



**US AIRWAYS MEC
AIR LINE PILOTS ASSOCIATION, INTERNATIONAL**

ONE THORN RUN CENTER, SUITE 400 □ CORAOPOLIS, PENNSYLVANIA 15108 □ 412-264-5600

March 14, 2003

Dear Fellow Pilot,

Since January, when management began taking steps to terminate the pilots' defined benefit (DB) plan, ALPA has been diligently working to defend our collective bargaining rights and our pension.

On March 1, after four days of bankruptcy court hearings, Judge Stephen S. Mitchell of the U.S. Bankruptcy Court of the Eastern District of Virginia issued a mixed decision on the Company's motion to authorize a distress termination of the pilots' DB plan. He ruled in favor of the Company's motion that it has met the financial conditions under the Employment Retirement Income Security Act (ERISA) and conditionally approved the distress termination of the pilots' DB plan, subject to resolution of the status of the plan under the pilots' collective bargaining agreement.

At the same time, Judge Mitchell rejected the Company's proposal to rule that termination of the DB plan does not violate our collective bargaining agreement. He determined that the bankruptcy court is not the proper forum to decide this labor contract issue and declined to make a finding. This decision preserves our collective bargaining rights under the Railway Labor Act (RLA) and allows the contract violation issue to be settled under the grievance process or by negotiations.

The judge also authorized US Airways to negotiate a follow-on defined contribution (DC) plan with ALPA, authorized restoration-funding levels, and stated that the parties were free to agree to other terms, subject to bankruptcy court review.

After Judge Mitchell issued his decision, the MEC passed a resolution on March 5 that addressed the parallel and simultaneous next steps the MEC would take to address the pension issue. First, the resolution called for another, more specific, and independent actuarial review to be conducted in relation to the pilots' DB plan. If it was determined that the pilots' DB plan was viable, the Negotiating Committee would then determine a structure to preserve the DB pilot pension plan with the savings that were identified through the analysis. If it was determined that the DB plan was not viable, as found by the Court, then there would be a need to complete the negotiation of a follow-on retirement plan.

This actuarial review was done this past week by an independent actuary hired by the MEC from the firm of Hewitt and Associates, in collaboration with ALPA's pilot pension actuaries. In addition to verifying the Company's numbers, the actuary analyzed the model that the Company used to develop its calculations and that it delivered to the ATSB, PBGC, bankruptcy court, and ALPA.

The actuaries reported during an MEC informational conference call on March 13 that their analysis of the actuarial model and assumptions produced results within 1 percent of the Company's actuarial calculations from Towers-Perrin concerning the projected funding obligations over the next seven years.

The MEC's independent consultant actuary also reported that, absent new legislation, it would be unreasonable to extend the IRS waiver that increases the liability interest rate multiple from 105 percent to 120 percent beyond the sunset conditions of the waiver, which expires at the end of 2003. This was consistent with ALPA's actuaries and the Bankruptcy Court's findings on this matter. (This interest rate waiver relaxes funding obligations by increasing the liability interest rate. The waiver expires in 2003, contributing to the projected funding obligation spike in 2004 and 2005.)

The actuarial analyses included running various scenarios for freezing the plan to determine if sufficient savings could be achieved to preserve the plan. A retroactive freeze of the plan to Jan. 1, 2002, suggested a funding obligation reduction of approximately \$600 million over a seven-year period. ALPA's actuaries, benefits attorney, and independent actuary advised, however, that a retroactive freezing of the plan is not feasible considering the requirements to process such a plan modification (a minimum of six months for IRS approval), the very low likelihood of IRS approval for our situation, indefinite suspension of benefit accruals for active pilots, and the requiring of Company consent.

The Negotiating Committee still proposed this scenario to management, since the opportunity to utilize the anti-cutback exclusion to perform a retroactive freeze this year expires at the end of this week. Management responded that it would not consent to a retroactive freeze because of the cost increase and the reasons they argued against a retroactive freeze in court during the hearing on its motion for a distress termination.

I am very sorry to say that the actuarial analyses report to the MEC concluded that there was no viable scenario that provided a feasible opportunity to preserve the current DB plan through further plan modification or reasonable actuarial assumptions. This, combined with the Court's ruling approving the distress termination of the plan and the Court's position on the Company's inability to sustain operations in Chapter 11 or emerge from bankruptcy without plan termination, requires that the distress termination of the plan be included in achieving a reasonable settlement of the pension issue. In preparation for a possible termination, an extensive FAQ has been prepared by ALPA International's Retirement and Insurance Department that will answer many of the questions you may have about your pension benefits.

This is not the news that anyone wanted to hear about our DB pension plan. However, in keeping with the MEC's March 5 resolution, the MEC is now focusing on the negotiating effort to obtain an acceptable follow-on DC plan, resolve fairness issues, and obtain settlement terms as well as pursuing a legislative solution that includes retroactive provisions to apply any industry or national restoration or other pension funding solution to US Airways. Such retroactive provisions would restore the plan after plan termination. The restoration funding process requires that the plan be terminated first and then restored under a modified and extended funding arrangement. This process of plan termination and restoration to extend funding obligations makes a retroactive legislative solution the most feasible option for possible future plan preservation under the current circumstances.

Preserving our already-earned pension benefits will remain the focus of both the negotiation and legislative activities.

Grievance on Company's action to terminate the plan

The MEC's grievance on this issue was heard at the initial level on Wednesday, March 12, by Vice President of Flight Ops Captain Ed Bular. He is currently considering this matter. If Captain Bular denies the grievance, it will be appealed to the System Board. The Board will then hear the case unless the parties are able to resolve the dispute.

Bankruptcy Court overview

Several court documents, including the judge's bench ruling, have been posted on the US Airways pilots-only website. What follows is a short overview of his decisions, and I also urge you to read the documents provided on the pilots-only website so that you can see what the judge took into account when he developed his decisions.

When the judge ruled in favor of the Company's motion that it has met the financial conditions under the Employment Retirement Income Security Act (ERISA), he stated that the Company does not have enough money to emerge from bankruptcy unassisted, but requires DIP financing from other parties to continue to operate in bankruptcy and exit financing to emerge from bankruptcy. Further, the Company must satisfy lender conditions to receive financing. The Court also stated that, because of the high level of deficit funding legally required to maintain the DB plan, US Airways cannot pay its debts without terminating the pilots' pension plan.

This decision is an enormous blow to our earned pension benefits. The MEC ratified the Dec. 13, 2002, second Restructuring Agreement in part to help keep our pension benefits intact. That agreement reduced the pilots' pension plan funding requirements by \$500 million to \$1.69 billion, with the intent of preserving the DB plan.

We are gratified, however, that the judge ruled in favor of ALPA's position that the contract violation issue cannot be resolved by the Court but can only be resolved under the provisions of the RLA. This is a victory for ALPA because

the PBGC will not complete a pension plan distress termination until our contractual dispute is resolved. The importance of this decision cannot be overstated: the judge ruled that our collective bargaining rights, our contract, cannot be unilaterally abrogated by the Company on a motion for a distress termination of the pension-plan. It has set a precedent for all labor unions who must defend their members' pensions through the bankruptcy court system.

If the Court ultimately approves the distress termination following a negotiated or litigated solution to the collective bargaining agreement issue, it must also be understood that implementing the Court's ruling will not occur without approval of the PBGC.

ALPA's lawyers, Richard Seltzer and Thomas Ciantra of Cohen, Weiss and Simon LLP, presented our case. It became obvious within the first hour of the hearing that both were skillful litigation attorneys with years of experience in defending employees' rights. They reminded the court of the human elements of the case, pointing out that the Company's motion would inflict the most harm on the very group that accomplished the most for US Airways' reorganization. In his opening statement, Mr. Seltzer said, ". . . years from now, the pilots of US Airways, their spouses, and their children will be dealing with the consequences of what goes on here," asking the Court to consider the ramifications of a terminated plan on the pilot group.

The MEC has taken action to protect our pilots' rights under the RLA and challenged in court any company conception that it can unilaterally impose a follow-on pension plan onto the pilot group. The right to engage in collective bargaining under the Act was fundamental to the MEC's legal position in its objection to the Company's motion to terminate the pilots' pension plan.

Crew room presence

At the MEC's January 29 meeting, it passed a resolution directing that all appropriate ALPA resources and committees be activated in response to the Company's actions to terminate the pension plan. In response, the SPC was activated to assist in communication activity. Members of the committee have been handing out educational materials in the crew rooms in response to the Company's efforts to use the chief pilot's office to promote its alternative pilot pension plan to pilots in the crew rooms prior to any negotiations' being authorized. They will continue these crew room visits until the pension issue has been resolved.

Rumor control

I'd like to address several issues that have been making the rounds on the MEC web board and in the crew rooms that involve finding alternate ways to save the plan and why ALPA cannot represent retired pilots.

Why freezing the pilots' DB plan won't work

A total freezing of the plan (no accrual or wage increases to be applied to pension benefits) without utilizing the retroactive anti-cutback exclusion, as discussed earlier, was also carefully considered by the MEC and our in-house and independent actuaries. Unfortunately, this will not resolve US Airways' pension-funding problems. Although there would be no more future accruals in a frozen plan, freezing the pilots' plan would only save \$40–50 million a year—resulting in pension funding amounts unacceptable to management, given the \$1.69 billion funding obligation forecast over the next seven years.

The pilots' pension plan was, in effect, partially frozen by Letter of Agreement 84, Supplementary Cost Reductions, which the MEC ratified on December 13, 2002. That's due to the changes that were made to the multiplier and cap (reduced to 1.8 percent for the first 25 years, and a 1 percent accrual for the next five years, with a cap of 50 percent going forward). Although accruals above 50 percent as of Dec. 31, 2002, were grandfathered, they were frozen, as was the lump sum benefit.

It is important to understand that LOA 84 reduced *future* benefits. All benefits earned up to the date of the "freeze" must remain intact without reduction and must continue to be funded by the Company *until they are fully funded*. Under ERISA, an individual's already-accrued benefit may not be reduced or eliminated. This requirement is known as the "anti-cutback rule." Benefits protected under the anti-cutback rule include accrued benefits (the benefit already earned and payable at normal retirement date), early retirement benefits, retirement-type subsidies with regard to employees who satisfy the pre-amendment condition for the subsidy, and optional forms of benefit payment. The lump sum option and the 50 percent lump sum option under the pilots' retirement plan cannot be eliminated for benefits that have already accrued.

Therefore, in an active DB plan under ERISA, the funding obligations that were accrued throughout a pilot's career, including the higher benefits gained from the 2001 and 2002 parity wage adjustments, are protected benefits and would otherwise be required to be paid into an active DB plan by the Company.

Retired pilots' representation

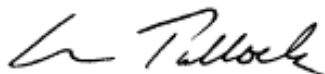
Legally, ALPA does not represent retired pilots. Under the Railway Labor Act, ALPA is the designated collective bargaining representative for the craft or class of incumbent US Airways pilots and not for retired pilots. In many instances, the interests of active pilots and retired pilots may overlap. However, that is not always the case. As noted, ALPA has taken and intends to take the actions on behalf of active US Airways pilots previously described in connection with the Company's proposed termination of the DB plan.

Retired pilots were free to take legal action in the bankruptcy court on the Company's motion to terminate the plan. Several groups of retired pilots, including the Silver Eagles and the Soaring Eagles, retained counsel at the hearing. Sherwin Kaplan, the attorney for the Soaring Eagles retired pilots group, has circulated a letter that offered his opinion on what ALPA should and should not do following the judge's March 1 court ruling. However, his advice only takes into account his clients' position, and he advocates that ALPA should only concern itself with saving the DB plan.

Every US Airways pilot, whether retired, active, or furloughed, wants to avoid the termination of the pension plan, but the pilots employed by US Airways also want to preserve the future of the Company, including the earning of additional pension benefits through continued employment. In the event of a US Airways liquidation, most of the pilots Mr. Kaplan represents would lose only 10 percent of their non-lump-sum qualified benefit, their unqualified benefit, and medical/dental/travel benefits. In contrast, 70 percent of the active pilots are subject to receiving only the PBGC minimum of \$2,300 per month, along with the total loss of their livelihood. The plans that Mr. Kaplan has articulated are not adequate to address the Company's pension funding requirements for the pilots who will remain active.

Please continue to use the code-a-phone and the website for official MEC updates and information, and be sure to speak with the SPC members who are covering the crew rooms. This will be especially important in the next few weeks, as ALPA works toward a favorable resolution of the pension issue and as we get closer to the Company's planned emergence from bankruptcy. At times like this, with our careers, our pensions, and our livelihoods under constant barrage, the support of the pilot group is vital.

Fraternally,



Captain Bill Pollock
US Airways MEC Chairman

Enc. MEC March 5, 2003, Resolution
US Airways Pilots' Retirement Plan Proposed Termination FAQs

March 5, 2003
MEC Resolution

WHEREAS the bankruptcy court judge has determined that the financial requirements set forth in ERISA for a distress termination of the pilots' DB Plan have been met, and

WHEREAS considerable evidence was submitted during the bankruptcy court hearing concerning the actuarial assumptions utilized in relation to the pilots' DB plan, and

WHEREAS the bankruptcy court hearing on the Company's motion for confirmation of the plan of reorganization will commence on March 18, 2003,

THEREFORE BE IT RESOLVED that the Negotiating Committee is charged with reviewing, with all appropriate professionals, the actuarial assumptions utilized in relation to the pilot's DB plan, and

BE IT FURTHER RESOLVED that should our analysis show that the Pilots DB plan is viable, the Negotiating Committee shall determine a structure to preserve the Defined Benefit Pilot Pension Plan with the identified savings, and

BE IT FURTHER RESOLVED that the Negotiating Committee is charged with investigating with management, and designing on an expedited basis, a follow-on retirement plan that achieves the maximum level of benefits, on an equitable basis, for the greatest number of US Airways pilots, and

BE IT FINALLY RESOLVED that the Negotiating Committee is charged with investigating with management what additional terms may be available for settlement.

Motion passes unanimously.

US AIRWAYS PILOTS' RETIREMENT PLAN TERMINATION FREQUENTLY ASKED QUESTIONS

The following is a list of Frequently Asked Questions pertaining to the termination of the US Airways Pilots' Retirement Plan. This list will be updated periodically to address questions that arise as a result of the Plan termination.

1. Will the US Airways Pilots' Retirement Plan be terminated?

Maybe. On January 30, 2003, the Company sent a Notice of Intent to Terminate the Pilots' Retirement Plan to each Plan participant and beneficiary. That notice stated that the Company intended to terminate the Pilots' Retirement Plan in a distress termination. On the same day, the Company filed a motion in bankruptcy court seeking bankruptcy court approval of the proposed distress termination of the plan. The proposed termination date is March 31, 2003.

On February 3, 2003, ALPA filed a grievance contending that the Company's request to terminate the Retirement Plan violates the collective bargaining agreement. Additionally, on February 14, 2003, ALPA filed an objection to the Company's motion in bankruptcy court. The bankruptcy court hearing on the Company's motion to terminate the Plan was held over several days beginning February 20, 2003. In a March 1, 2003, oral decision and a March 2, 2003, written order, the bankruptcy court ruled that the Pilots' Retirement Plan met the legal requirements under ERISA for a distress termination, but the termination was subject to the collective bargaining process, i.e., that unless the Plan is terminated, the Company will be unable to pay all of their debts pursuant to a plan of reorganization and will be unable to continue in business outside the Chapter 11 reorganization process. (Copies of the order and oral decision are available on the US Airways MEC website.)

The court further held that any contractual challenge to the termination was subject to the collective bargaining agreement and process. As previously mentioned, ALPA filed a grievance on February 3, 2003, regarding the Company's request to terminate the Retirement Plan. The first step in the grievance process is an initial hearing with the Vice President - Flight Operations, which will be held on March 12, 2003. If our claim is denied at this hearing, ALPA has the right to submit the claim for arbitration to the System Board of Adjustment within 30 days of the denial. This matter may also be resolved by negotiation.

2. What was the basis of ALPA's objection to the Company's motion to terminate the Retirement Plan?

ALPA filed an objection to the Company's motion that sought bankruptcy court approval to terminate the Retirement Plan. ALPA's position was that the Company's motion to terminate the Plan and to impose a follow-on defined contribution plan had no legal basis—first, that the financial requirement under ERISA had not been met, and second, that under the collective bargaining agreement and the Railway Labor Act, the termination of the Retirement Plan and establishment of a new follow-on defined contribution plan can only occur through mutual agreement, or System Board decision, which had not occurred, or through the Section 1113 bankruptcy court process, which the Company had not sought. Thus, ALPA believed that this dispute could NOT be resolved in the bankruptcy court through the motion filed by the Company. The bankruptcy court has now ruled that the Retirement Plan meets the requirements under ERISA for a distress termination, but termination is subject to the collective bargaining process. Since ALPA was successful in the contractual portion of its objection, the plan

termination dispute will be resolved either through collective bargaining or through the grievance and arbitration process.

3. **What is the basis of ALPA's grievance on the Company's attempt to terminate the Retirement Plan?**

As mentioned above, ALPA filed a grievance on February 3, 2003, asserting that the Company's motion in bankruptcy court to terminate the Retirement Plan violates the collective bargaining agreement. In its motion to terminate the Plan, the Company claimed that the termination does not violate the collective bargaining agreement. ALPA's position is that the Company is incorrect. Section 28 of the Pilots' Working Agreement continues to contain the requirement that the Company provide a retirement benefit to its pilots. The Company also claims that ALPA agreed to the plan termination in a December 2002 letter. Again, ALPA did not agree to the termination of the Retirement Plan. ALPA's position is that the letter commits the Company to negotiate a follow-on defined contribution plan *if* the Retirement Plan is terminated by the PBGC in an involuntary termination and further sets the general requirements for such a follow-on plan. It does not give ALPA's consent to the termination. In fact, the Company never requested such consent, the Association never proposed to give such consent, and the letter nowhere mentions such consent.

If ALPA is successful in its grievance over the plan termination, the Plan will not be terminated without agreement of ALPA. However, a successful outcome of the grievance would not prevent the Plan from being terminated at some future date, if the PBGC determines that the criteria for an *involuntary* termination (which is different from a distress termination) have been met. See Question 9. Further, the question of negotiating an agreement to terminate the Retirement Plan and to establish a new defined contribution plan are issues connected to the reorganization of the Company, including issues of ATSB and RSA funding and certain provisions of the Company's agreement, with its credit card processors. The MEC will continue to evaluate all these issues.

4. **What is the Section 1113 process?**

Section 1113 of the Bankruptcy Code permits a debtor to seek rejection of a collective bargaining agreement, including collectively bargained retirement and welfare benefits, under certain specific conditions. The Company agreed not to seek this relief under the pilots' collective bargaining agreement reached last summer; in addition, in the December modifications, the Company specifically agreed to assume the collective bargaining agreement, as revised, as part of its plan of reorganization. The Section 1113 process forms no part of the consideration of the termination of the Pilots' Retirement Plan.

In general, under Section 1113, the debtor must first present to the authorized representative (in this case, ALPA) a proposal that provides for those modifications to the collective bargaining agreement that are *necessary* to permit the debtor to reorganize, and that treat all affected parties fairly and equitably. Upon delivery of the proposal and appropriate information necessary to analyze it, the parties must confer in good faith to determine what, if any, modifications are necessary. If the parties are unable to agree on modifications, the bankruptcy court may approve the debtor's rejection of the collective bargaining agreement, but only if the bankruptcy court finds that the debtor made a qualifying proposal to ALPA, ALPA refused to accept the proposal without good cause, and the balance of equities clearly favors rejection. If the collective bargaining agreement were rejected under the procedures of Section 1113, the Pilots' Retirement Plan benefits would be governed by the resulting modifications implemented by the Company in its offer to ALPA, subject to change in the event of further negotiations.

5. What happens to the Retirement Plan while the grievance is pending?

The Pension Benefit Guaranty Corporation (the “PBGC”) is the federal government agency that administers and guarantees certain pension benefits. If the PBGC is notified that a grievance or lawsuit has been filed asserting that the plan termination violates the collective bargaining agreement, the PBGC will suspend the termination process until the challenge is resolved. During the suspension, the plan administrator must continue to carry out the normal operations of the Plan, such as processing retirement applications and putting participants in pay status (but not including the payment of lump sum benefits). If it is determined that the plan termination violates the collective bargaining agreement, and there is no consensual settlement between ALPA and the Company, the PBGC will dismiss the termination proceeding and the Plan will be an ongoing plan. If it is determined that the plan termination does not violate the collective bargaining agreement, or if there is a settlement, the PBGC will reactivate the termination process and the termination process will continue from the point where it was suspended. It should be noted that the PBGC retains the authority to initiate an involuntary plan termination at any time, and that a termination is virtually certain if there is a liquidation of the Company. See Question 9.

6. What happens to the Pilots’ Top Hat Plan if the Retirement Plan is terminated?

The collective bargaining agreement requires US Airways to provide a retirement benefit to its pilots on normal retirement equal to 2.4 percent times final average earnings multiplied by years of service up to a maximum of 25 years, plus 1 percent of a pilot’s final average earnings multiplied by years of service in excess of 25 years up to a maximum of five years. Benefits under this formula that cannot be paid from the qualified Retirement Plan due to the limitations imposed by the Internal Revenue Code are paid from the non-qualified Top Hat Plan.

As a collectively bargained plan, the Top Hat Plan can be terminated only with ALPA’s consent, or if the Company seeks to reject the collective bargaining agreement through the Section 1113 process. The rules described in this FAQ apply only to the termination of the qualified Retirement Plan; they do not apply to the non-qualified Top Hat Plan.

If the qualified Retirement Plan is terminated, it is likely that the non-qualified Top Hat Plan would also be terminated. Because the Top Hat Plan is a non-qualified plan, benefits are not pre-funded, but rather paid by the Company, on a pay-as-you-go basis, out of the corporate treasury. In addition, Top Hat Plan benefits are not guaranteed by the PBGC. Therefore, in the event the Top Hat Plan is terminated, it is possible that you could lose all of the benefits you are owed from the Top Hat Plan. In that event, you would have a claim as an unsecured creditor in the bankruptcy for the amount of benefits you are owed from the Top Hat Plan.

7. Does ALPA represent retired pilots?

Under the Railway Labor Act, ALPA represents an identified group of “employees,” and the term “employee” is defined for this purpose as someone who is employed by the Company, and does not include a retiree.

8. What are the requirements for a distress termination?

If a pension plan’s liabilities exceed its assets, the plan may be terminated in a distress termination, provided that such termination does not violate the terms of the collective bargaining agreement. A distress termination may occur only if the PBGC determines that the entity sponsoring the plan (i.e., the

Company), as well as each entity in the sponsor's controlled group of entities, satisfies one of four alternate criteria for a distress termination, as follows:

- the entity is in liquidation in bankruptcy, or
- the entity is in reorganization in bankruptcy, and the bankruptcy court determines that unless the plan is terminated, the entity will not be able to pay its debts pursuant to a plan of reorganization and will be unable to continue in business outside the reorganization process, and the court approves the plan termination, or
- the PBGC determines that termination is required to enable the entity to pay its debts and continue in business, or
- the PBGC determines that termination is required for the entity to avoid pension plan costs that have become unreasonably burdensome solely as a result of a decline in the entity's workforce covered by all of the entity's pension plans.

The Company initiated a distress termination when it sent a Notice of Intent to Terminate the Plan to plan participants, beneficiaries and the PBGC on January 30, 2003. The proposed termination date is March 31, 2003. On March 1, 2003, the bankruptcy court ruled that the Retirement Plan met the requirements for a distress termination. However, the PBGC will not approve the termination if doing so violates the collective bargaining agreement.

9. When may the PBGC involuntarily terminate a plan?

In addition to the distress termination voluntarily initiated by an employer, the PBGC may institute proceedings in federal court to terminate a defined benefit plan *involuntarily* (i.e., not at the request of the plan's sponsor) in any of the following situations:

- the plan has not met the minimum funding requirements of ERISA,
- the plan will not be able to pay benefits when due, or
- the possible long-run loss to the PBGC will increase unreasonably if the plan is not terminated.

In an involuntary termination, the PBGC is not required to give notice prior to filing its action in court, although courts will generally not approve a termination date earlier than the date on which the participants are given notice (or the date on which the employer's operations ceased, if earlier). Moreover, the plan may be terminated in an involuntary termination even if to do so would otherwise violate the provisions of the collective bargaining agreement. In this situation, the Retirement Plan could be terminated without ALPA's agreement or even without negotiation of a new plan. That is why ALPA insisted on protection in the December 2002 letter.

10. What happens to my Retirement Plan benefits following a distress or involuntary termination of the Retirement Plan?

If the PBGC determines that the requirements for a distress termination have been met, or if the PBGC initiates an involuntary termination, the Retirement Plan will be terminated. Upon plan termination, each participant's benefit under the Plan is determined as of the date of termination and is valued and paid by the PBGC in accordance with certain "priority categories" established under ERISA. The PBGC takes over the Plan assets and invests them as part of its pool of assets to defray the cost of benefits. Plan assets are allocated to each priority category in succession, beginning with Priority Category 1. If a

plan has sufficient assets to pay for all benefits in a priority category, the remaining assets will be allocated to the next priority category. Thus, assets of a plan are applied to pay all benefits that fall in Priority Category 1; then any remaining assets are applied to pay all benefits that fall in Priority Category 2; and so forth, through the last priority category. The benefits of one priority category are paid in full prior to going to the next category. If the plan assets are not sufficient to pay all benefits in a priority category, assets are allocated pro rata among individuals on the basis of the present value of their benefits in that category. The plan assets are valued as of the date of plan termination. Any increase or decrease in the value of plan assets after the plan termination date is credited to, or suffered by, the PBGC.

11. What benefits are covered by each of the priority categories?

Priority Category 1 - This category covers that portion of each individual's accrued benefit attributable to his own voluntary contributions to the Retirement Plan. There are few or no benefits under the Retirement Plan attributable to voluntary contributions.

Priority Category 2 - This category covers that portion of each individual's accrued benefit attributable to his own mandatory contributions to the Retirement Plan. There are few or no benefits under the Retirement Plan attributable to mandatory employee contributions.

Priority Category 3 - This category covers benefits for (a) each participant and beneficiary whose retirement benefit was in pay status at least three years prior to the plan termination date, and (b) each participant and beneficiary whose retirement could have been in pay status at least three years prior to the plan termination date. A benefit described in (a) or (b) has equal priority.

Under the Retirement Plan, Priority Category 3 would cover all participants age 53 and older with five years of service as of the date of the Retirement Plan termination, since such persons either had retired or could have retired three years before that date. It would also cover former Shuttle disability retirees and beneficiaries with benefit commencement dates at least three years prior to the plan termination date. If the Retirement Plan terminates on March 31, 2003, Priority Category 3 would cover the benefits of all pilots who, as of March 31, 2000, had attained age 50 with five years of service, whether they were active or retired, as well as all survivors in pay status on March 31, 2000.

The majority of Retirement Plan benefits fall under Priority Category 3. The amount of the benefit covered by Priority Category 3 is the amount that would actually have been paid to the participant if he had retired on the date three years prior to the plan termination date, based on his years of service, final average earnings and age at that time. For a participant who was younger than age 63 on the plan termination date, the benefit determined as of three years prior to the plan termination date would be subject to the Retirement Plan's early retirement reduction for benefits commencing prior to age 60. The Retirement Plan provides a 3 percent reduction per year for pilots retiring at age 59 through 55, plus a 6 percent reduction per year for each year younger than age 55.

Benefits covered under Priority Category 3 are based on the Retirement Plan's provisions in effect five years prior to the plan termination date, or March 31, 1998. The benefit increases that have been negotiated in the last five years and which could impact the calculation of Priority Category 3 benefits include the enhancements negotiated for the former Shuttle pilots, which were effective January 1, 2000. Thus, the Shuttle enhancements would not be recognized for purposes of Priority Category 3. (It should be noted that the benefit enhancements under the Early Retirement Incentive Program were effective September 30, 1997.) Benefit increases resulting from an increase in the 415(b) or 401(a)(17) compensation limit are not considered benefit increases for this purpose. Thus, these increases would be

included in the calculation of an individual's benefit described in Priority Category 3. Benefit increases resulting from salary increases and the advancement of age and service, likewise, are not considered benefit increases for this purpose. It should be noted that in its January 30, 2003, notice to participants, the Company estimated that the Retirement Plan's assets are sufficient to fund only 80 percent to 90 percent of the benefits described in Priority Category 3.

Example 1: Assume an active pilot is age 57 with 25 years of service and final average earnings of \$10,000 on March 31, 2003. This pilot has an accrued benefit under the Retirement Plan of \$6,000 per month, payable at age 60. If this pilot had commenced his benefit three years prior to plan termination at age 54 with 22 years of service, his benefit would be lower due to the loss of three additional years of benefit accruals, a 21 percent reduction for early retirement at age 54, and possibly lower final average earnings. Therefore, if there were sufficient assets in the Plan to pay all benefits in Priority Category 3, the benefit covered for this pilot under Priority Category 3 would be \$4,171 per month, payable at such time as the pilot actually retires and commences his benefit. (This assumes the pilot's final average earnings were unchanged at \$10,000 as of March 31, 2000.)

Example 2: Assume a participant age 67 has been retired for 7 years and has an accrued benefit of \$7,000 per month under the Retirement Plan. If there are sufficient assets in the Plan to pay all benefits in Priority Category 3, the benefit covered for this pilot under Priority Category 3 would be \$7,000 per month.

Example 3: Assume a retired pilot is age 61 on March 31, 2003, and has been retired one year. At retirement, this pilot had 30 years of service and final average earnings of \$12,000, which resulted in an accrued benefit under the Retirement Plan of \$7,800 per month. If this pilot had commenced his benefit three years prior to plan termination, at age 58 with 28 years of service, his benefit would be lower due to the loss of two additional years of benefit accruals, a 6 percent reduction for early retirement at age 58, and possibly lower final average earnings. Therefore, if there were sufficient assets in the Plan to pay all benefits in Priority Category 3, the benefit covered for this pilot would be \$7,106 per month. (This assumes the pilot's final average earnings were unchanged at \$12,000 as of March 31, 2000.)

If there are insufficient assets in the Retirement Plan to pay all benefits in Priority Category 3, plan participants will receive the greater of (1) their Priority Category 3 funded benefit, or (2) their accrued benefit up to the PBGC maximum guarantee, as discussed below.

Priority Category 4 - This category covers the benefits that are guaranteed by the PBGC. The PBGC pays 100 percent of the guaranteed benefits in Priority Category 4, whether or not any plan assets remain for allocation to Priority Category 4. For plans terminating in 2003, the PBGC guarantees payment of a participant's accrued benefit, up to a maximum of \$43,977 per year at age 65 (including all benefits payable under Priority Category 1 through Priority Category 4). The PBGC schedule in effect when a pension plan actually terminates is the schedule that will be used to determine the PBGC guarantee that will apply to the participants of a terminated plan. Any future increase to the PBGC guarantee will not apply to participants in a plan that has already terminated.

The PBGC guarantee is phased-in for new benefits or for benefit increases that have not been in effect for five years prior to plan termination. The guarantee is phased in (at 20 percent per year) over a five-year period beginning on the effective date of the plan amendment that increased benefits. The phase-in does not apply to increases that result from statutory or regulatory changes, such as the increase in the 415(b) or 401(a)(17) compensation limit. Thus, benefit increases resulting from an increase in the 415(b) or 401(a)(17) compensation limit are fully covered by the PBGC guarantee and not subject to the

20 percent phase-in. Additionally, benefit increases resulting from salary increases and the advancement of age and service are not subject to the 20 percent phase-in.

The PBGC guarantee applies to a participant's benefits under the plan without regard to when the participant is (or was) eligible to retire. The maximum guarantee amount (\$43,977 in 2003) applies to a participant who is exactly age 65 on the *later* of his benefit commencement date or the plan termination date. The PBGC guarantee for a retired pilot who has already commenced his benefits would be based on the retired pilot's age as of the plan termination date, using the PBGC schedule in effect on plan termination. The PBGC guarantee for an active pilot would be based on this pilot's age as of the date he actually retires and commences his Retirement Plan benefit, using the PBGC schedule in effect on plan termination. This amount is adjusted for participants who are older or younger than age 65. The applicable PBGC guarantee is based on the participant's age on the later of their benefit commencement date or the plan termination date. Following is the PBGC schedule of guaranteed benefits, for ages 50 through 70, for plans terminating in 2003.

PBGC Guarantee for Plans Terminating in 2003

PARTICIPANT'S AGE ON LATER OF BENEFIT COMMENCEMENT DATE OR PLAN TERMINATION DATE	PBGC MAXIMUM MONTHLY GUARANTEE (Single Life Annuity)	PBGC MAXIMUM ANNUAL GUARANTEE (Single Life Annuity)
70 (1.66 x limit)	\$6,083.52	\$73,002.24
69 (1.49 x limit)	\$5,460.51	\$65,526.12
68 (1.34 x limit)	\$4,910.79	\$58,929.48
67 (1.21 x limit)	\$4,434.37	\$53,212.44
66 (1.10 x limit)	\$4,031.25	\$48,375.00
65 (100 % of limit applies at 65)	\$3,664.77	\$43,977.24
64 (.93 x limit)	\$3,408.24	\$40,898.88
63 (.86 x limit)	\$3,151.70	\$37,820.40
62 (.79 x limit)	\$2,895.17	\$34,742.04
61 (.72 x limit)	\$2,638.63	\$31,663.56
60 (.65 x limit)	\$2,382.10	\$28,585.20
59 (.61 x limit)	\$2,235.51	\$26,826.12
58 (.57 x limit)	\$2,088.92	\$25,067.04
57 (.53 x limit)	\$1,942.33	\$23,307.96
56 (.49 x limit)	\$1,795.74	\$21,548.88
55 (.45 x limit)	\$1,649.15	\$19,789.80
54 (.43 x limit)	\$1,575.85	\$18,910.20
53 (.41 x limit)	\$1,502.56	\$18,030.72
52 (.39 x limit)	\$1,429.26	\$17,151.12
51 (.37 x limit)	\$1,355.96	\$16,271.52
50 (.35 x limit)	\$1,282.67	\$15,392.04

Priority Category 5 - This category covers all other vested benefits under the Retirement Plan.

Priority Category 6 - This category covers all other benefits under the Retirement Plan.

12. What benefits are guaranteed by the PBGC?

The PBGC guarantees “basic benefits,” which include (1) pension benefits at normal retirement age, (2) some early retirement benefits, (3) disability retirement benefits for disabilities that occurred before the plan termination date, and (4) certain benefits for survivors of plan participants. The PBGC guarantees subsidized early retirement benefits only when the participants have met all of the conditions (age and service, for example) for the subsidy by the date of plan termination. Furthermore, the PBGC guarantees benefits only up to the PBGC guarantee limit, as discussed above.

13. If I am age 61 1/2 when the plan terminates, will the PBGC guarantee for age 61 or for age 62 apply?

The PBGC guarantees for ages in between full years are pro-rated to the nearest full month. For example, using the 2003 PBGC schedule, the PBGC guarantee for age 61 and 6 months would be \$2,766.90 per month (which is halfway between the \$2,638.63 guarantee for age 61 and the \$2,895.17 guarantee for age 62).

14. If my accrued benefit is less than the PBGC guarantee, will I receive the PBGC guarantee amount following a termination of the Retirement Plan?

No. If your accrued benefit is less than the PBGC guarantee amount for your age and payment form, this simply means that your accrued benefit would be fully protected by the PBGC. In this situation, you would receive your full accrued benefit at the time you actually retire.

15. If my accrued benefit is greater than the PBGC guarantee, is it possible that I could receive a benefit that is greater than the PBGC guarantee after a plan termination?

Following a termination of the Retirement Plan, the PBGC will protect your accrued benefit only up to the amount of the PBGC guarantee applicable to your age on the plan termination date or the date you commence your benefit, whichever is later. Whether you would receive more than the PBGC guarantee will depend on the funding level of the Retirement Plan as of the plan termination date. Only if the Retirement Plan is sufficiently funded to pay more than the PBGC guarantee will you receive a monthly benefit greater than the PBGC guarantee.

Example 1: Let’s assume that a pilot has just early retired at age 57 with 25 years of service and final average earnings of \$10,989, when the plan terminates. His monthly Retirement Plan benefit is \$6,000. If this pilot commenced his benefits three years ago at age 54, it would be subject to a 21 percent reduction and it would not include the three years of benefit accruals. The benefit payable to this pilot at age 54 with 22 years of service would have been \$4,584. (This assumes the pilot’s final average earnings were unchanged at \$10,989 as of March 31, 2000.) Therefore, his Priority Category 3 benefit (i.e., the benefit he would have been eligible for 3 years ago) is \$4,584. The 2003 PBGC guarantee for age 57 is \$1,942.33. If the Plan were sufficiently funded to pay all Priority Category 3 benefits, this retired pilot would receive a monthly benefit of \$4,584. In that case, only if the Retirement Plan were sufficiently funded *beyond* Priority Category 4 would this pilot receive more than the \$4,584 per month Priority Category 3 benefit.

Example 2: Assume an active pilot age 44 with 20 years of service has an accrued benefit of \$6,500 per month, payable at age 60. Because this pilot was not eligible to retire three years prior to plan termination, he does not receive any benefit in Priority Category 3. When this pilot retires at age 60, his benefit under the Retirement Plan will be \$2,382.10 per month, which is the PBGC guarantee for a

participant commencing benefits at age 60. Only if the Retirement Plan is funded beyond Priority Category 4 would this pilot receive more than the \$2,382.10 per month Priority Category 4 benefit.

In addition to paying guaranteed benefits or the funded Priority Category 3 benefits, ERISA requires the PBGC to share a portion of its recoveries from US Airways with participants by paying a portion of the non-guaranteed benefits. Therefore, participants whose benefits exceed the PBGC guarantee may receive a portion of those non-guaranteed benefits in addition to the guaranteed amount, but only if the PBGC receives any recoveries from US Airways.

16. What priority category will the assets of the Retirement Plan run out in?

In its January 30, 2003, Notice of Intent to Terminate the Plan, the Company estimated that the Retirement Plan assets are sufficient to cover only about 80-90 percent of Priority Category 3 benefits. Thus, it looks like the benefits described in Priority Category 3 will be reduced by 10-20 percent. However, the funded status is subject to full review by the PBGC. The PBGC will determine what benefit adjustments may be necessary, based on the assets and liabilities of the Plan as of the plan termination date.

17. If a pilot retires before a termination of the Retirement Plan, will his benefit be in a higher priority category, with a higher claim on the Retirement Plan's assets?

No. A pilot's level of priority is not affected by whether the pilot retires before or after the plan termination date. When a plan is terminated in a distress termination, the plan's assets will be allocated among (and in the order of) the six priority categories discussed above. Under these priority categories, a retired participant has no higher claim on the assets than does an active participant. Furthermore, for purposes of Priority Category 3, where the bulk of the Retirement Plan's assets would be allocated, a participant's level of priority would be determined based on whether the participant is *eligible* to retire as of the date three years prior to the plan termination date, not whether the participant has *actually* retired. Except as described below with respect to the availability of the lump sum, a pilot will not gain an advantage by retiring prior to the plan termination date.

Although a pilot gains no higher claim on assets by retiring before a distress termination, there may be a difference in the form in which benefits are paid. If a participant is already retired and receiving benefits on the plan termination date, the form in which the benefits are being paid will be continued by the PBGC after the plan termination date. If a participant has not begun to receive benefits as of the plan termination date, the PBGC makes distributions available only in the following forms: single life annuity; joint and 50 percent survivor annuity; 5-, 10-, or 15-year certain-and-continuous annuity; joint and 75 percent or 100 percent survivor annuity; and joint and 50 percent survivor "pop-up" annuity (under which the participant's benefit "pops up" to the unreduced level if the beneficiary dies first).

A lump sum or partial lump sum payment is not available. In fact, the plan administrator may not pay lumps sums or partial lump sums after the date the Notice of Intent to Terminate the plan is issued to plan participants. This means that no lump sum payments were permitted under the Retirement Plan after January 30, 2003, the date the Company issued the Notice of Intent to Terminate. Under the Retirement Plan, a pilot's normal retirement date is the first day of the month coinciding with or following the month in which he turns age 60. All eligible pilots who had a normal retirement date of January 1, 2003, and elected the lump sum received their lump sum prior to January 30, 2003. No more lump sums will be paid after January 30, 2003.

18. If I retire after the Retirement Plan terminates, will I be able to elect to receive my benefit in any of the payment options that are currently available under the Retirement Plan?

No, some of the payment options currently available under the Retirement Plan will no longer be offered after the Plan terminates and the PBGC takes over the Plan. The only payment options that will be available to participants are the single life annuity; joint and 50 percent survivor annuity; 5-, 10-, or 15-year certain-and-continuous annuity; joint and 75 percent or 100 percent survivor annuity; and joint and 50 percent survivor “pop-up” annuity (under which the participant’s benefit “pops up” to the unreduced level if the beneficiary dies first).

19. How will pilots who continued flying as a second officer beyond age 60 and retired with an actuarially increased benefit be affected by the plan termination?

The actuarially increased benefit being paid to a pilot who retired after age 60 will be protected up to the greater of the pilot’s Priority Category 3 benefit or the amount of the PBGC guarantee applicable to the retired pilot’s age as of the plan termination date.

20. Under the Retirement Plan, a pilot who retires early is eligible for a subsidized early retirement benefit. Will that provision still be applicable after a termination of the Retirement Plan?

If, as of the plan termination date, a pilot has already met the eligibility criteria for the early retirement subsidy (age and service), he would be eligible for the early retirement benefit (as protected up to the PBGC guarantee applicable to his age when he commences his benefit) if he elects to early retire. If, however, a pilot has not already met the eligibility criteria as of the plan termination date, he would **not** be eligible for the subsidized early retirement benefit if he elects to take early retirement. Although he could still commence his benefit as early as age 50, his benefit would be actuarially reduced from his normal retirement benefit, based on his age as of the date he elects to early retire. His actuarially reduced retirement benefit would be protected up to the greater of the pilot’s Priority Category 3 benefit or the PBGC guarantee applicable to his age when he commences his benefit. The actuarial reduction for early retirement would be greater than the Plan’s subsidized reduction for early retirement of 3 percent for each of the first five years before age 60 and 6 percent for each of the next five years.

21. I am a furloughed pilot, age 30, and have an accrued normal retirement benefit of \$2,000 per month, payable at age 60. If I wait until age 60 to commence my Retirement Plan benefit, will I be entitled to receive my accrued benefit of \$2,000?

Yes, you will. Your \$2,000 normal retirement benefit payable at age 60 would be fully protected by the \$2,382 PBGC guarantee applicable for age 60 in the event of a plan termination. If, however, you early retire and commence your benefit prior to age 60, your benefit would be subject to an actuarial reduction based on your age when you commence your benefit. Such actuarially reduced benefit would be protected up to the PBGC guarantee applicable to your age when you commence your benefit.

22. I am a former Eastern pilot and will receive upon retirement a benefit from the terminated Eastern plan, which was terminated in a distress termination and is now administered by the PBGC. If the US Airways Retirement Plan terminates, will my US Airways Retirement Plan benefit be impacted by my receipt of the Eastern benefit?

No. Generally, the PBGC aggregates an individual’s benefits from two or more plans for purposes of applying the PBGC maximum guarantee. However, the aggregation applies only with respect to benefits payable by the PBGC from *its funds*. The Eastern plan was 100 percent funded through Priority

Category 4, which is the PBGC guarantee, and partially funded through Priority Category 5. The PBGC will use none of its own funds to pay benefits under the Eastern plan. Therefore, former Eastern pilots who also have a benefit under the US Airways Retirement Plan will be entitled to receive the full PBGC guarantee.

23. What benefit will I receive upon plan termination if I am entitled to a benefit under the Retirement Plan as a participant and as a surviving spouse?

The PBGC recently revised its rules for plans terminating on or after June 1, 2002, so that the PBGC will no longer aggregate benefits with respect to two or more participants when applying the PBGC guarantee. For example, assume a pilot is entitled to a monthly pension benefit in her own right under the Retirement Plan and to a monthly survivor benefit with respect to her deceased husband who was also a pilot and covered under the Retirement Plan. The PBGC will not aggregate the two benefits when determining the maximum PBGC guarantee. This individual would be entitled to a separate PBGC guarantee for each of the two benefits.

24. How will the PBGC guarantee applicable to a 50 percent Joint & Survivor Benefit be calculated on plan termination?

The PBGC guarantee applicable to a pilot who has elected to receive his Retirement Plan benefit under the form of a 50 percent joint & survivor (J & S) benefit will be an amount reduced from the PBGC guarantee for a single life benefit, based on both his age and his spouse's age as of **the later of** the plan termination date or his benefit commencement date. A PBGC J & S factor table will be used to determine the amount of that reduction. Only if you had met the criteria under the Retirement Plan for early retirement prior to the March 31, 2003, date of plan termination would you be eligible for a subsidized J&S benefit.

25. If I elected to receive my Retirement Plan benefit in the form of a Ten-Year Certain and Life Annuity Benefit when I retired, will I be allowed to change my election to a Single Life Benefit if the Retirement Plan terminates?

No. Once a plan participant has commenced his pension plan benefit in the form he elected, he cannot later change his election.

26. When I retired, I elected to take my Retirement Plan benefit in the form of a 66 2/3 percent contingent annuity benefit. Will my benefit continue to be paid under that form following the termination of the Retirement Plan?

Yes. If you retired prior to the Retirement Plan termination date, your benefit will continue to be paid under the payment option form you elected when you retired. For plan participants who retire after March 31, 2003, however, only the following benefit payment options will be available: single life annuity; joint and 50 percent survivor annuity; 5-, 10-, or 15-year certain-and-continuous annuity; joint and 75 percent or 100 percent survivor annuity; and joint and 50 percent survivor "pop-up" annuity (under which the participant's benefit "pops up" to the unreduced level if the beneficiary dies first).

27. Can I commence my Retirement Plan benefit while working for US Airways?

No. The Retirement Plan requires that a participant retire from US Airways in order to receive a retirement benefit. The earliest retirement age under the Retirement Plan is age 50 with five years of service. A participant who terminated employment prior to age 50 may commence benefits when he is

eligible for early or normal retirement. The TWA pilots were permitted to commencement benefits under the terminated TWA Plan while working for American Airlines. In that case, it was determined that TWA no longer existed and that American Airlines was a new employer.

28. **If a married pilot dies prior to commencing his Retirement Plan benefit, would his spouse's survivor benefit be protected by the PBGC guarantee? What would happen under a Retirement Plan termination if a single pilot dies prior to commencing his Retirement Plan benefit?**

If a married Retirement Plan participant dies while still employed by US Airways, his surviving spouse is entitled to receive a monthly pre-retirement surviving spouse's benefit equal to 50 percent of the amount the participant would have received had he retired on the day prior to his death and elected to receive his benefit in the form of a 50 percent Joint & Survivor Benefit. Following the plan termination, a pre-retirement surviving spouse benefit will be protected by the PBGC's guarantee in the same manner as a joint and survivor annuity.

If a participant who was a participant in the Prior Plan as of November 30, 1972, dies, his designated beneficiary is eligible to receive a lump sum death benefit equal to the Participant Cash Account that the participant had in the Plan. The PBGC will not guarantee payment of such a death benefit following the termination of the Plan.

29. **I am a widow of a US Airways pilot and am receiving a survivor's benefit from the Retirement Plan. Will my benefit be protected in a distress termination?**

The same rules apply whether the survivor's benefit is paid as a result of the pilot's death before retirement or after retirement. If the survivor benefit has been in pay status for three years as of the date of the plan termination, then the entire benefit will be covered by Priority Category 3. If Priority Category 3 is not fully funded, then the survivor's benefit will be subject to the same percentage reduction as are the benefits of all other participants whose benefits are covered by Priority Category 3.

If the survivor benefit has been in pay status for less than three years as of the date of the plan termination (i.e., the participant died within the three-year period before the date of plan termination), then the survivor benefit will be in Priority Category 3 only if the participant's retirement benefit would have been in Priority Category 3. That is, the survivor's benefit will be in Priority Category 3 if the participant was at least age 50 with five years of service by March 30, 2000. If so, then for purposes of determining the amount of the survivor's benefit covered by Priority Category 3, the participant will be deemed to have died the day before the three-year period begins. Please note, if the participant received a partial lump sum from the Retirement Plan, we are still working with the PBGC to determine how much of the benefit would be considered covered by Priority Category 3 and how much would be considered covered by Priority Category 4. This could impact the amount of survivor's benefits protected by the PBGC.

30. **If part of my Retirement Plan benefit was assigned to my former spouse under a QDRO, will each of our benefits be protected by the PBGC guarantee?**

The PBGC guarantee protects the participant's accrued benefit, including any portion of that benefit which has been assigned to a former spouse ("alternate payee") under a QDRO. Because the PBGC guarantee may not cover a participant's full pension benefit, a participant's benefit in some cases may be reduced after the PBGC takes over a plan. This can reduce benefits payable to one or both parties under the QDRO. Any potential reduction depends in part on what form of benefit was assigned to the alternate payee. For example, if a QDRO awarded a fixed percentage of the participant's benefit to the

alternate payee, the benefits payable to both the participant and the alternate payee would be reduced to reflect the PBGC's guarantee limitations. On the other hand, if a QDRO awarded a fixed dollar amount of the participant's benefit to the alternate payee, the participant's benefit would be reduced first to reflect the PBGC's guarantee limitations. The fixed dollar amount awarded to the alternate payee would be reduced only if the total benefit decrease to be made exceeded the participant's benefit.

31. How will the disability benefits be impacted by the Retirement Plan termination?

The Pilot Disability Plan is a welfare benefit plan separate from the Retirement Plan. The termination of the Retirement Plan will have no impact on the Pilot Disability Plan.

The former Shuttle Retirement Plan provided for a disability retirement benefit and this benefit continued after the merger for those pilots who were entitled to disability retirement prior to January 1, 2000. If a participant is receiving a disability retirement benefit under the provisions of the former Shuttle Plan, such disability retirement benefit would continue after the termination of the Retirement Plan, subject to the PBGC limits and subject to the provisions of the former Shuttle Plan.

32. Will the PSA Plan benefits for former PSA pilots be impacted by the termination of the Retirement Plan?

The PSA Retirement Plan was merged into the Retirement Plan on April 9, 1988, and all liabilities and assets of the PSA Plan were made part of the Retirement Plan. Pilots who retired under the PSA Plan prior to the merger continued to receive benefits under the Retirement Plan in the same form and amount and under the same conditions that benefits were paid under the PSA Plan. These pilots will continue to receive the same form and amount of pension benefit under the Retirement Plan after plan termination, subject to the PBGC guarantee. It is likely these pilots will receive most, if not all, of their benefit under Priority Category 3 since they have been retired more than three years prior to plan termination.

The former PSA pilots accruing benefits under the Retirement Plan after the merger are entitled to a pension benefit that is equal to the sum of the PSA benefit (for service prior to the merger) plus the Retirement Plan accrual (for service on and after the merger). The benefit the former PSA pilot will receive on plan termination will depend on which priority category the benefit falls in as explained in Question 11.

33. Will the Piedmont Plan benefits for former Piedmont pilots be impacted by the termination of the Retirement Plan?

The Piedmont Retirement Plan was merged into the Retirement Plan on May 1, 1990, and all liabilities and assets of the Piedmont Plan were made part of the Retirement Plan. Pilots who retired under the Piedmont Plan prior to the merger continued to receive benefits under the Retirement Plan in the same form and amount and under the same conditions that benefits were paid under the Piedmont Plan. These pilots will continue to receive the same form and amount of pension benefit under the Retirement Plan after plan termination, subject to the PBGC guarantee. It is likely these pilots will receive most, if not all, of their benefit under Priority Category 3 since they have been retired more than three years prior to plan termination.

The former Piedmont pilots accruing benefits under the Retirement Plan after the merger are entitled to a pension benefit that is equal to the sum of the Piedmont benefit (for service prior to the merger) plus the Retirement Plan accrual (for service on and after the merger). The benefit the former Piedmont pilot

will receive on plan termination will depend on which priority category the benefit falls in, as explained in Question 11.

The PBGC will not pay the cost-of-living adjustment applicable to the Piedmont portion of the retirement benefit after the date of plan termination.

34. Will the Shuttle Plan benefits for former Shuttle pilots be impacted by the termination of the Retirement Plan?

The Shuttle Retirement Plan was merged into the Retirement Plan on January 1, 2000, and all liabilities and assets of the Shuttle Plan were made part of the Retirement Plan. The benefit increases for former Shuttle pilots that resulted from the merger of the Shuttle Plan into the Retirement Plan include the increase in the final average earnings limit to \$170,000, the increase in the multiplier in the benefit formula to 2.4 percent, and additional service credit for certain periods of furlough. Since all of these benefit increases occurred within the last five years, these increases would be ignored for purposes of determining the benefit payable in Priority Category 3. Additionally, the PBGC guarantees with respect to these benefit increases are phased in over a five-year period beginning on the effective date of the increase. Therefore, the amount of the PBGC guaranteed benefit is equal to 20 percent of the benefit increase each year from the effective date of the increase. Thus, the PBGC guarantee will apply to only 60 percent of the Shuttle benefit increases.

Former Shuttle pilots who retired prior to the date of the merger are entitled after the merger to a benefit under the Shuttle Plan in the same form and amount and under the same conditions that benefits were paid under the Shuttle Plan. These pilots will continue to receive the same form and amount of pension benefit under the Retirement Plan after plan termination, subject to the PBGC limits.

35. Will the benefits payable under the ERIP be impacted by the termination of the Retirement Plan?

It is likely that the monthly annuity the ERIP participants are receiving will be adjusted after termination of the Retirement Plan. The PBGC has indicated to ALPA that in determining the PBGC guarantee, the PBGC will take into consideration the partial lump sum previously received by the ERIP participants. It is difficult to determine how much of the ERIP benefit would be considered covered by Priority Category 3 and how much would be covered by Priority Category 4. We are studying this issue and trying to work with the PBGC on resolving this issue.

36. If I leave US Airways' employment on my normal retirement date but defer commencement of my Retirement Plan benefit to a later date, will my Retirement Plan benefit be actuarially increased based on my age when I actually commence my benefit?

No. If you defer commencement of your Retirement Plan benefit beyond your normal retirement date, your deferred benefit will not be actuarially increased. This is consistent with how the Retirement Plan is currently administered. At TWA, the PBGC simply paid the monthly benefit retroactively to the normal retirement date. Since the PBGC paid the benefit retroactively to the normal retirement date, the PBGC guarantee for age 60 applied to both the monthly benefit paid retroactively, as well as the monthly benefit paid prospectively. We have asked the PBGC whether this will be how it works for the US Airways Retirement Plan.

37. Will the PBGC continue to charge Retirement Plan participants for the pre-retirement survivor benefit?

No. Beginning on the date of plan termination, the PBGC will not charge participants for pre-retirement survivor coverage, even though the Retirement Plan previously would have charged. It is likely that charges you incurred for pre-retirement survivor coverage before the date of plan termination will continue to apply in determining your accrued benefit after the plan termination. We are seeking clarification from the PBGC on this issue. After the plan termination, you will receive pre-retirement survivor annuity coverage without charge, whether or not you had previously elected to have such coverage.

38. Will the termination of the Retirement Plan have any impact on my other retiree benefits from US Airways?

No. The termination of the Retirement Plan will in no way affect your eligibility for retiree benefits under any other US Airways employee benefit plan, such as the Pilots' 401(k) Plan, US Airways' Group Health and Life Insurance Plans, and US Airways Employee Travel Program.

39. What happens to the Retirement Plan during the transition from US Airways to the PBGC?

During the termination process, the plan administrator must continue to carry out the normal operations of the Plan, such as processing retirement applications and paying benefits. However, the plan administrator may not pay benefits in any form other than as an annuity after the day the Notice of Intent to Terminate is issued. This means that the Company, as plan administrator, could not pay lump sum payments after January 30, 2003, the date the Notice of Intent to Terminate was issued. Additionally, beginning on the proposed termination date, the plan administrator will reduce benefits to the greater of the PBGC guaranteed level or the estimated Priority Category 3 benefit.

40. Will the Retirement Plan benefits for all retired plan participants be subject to possible adjustment following the termination of the Retirement Plan?

The Retirement Plan benefits for retired pilots who are receiving an annuity from the Retirement Plan could be subject to possible adjustment. Those retired participants who retired and received a 100 percent lump sum from the Retirement Plan would not likely be subject to possible recapture of the benefit following plan termination. Although the PBGC has the authority to recover benefit payments to a participant that were made within three years prior to plan termination, the PBGC has indicated to ALPA that it would *not* likely seek to recapture lump sum payments made prior to a distress termination, since the lump sum payments were not being made in anticipation of the Retirement Plan terminating but rather were made in the ordinary course of plan administration.

For those retired pilots who received a partial lump sum and the remaining portion of their benefit in the form of an annuity, the annuity could possibly be subject to adjustment following plan termination. The PBGC guarantee is applied to the entire plan benefit, including amounts distributed in a partial lump sum. For this purpose, PBGC assumes that there was no lump sum distribution and that the entire benefit went into pay status when the annuity portion did. ALPA has requested clarification from the PBGC as to exactly how it makes an adjustment on account of a previously received partial lump sum benefit.

41. Please explain the process the PBGC will follow in adjusting Retirement Plan benefits following the plan termination.

The PBGC's benefit determination process is a two-step process. Based on their initial analysis of the plan's assets and liabilities as of the plan termination date, the PBGC will initially adjust benefits, as

necessary, to pay PBGC-determined “estimated benefits.” This first step was accomplished at TWA within approximately three months following the plan termination date. After completion of the PBGC’s initial analysis, each plan participant will receive a notice from the PBGC as to the amount of the “estimated benefit” that will be paid. In some cases, the PBGC-determined “estimated benefit” will be the same as the pilot’s accrued benefit; and, in some cases, the PBGC-determined “estimated benefit” will be less than the pilot’s accrued benefit.

Then, following a period of time during which the PBGC will be conducting a complete analysis of the plan’s assets, liabilities, recoveries and each participant’s accrued benefit, the PBGC will make a final benefit determination for each participant. The PBGC’s stated goal is to get the final benefit determinations completed within three years from the plan termination date. The PBGC will notify each participant of the final benefit determination, and will provide the opportunity for each participant to appeal this final benefit determination within a 45-day period following such notice. The PBGC is currently collecting and verifying Plan and participant data. If the electronic data at US Airways is auditable and correct, then this process will be much shorter.

42. What happens if the benefits I have been receiving during the PBGC’s benefit determination process are too high or too low?

If the PBGC has underpaid a participant’s benefit, the PBGC will pay the participant the amount of such shortfall in a lump sum payment with interest following the final benefit determination. If the PBGC has overpaid a participant’s benefit, the PBGC will provide the participant the option of repaying the excess amount in a lump sum or having future monthly benefit checks reduced until the overpayment has been repaid, with no interest charged. Such reduction would be no more than 10 percent of each monthly benefit check in most cases. If both overpayments and underpayments were made, the PBGC will calculate the net overpayment or underpayment.

43. How long will it take to commence distribution of my benefits from the Retirement Plan following the termination of the Plan?

Pilots who are retiring in March, April, and perhaps May 2003 should expect some delay in commencing distribution of their Retirement Plan benefits due to the transition of the Plan to the PBGC. The delay should not extend beyond a few months. When the distribution of their benefits does commence, their benefits will be paid retroactively to the retirement date selected.

44. If I am retired and already receiving my Retirement Plan benefit from State Street, will my benefit payments stop as of the plan termination date until the PBGC determines any necessary adjustment to my benefit?

Your monthly Retirement Plan benefit will continue to be paid by State Street during the transition period. During the transition period, the PBGC will notify you of any initial adjustment that needs to be made to your benefit.

45. Following the termination of the Retirement Plan, will I continue to receive my monthly Retirement Plan checks directly from State Street?

After the transition period following the plan termination date, your monthly Retirement Plan benefit payments will be made directly by the PBGC or a PBGC paying agent.

46. Will my Social Security benefits be reduced if my Retirement Plan benefits are paid by the PBGC?

No. There is no relationship between your Retirement Plan benefits and your Social Security benefits, regardless of the source of the Retirement Plan payments. The Retirement Plan benefits, whether paid from the Retirement Plan Trust or the PBGC, will not affect the amount of a pilot's Social Security benefits. The Retirement Plan benefits do not count as "earnings" for purposes of the "earnings test" that reduces the Social Security benefits of persons under age 65. There is no "earnings test" for retirees age 65 or older. The Retirement Plan benefits do, however, count as "income" in an individual's "base amount" for the purpose of determining what percentage of his Social Security benefits is taxable.

47. Will my military retirement benefit be reduced if my Retirement Plan benefits are paid by the PBGC?

No. There is no relationship between your Retirement Plan benefits and your military retirement benefits.

48. Would Retirement Plan benefits that are paid by the PBGC be taxable?

Yes. There will be no change in the taxability of your Retirement Plan retirement benefits if the PBGC assumes the management and control of the Plan following a plan termination.

49. Will my deductions stay the same if the PBGC makes my Retirement Plan payments?

The PBGC will only withhold federal income taxes, IRS levies, and amounts payable under qualified domestic relations orders. You will have to pay separately any state and local income taxes and/or other nonfederal deductions now being deducted from your Retirement Plan check.

50. Currently, the monthly premiums I pay for coverage under the US Airways' retiree medical and dental plans are deducted from my monthly Retirement Plan check. How will I pay those premiums after the PBGC takes over the Retirement Plan payments?

After the transition of the Plan to the PBGC, retirees covered under the US Airways medical and dental plans will be billed directly by US Airways.

51. Will the PBGC paying agent provide for electronic deposit of my monthly Retirement Plan benefit checks?

Yes. Your electronic deposit will continue. After the transition of the Plan to the PBGC, the PBGC will mail additional information to you, including a new direct deposit form. It is important that you fill out this form when you receive it, even if you are currently receiving an electronic deposit.

52. Will the PBGC adjust my benefit annually for increases in the cost of living?

No, there are no cost-of-living adjustments. The cost-of-living adjustment applied to the Piedmont portion of the Retirement Plan benefit for a former Piedmont pilot will cease as of March 31, 2003.