work with Human Resources to determine your last day of work (LDW). Please note these release dates will be offered in seniority order at each bid location in affected classifications.
6. After your LDW has been determined, a final confirmation letter will be sent to you.
7. Shortly after your separation date you will receive a COBRA Election Form at your home address if you are eligible for continued health care coverage. **You must complete and return this Election Form in order to receive continued health care coverage.**

***If you elect not to participate in the EOP program, no action is required.***

## **Company Discretion**

Alaska reserves the right to determine which locations, classifications, the number of EOP's awarded and the effective date of each employee's separation from the Company based on business needs. Separation dates will be offered in seniority order at each bid location and classification as needed. It is the Company's intention to release employees as soon as it is operationally feasible.

Based on the number of employees who submit a EOP Election Form and the number of EOP's awarded, the Company will determine prospective release dates. Decisions will take into account the needs of the business and may be impacted by an employee's job function, location, classification, workgroup, division and other factors.

## Section 2 – Lump Sum Cash Payment

Employees with ten (10) or more years of service who are accepted for the Early Out Program will receive a lump sum cash payment. The payment will be sent via FedEx no later than 30 business days after (the later of) the employee's last paycheck or the date all company property has been returned. The lump sum cash payment will consist of a **severance payment** equal to two thousand (\$2,000) dollars for each year of service to a maximum of forty thousand dollars (\$40,000). Years of service will be calculated from the employee's date of hire, which can be found on the employee's ID badge (or adjusted date of hire in the event of breaks in service).

For purposes of the EOP lump sum payment calculation only, all service in excess of a ten (10) full years will be rounded up. For example, if you have 10 years and 3 months of service, you will receive credit for 11 years. (For vesting purposes or determination of credited service in any of the Company-sponsored defined contribution 401(k) or defined benefit pension plans, service will not be rounded up.)

These cash payments are subject to applicable state and federal taxes, and any required garnishments or other mandated deductions. The EOP lump sum payment is not considered "pensionable" earnings, nor are they "deferrable;" that is, they will not be used when calculating benefits under any Company sponsored pension plan, and employees will not be able to defer any amount into a 401(k) plan.

**Participants approved for the EOP with less than ten (10) years of service with Alaska Airlines will be eligible for EOP travel and health care continuation, if applicable, but will not receive a lump sum cash payment of any kind. The Company will not round up service in excess of a full year for the determination of lump sum cash eligibility. For example, if you have 9 years and 3 months of service, you will not be eligible for a lump sum cash payment.**

## Section 3 - Health Care

The Company understands that health care coverage is vitally important to employees and their families. Employees have different needs when it comes to health care coverage. As a result, up to six (6) months of COBRA health care coverage (or Retiree health care coverage, if applicable) with no monthly premiums will be offered to EOP participants and any eligible, covered dependent(s) after separation from the Company. Participants will be responsible for any co-pays, deductibles and out-of-pocket expenses under the applicable plan. Company-paid coverage will end on the earlier of: 1) the date the employee or dependent(s) are no longer eligible for COBRA or retiree health care, or 2) six (6) months following separation from the Company. To be eligible for this feature of the EOP, employees (and their eligible dependents, if applicable) must be covered by one of Alaska Airlines' health care plans as an employee on their separation date. If an employee is not receiving health care benefits on his/her last day of employment, (s)he will not be eligible for this option.

**IMPORTANT NOTE: YOU WILL RECEIVE A COBRA NOTIFICATION ELECTION FORM AFTER YOUR SEPARATION DATE. YOU MUST COMPLETE AND RETURN THE COBRA NOTIFICATION ELECTION FORM IN ORDER TO RECEIVE UP TO SIX (6) MONTHS OF FREE COBRA COVERAGE. FAILURE TO COMPLETE AND RETURN THE COBRA APPLICATION IN A TIMELY MANNER WILL RESULT IN TERMINATION OF YOUR COVERAGE AND OF ALL COBRA RIGHTS, AND YOU WILL NOT BE ABLE TO REINSTATE COVERAGE FOR ANY REASON.**

At the end of the six (6) month coverage period during which the Company will pay the monthly premiums, employees eligible for additional COBRA coverage (typically, up to an additional twelve (12) months) or retiree coverage will have the option to continue that coverage, if they choose to pay the monthly premiums. Employees who continue their coverage through COBRA or retiree health care after the initial six (6) months must pay the full cost of their coverage (the normal employee contribution plus the Company's contribution amount) plus the standard 2% administrative fee. Please refer to the Q&A for additional information regarding COBRA continuation coverage and retiree health care coverage.

For calendar year 2008, the monthly premium for COBRA and retiree healthcare (medical/dental/vision coverage) **under the PPO plan** is:

Employee Only	\$411.94
Employee and Spouse	\$823.94
Employee and Child(ren)	\$700.35
Employee and Family	\$1,112.30

*These premiums are valid through December 2008, and will increase next year. (Health Care premiums increase at the beginning of every calendar year.) Employees who are covered under a different Health Care plan (e.g., an HMO or PPO High Deductible Plan) and who are interested in the current COBRA cost for that coverage, should call/email the Health Care/Group Benefits number listed in the Contacts section of this document.*

Employees who are eligible for and elect to retire from Alaska under the terms of their Retirement Plan will be eligible for retiree health care. Those employees who defer receipt of their retirement benefits until some time in the future will be eligible for retiree health coverage under an Alaska Airlines plan at the time of their retirement only if their coverage under an Alaska health care plan has been continuous (either active or under COBRA). No gap in coverage is permitted between active (or COBRA continuation coverage, which is limited to a total of 18 months) and retiree health care. For more information, employees are encouraged to review their Benefits Handbook online at [www.alaskasworld.com](http://www.alaskasworld.com) and to contact the Health Care/Group Benefits number listed in the *Contacts* section of this document.

## Section 4 - Retirement Plans

Under the terms of the COPS and MRP Retirement Plans, normal retirement age is 62 and early retirement age is 55. If an employee chooses to begin receiving benefits before normal retirement age, his or her monthly benefits are reduced for early payment to reflect the longer period over which benefits are expected to be paid. Employees who volunteer and are selected for the EOP, and who are already eligible to receive pension benefits because they are age 55 or older, have the option to start receiving those benefits immediately if they elect to retire. **EOP participants choosing to retire must inform the benefits department of their decision at least 45 days prior to their retirement date. Participation in the EOP does not automatically start retirement benefits.**

When employees terminate employment under the Early Out Program, their 401(k) Plan contributions will end. Contributions will not be taken out of EOP checks. Employees with an outstanding loan balance at the time of termination will need to repay their balance in full or it will be treated as a taxable distribution from the plan.

Employees are encouraged to contact the individual listed under Retirement/401(k) in the *Contacts* section of this document with any questions regarding pension and 401(k) benefits before deciding to participate in the EOP. Please read the Benefits section of the Q&A carefully for more details about our retirement plans. The information in the Benefits Handbook can also be accessed online at [www.alaskasworld.com](http://www.alaskasworld.com).

## Section 5 - Travel Privileges

Employees who participate in the Early Out Program, as well as their eligible dependents, will receive twelve (12) months of unlimited space available passes on Alaska Airlines and Horizon Air for every two years of service (the date used to determine years of service for travel can be found on your employee ID card). For the purposes of EOP travel privileges, all service in excess of a full year will be rounded up to the next even number of years. For example, if you have 10 years and 3 months of service, you will receive credit for 12 years of service and will receive unlimited travel for 6 years (i.e., 72 months) from your date of separation from the Company.

Travel for eligible individuals will carry an E2Y boarding priority, equivalent to that of a retiree (parents will continue to travel with the E3Y priority code). Priority within this boarding classification will be based on the employee's seniority date for pass travel ("adjusted date of hire," if applicable). This date may be found on your employee ID badge.

Eligible family members include the employee, legal spouse, qualified registered domestic partner, eligible dependent children, and parents. "Employee Designated Guests" (EDGs) will not be eligible for EOP travel privileges. Eligible new family members (e.g., a new spouse or new baby) may be added for EOP eligibility after the employee's termination date with proof of eligibility. Family members must continue to meet all eligibility requirements in order to use EOP passes during an employee's EOP travel privilege eligibility period. Travel privileges will cease for existing eligible family members if they lose eligibility as a "dependent" under the pass policy at any time during the eligibility period.

Participants in this program may not receive both EOP travel privileges and retiree travel privileges concurrently.

All non-revenue travel provided to participants of the EOP and their dependents will be subject to the applicable Alaska non-revenue travel pass policy in effect at the time travel occurs. Alaska reserves the right to suspend or permanently revoke the travel privileges of any employee or separated employee or dependents who fail to comply fully with all provisions of Alaska's pass policy, including the proper code of conduct expected of all pass privilege users.

Please note that Alaska's pass policy (as applied to active and/or separated employees) is subject to change, including termination, at any time at Alaska's discretion. If state or federal regulations impact our ability to offer these travel privileges, those regulations will supersede any agreement.

## Section 6 - Other Information

All monies owed to Alaska Airlines by an employee separating under the EOP will be deducted from the lump sum cash payment or from the final check depending on circumstances.

Any accrued vacation time will be paid out with the employee's EOP lump sum or final check depending on circumstances. Vacation balance payouts upon termination are not considered "eligible earnings" for calculation of pension benefits, nor are they deferrable into a 401(k).

Under Alaska Airlines' neutral reference policy, employees should refer prospective employers to The Work Number at (800) 367-2884 or [www.theworknumber.com](http://www.theworknumber.com) for employment verification purposes. Under Alaska's policy, the only information that will be provided to prospective employers includes dates of employment and job title, and only upon written authorization by the employee, confirmation of the last rate of pay.

## **Section 7 – Definition of Terms**

**Last Day Worked (LDW)** - The last day an employee reports to work.

**Separation Date** - The separation date for employees participating in the EOP will be the last day of employment with the Company.

**Years of Service for Travel** - For the purposes of EOP travel privileges only, all service in excess of a full year will be rounded up to the next even number of years. For example, if you have 10 years and 3 months of service, you will receive credit for 12 years of service and will receive unlimited travel for 6 years from your date of separation from the Company (the date used to determine years of service for travel can be found on your employee ID card).

**Years of Service for EOP Lump Sum** - For purposes of the EOP lump sum only, all service in excess of 10 full years will be rounded up to the next full year. For example, if you have 10 years and 3 months of service, you will receive credit for 11 years. (For vesting purposes or determination of credited service in any of the Company-sponsored defined contribution 401(k) or defined benefit pension plans, service will not be rounded up.) The date used to determine years of service for the EOP lump sum can be found on your employee ID card. Service under ten (10) years will not be rounded up to meet lump sum eligibility.

## **Section 8 - EOP General Release & Waiver**

**See Attachment A for a sample EOP General Release & Waiver document.**

## Section 9 - Contacts

If you have additional questions about how the EOP works, and its impact on your benefits coverage, we have listed the appropriate resources below:

### **General Questions & Estimated Lump Sum Calculations -**

[EOP.Questions@AlaskaAir.com](mailto:EOP.Questions@AlaskaAir.com)

Megan Russell, Senior Compensation Analyst  
(206) 392-5484 (or ext. 25484)

Josh Madsen, Manager, Compensation & HR Analytics  
(206) 392-5137 (or ext. 25137)

### **Seniority Dates, Adjusted Dates of Hire, Service Date Questions -**

Laura Raney, Senior HRIS Specialist  
(206) 392-5723 (or ext. 25723) or  
[Laura.Raney@AlaskaAir.com](mailto:Laura.Raney@AlaskaAir.com)

### **Retirement/401(k) Travel Privileges -**

Amy Ross, Pension Benefits Specialist  
(206) 392-5480 (or ext. 25480), or  
[Amy.Ross@Alaskaair.com](mailto:Amy.Ross@Alaskaair.com)

The Vanguard Group (401(k) Plan Recordkeeper)  
(800) 523-1188

### **Health Care/Group Benefits -**

Alaska Airlines Health Benefits Department  
(206) 392-5111, or  
[HealthBenefits.Inquire@AlaskaAir.com](mailto:HealthBenefits.Inquire@AlaskaAir.com)

Premera Blue Cross  
(877) 224-3525

COBRA Management Services  
(866) 517-7580

### **Worker's Compensation Questions -**

Ben Brawner, Workers Compensation Administrator  
(206) 392-5239 (or ext. 25239), or  
[Ben.Brawner@AlaskaAir.com](mailto:Ben.Brawner@AlaskaAir.com)

### **General Travel Questions -**

Jo Bowie, Manager Employee Travel  
(206) 392-5756 (or ext. 25756), or  
[Jo.Bowie@AlaskaAir.com](mailto:Jo.Bowie@AlaskaAir.com)