SECTION 27

INSURANCE BENEFITS

Note: This Section 27 is reprinted verbatim from the negotiated Agreement of October 30, 2006. Some details have changed, however, through processes other than subsequent negotiations [e.g., by operation of the Agreement itself (for instance, contractually prescribed premium increases), vendors ceasing to exist, legally mandated changes, etc.]. Please consult the 2011 Pilot Benefit Book ("PBB") for the most up-to-date information.

A. General

1. The Company shall continue to provide health, welfare and related benefits through the Insurance Plans[1] and under the terms and conditions of the Insurance Plans, as in effect on October 30, 2006, except as specifically provided herein. The parties to this Agreement understand and agree that there is no intent by either party to create a vested benefit with respect to any benefits provided under any of the Insurance Plans.

2. The Insurance Plans' summary plan descriptions are currently included in the 2004 Pilot Benefit Book (PBB), as described in Section 27.A.8. The PBB shall be updated in accordance with Section 27.A.8. to reflect changes made by this Agreement and any other changes made pursuant to Section 27.A.3.

3. Amendment of Insurance Plans

    a. All Insurance Plans are incorporated by reference into this Agreement. Notwithstanding any language in an Insurance Plan to the contrary, the amendment of an Insurance Plan as it applies to pilots (including, but not limited to, any change in premiums, coverage or benefit levels) is subject to the consent of the Association in accordance with the procedures applicable to the amendment of the Agreement, except as provided below in this Section 27.A.3.

    b. The Company, through its Employee Benefits Department, shall make all amendments to any or all plans as are required by applicable law. The Company shall provide as much advance notice of such amendments, and corresponding revisions to the PBB, as is practicable. If an amendment to the Insurance Plans or the PBB is required by law, if there is more than one alternative available under the law with respect to such required amendment(s), and if the effectuation of either alternative would result in similar cost to the Company, the consent of the Association to one of the alternatives shall be required for such plan amendment. Such consent shall not be unreasonably withheld. The Association's consent shall not be required for any amendment described in this paragraph if more than one alternative is available under the law but the effectuation of one or more of the alternatives would result in increased cost to the Company over the other available alternative(s).

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[1] The following Insurance Plans are effective as of October 30, 2006:

(a) Federal Express Corporation Basic Life Insurance Policy, as effective October 1, 2005;

(b) Federal Express Corporation Optional Life Insurance Policy, as effective January 1, 2003;

(c) FedEx Corporation Accidental Death and Dismemberment Insurance Policy, as effective January 1, 2006, and FedEx Corporation Optional Accidental Death and Dismemberment Policy, as effective January 1, 2006;

(d) FedEx Corporation Business Travel Accident Insurance Policy, as effective January 1, 2006 (to be amended to conform to the LOA dated March 7, 2003, covering pilots performing a CRAF mission);

(e) Federal Express Corporation Survivor Income Benefit Policy, as effective October 1, 2005;

(f) Federal Express Corporation Group Health Plan, as effective January 1, 2006;

(g) Federal Express Corporation Retiree Group Health Plan, as effective January 1, 2005;

(h) Federal Express Corporation Dependent Care Reimbursement Plan, as effective January 1, 2003;

(i) Federal Express Corporation Health Care Contribution Plan, as effective January 1, 2003;

(j) Federal Express Corporation Long Term Disability Plan, as effective June 1, 2003 (to be replaced by Federal Express Corporation Long Term Disability Plan for Crew Members, to be effective June 1, 2006); and

(k) Federal Express Corporation Health Care Reimbursement Plan, as effective January 1, 2004.

c. If any vendor of the Insurance Plans (i) incurs financial distress, such that it no longer meets the Company's contracting requirements, (ii) is sold to, acquired by, or merged with another entity and because of such sale, acquisition or merger is unable to fulfill its contractual obligations to the Company, or (iii) is unable to meet the Company's contracting requirements for the plans contracted for, the Company shall, after notification to the Association, select a vendor to assure that the Insurance Plans are properly supported.

d. The Company may replace those "subordinate vendors" which are mutually agreed upon by the Company and the Association, provided the Company shall first notify and consult with the Association regarding such intended action as soon as practical and explain to the Association the reasons that the "subordinate vendor" is being replaced to better support the Insurance Plans. The current cumulative list of "subordinate vendors" consists of: Davis Vision (vision benefits), MetLife (Dental and Voluntary Programs), Aetna (Disability program), Jefferson Pilot Basic Life Insurance and SIB), Prudential (Optional Life Insurance), AIG (Accidental Death and Dismemberment and Business Travel Accident), ADP (COBRA), Ceridian (LifeWorks) and WageWorks (FSA).

e. Notwithstanding Sections 27.A.3.c. and d., the Company and the Association shall meet to agree upon any replacement for Wellpoint/BCBS.

f. The Company may also amend the Group Health Plan, if such amendment is both (i) initiated by a vendor, in accordance with the vendor's contract with the Company, and (ii) not subject to Company direction or discretion.

4. The administration of the Insurance Plans shall remain within the purview of the Company's Employee Benefits Department and all disputes concerning any claim for benefits shall be settled as described in Section 27.A.6.

5. Insurance Board

a. The Company and the Association shall meet at least quarterly to jointly discuss the cost, collective experience and performance of the claims paying administrators and service providers of the Insurance Plans and to seek to resolve any problems related to the administration of those plans. The Company and the Association may each designate up to three persons who shall attend each such meeting. The benefits specialists for the Company and the Association shall agree on an agenda for each meeting at least one week in advance of such meetings, and shall notify the Company of any agenda items which need to be addressed at the meeting so that the Company may designate the appropriate personnel to attend on behalf of the Company. Should the meeting be scheduled to cover multiple agenda items, the parties shall exchange a list of attendees based on the agenda items. The meetings held by the Company and the Association pursuant to this provision shall exclude any discussion related to any single claim made by an individual pilot and/or his covered dependents which would be protected by federal or state health privacy laws or properly appealed pursuant to ERISA.

b. The Company and the Association may also agree to meet with the claims paying administrators of the Insurance Plans. The Company and the Association shall each designate up to three persons to attend such meetings. The agenda for such meetings must be jointly agreed upon by the Company and the Association at least 14 days in advance of any such meetings, in order to give all participants, including the claims paying administrators, sufficient opportunity to prepare for such meetings.

c. The meetings of the Company and the Association (and, if applicable, the claims paying administrators) which are held pursuant to this provision may take place either face-to-face or by conference call, as agreed by the Company and the Association.

d. Neither the Company representatives nor the Association representatives who attend these meetings shall be empowered to act as fiduciaries of any Insurance Plan; nor shall the representatives of the Company or the Association have the power to modify or interpret the terms of any Insurance Plan. However, either the Company representatives or the Association representatives who attend these meetings may suggest modifications to the Insurance Plans to the Company and the Association.

6. Review of benefit denials shall be as follows:

   a. As described in the Insurance Plans and the PBB, benefit denials shall be reviewed by the appropriate claims-paying administrator. The Company may remove or replace such claims-paying administrators as provided in Section 27.A.3. (above).

   b. A pilot may appeal a claim which is denied through the process established by the claims-paying administrator. If the pilot is not satisfied with the decision on appeal, the pilot may either seek review of the decision by the Pilot Benefit Review Board in accordance with the provisions of Section 27.Q. within 120 days of the decision, or opt to pursue a judicial remedy available under ERISA. A pilot's request for judicial review of an appeal decision under the Employee Retirement Income Security Act ("ERISA") shall be reviewable by a court of competent jurisdiction under ERISA and such review shall not be barred by the Railway Labor Act ("RLA"). A pilot's decision to elect a particular course of dispute resolution shall constitute an express waiver of the other. With respect to a pilot challenging his individual claim denial under this paragraph, the provisions of Section 27.A.3.a. (incorporating certain plans into the Agreement by reference) shall not afford him greater remedies than if such plans had been incorporated solely for the purposes of resolving his individual appeal.

7. No later than February 27, 2007 (120 days after October 30, 2006), the Company shall provide the Association with proposed amendments effectuating the changes to the Insurance Plans contemplated by this Agreement. Thereafter, in the case of changes to the Insurance Plans that require Association consent pursuant to Section 27.A.3.a., Section 27.A.3.b. or Section 27.A.3.e., the Company shall provide the Association with proposed amendments effectuating the changes, no later than 30 days prior to the proposed effective date of such amendments, and in the case of changes to the Insurance Plans that do not require Association consent pursuant to Section 27.A.3.b., Section 27.A.3.c., Section 27.A.3.d. or Section 27.A.3.e., the Company shall provide the Association with executed copies of the amendments effectuating such changes no later than 30 days following the execution of such amendments. With respect to those changes to the Insurance Plans which will be effective January 1, 2008, the Company shall provide the Association with proposed amendments effectuating those changes no later than December 1, 2007.

8. No later than April 28, 2007 (180 days after October 30, 2006, the date of signing), the Company shall provide the Association with proposed updates to the PBB reflecting changes made as part of this Agreement. No later than 60 days after receipt of the proposed updates, the Association shall meet with the Company and provide comments. As soon as practicable thereafter, a PBB that is mutually satisfactory to the Company and the Association shall be distributed to the pilots. The Association's approval shall not be unreasonably withheld. The foregoing to the contrary notwithstanding, the failure of the Association to timely approve such updates shall not prevent the Company from distributing the updates to the pilots in accordance with the provisions of 29 U.S.C. §1104(b). The parties acknowledge that updates pertaining to benefit changes that are scheduled to take effect on January 1, 2008, may not be available for inclusion in the 2007 update to the PBB.

   With respect to any future updates to the PBB, the Company shall prepare and distribute to the pilots updates to the PBB, as required by 29 U.S.C. §1104(b). The Association shall be given the opportunity to review and approve such updates; the Association's approval of such updates shall not be unreasonably withheld. The foregoing to the contrary notwithstanding, the failure of the Association to timely approve such updates shall not prevent the Company from distributing the updates to the pilots in accordance with the provisions of 29 U.S.C. §1104(b).

9. The parties recognize that the future cost, delivery and structure of health care (including retiree health care) is an area of particular concern to both sides. The parties pledge their mutual cooperation in dealing with new health care initiatives, legislation, regulation and other future health care issues as they might affect both the pilots and the Company.

B. Basic Life Insurance Plan

1. The Company shall continue to provide Basic Life Insurance coverage. A pilot must comply with the eligibility requirements of the Basic Life Insurance plan or lose or risk losing coverage. Coverage levels for Basic Life Insurance shall not be decreased.

2. Basic Life Insurance Plan premiums shall be paid by the Company.

3. The life insurance benefit provided under the Basic Life Plan with respect to any pilot whose date of death is prior to January 1, 2007, shall equal one and one-half times such pilot's basic annual salary (rounded to the nearest $1,000) up to a maximum of $100,000. This amount shall be reduced by 8% a year for pilots age 65 to 70, after which there shall be no further reduction.

   The life insurance benefit provided under the Basic Life Plan with respect to any pilot whose date of death is on or after January 1, 2007, shall equal $800,000. On and after April 1, 2007, the pilot may elect pursuant to the procedures established by the insurance carrier, to receive coverage of either $300,000, $400,000 or $500,000, in lieu of $800,000. During each annual enrollment period, a pilot who is actively at work may elect to receive a different coverage amount, as described herein, and such election shall be effective on the date provided by the insurance carrier. Should a pilot elect to increase his coverage amount, he must provide such proof of insurability as is required by the insurance carrier.

4. Coverage under the Basic Life Plan begins for a pilot upon his date of hire, or if later, the first day he is actively at work.

5. Coverage under the Basic Life Plan shall end as provided in the policy and PBB.

6. Other restrictions, requirements and limitations of the Basic Life Plan are described in the policy and the PBB.

C. Optional Life Insurance Plan

1. The Company shall continue the Optional Life Insurance Plan. A pilot must comply with the requirements of the plan or lose or risk losing coverage. Coverage levels shall not be decreased. Except for routine and scheduled premium adjustments caused by a pilot moving between rated age categories, a non-retired pilot's premium payments for equal amounts of coverage shall not be increased.

2. With respect to a pilot whose date of death is before January 1, 2007, the Optional Life Insurance Plan provides 1.5 times the pilot's basic annual salary (rounded to the nearest $1,000) up to a maximum of $100,000, or 3 times the pilot's basic annual salary (rounded to the nearest $1,000) up to a maximum of $300,000, as elected by the pilot. This amount shall be reduced by 8% a year for pilots beginning at age 65, as shown on the following table:

   92% continued at age 65

   84.64% continued at age 66

   77.87% continued at age 67

   71.64% continued at age 68

   65.91% continued at age 69, after which there shall be no further reduction.

   With respect to a pilot whose date of death is on or after January 1, 2007, but before April 1, 2007, such pilot's Optional Life Insurance Plan coverage will be increased to an amount equal to the nearest $100,000 increment (up to a maximum of $300,000), based on such pilot's most recent election. This amount shall be reduced by 8% a year for pilots beginning at age 65, as shown above.

   Effective as of April 1, 2007, a pilot may elect to purchase Optional Life Insurance coverage in increments of $100,000 to a maximum of $1,000,000 of coverage, at the premium rate provided by the insurer for such coverage. A pilot's Optional Life Insurance Plan coverage shall not exceed 10 times the pilot's basic annual salary (rounded to the nearest $1,000). This amount shall be reduced by 8% a year for pilots beginning at age 65, as shown above. In order to make the election referenced in this paragraph, a pilot must be actively at work on the date that he makes such election and his date of death must be on or after the date of the election. The coverage level for a pilot who is not actively at work on April 1, 2007, will increase to the nearest $100,000 increment. This amount shall be reduced by 8% a year for pilots beginning at age 65, as shown above.

Additionally, a pilot may purchase Optional Life Insurance coverage of $25,000 for his spouse, $5,000 for dependent children six months and older and $1,000 for dependent children younger than six months old (child must be alive at birth).

3. Eligibility for coverage under the Optional Life Plan begins for a pilot upon his date of hire, or if later, the first day the pilot is actively at work. If a pilot fails to complete the enrollment procedure described in the policy and the PBB within the first 31 days after his date of hire, he may enroll in the Optional Life Plan; however, he may only enroll under the Optional Life Plan upon providing proof of insurability to the insurance company that underwrites the Optional Life Plan, or during open enrollment periods, should they be offered to all pilots.

4. An individual pilot's coverage under the Optional Life Plan shall end as provided in the policy and the PBB.

5. A pilot who is enrolled in the Optional Life Plan and who (i) retires on or after October 30, 2006, (ii) retires on or after his 55th birthday, and (iii) is active at work immediately prior to the date of his retirement, may, within 31 days of the later of his retirement date or the date on which he receives notice, enroll in Optional Life insurance for retirees at the premium rate provided by the insurer for such coverage. Such coverage may be purchased in increments of $100,000, to the lesser of $300,000 of coverage or the pilot's pre-retirement Optional Life coverage level, as elected by the pilot. Additionally, a retiring pilot may purchase a maximum of $25,000 coverage on his spouse, provided the spouse had Optional Life insurance coverage prior to the pilot's retirement; coverage for a spouse may only be continued while coverage is in effect for the pilot. No increases in coverage will be allowed after enrollment; however, a pilot who elected coverage in an amount greater than $100,000 shall be permitted to reduce the amount of coverage, but not below $100,000. The life insurance benefit shall be reduced by 8% a year for pilots beginning at age 65, as shown in Section 27.C.2. (above). Coverage shall terminate at the pilot's attainment of age 80, at which time the pilot may elect to convert his Optional Life insurance coverage to coverage under an individual insurance policy.

6. A pilot who is enrolled in the Optional Life Plan and who (i) terminates on or after October 30, 2006, (ii) terminates before his 55th birthday, and (iii) is actively at work immediately prior to the date of his termination may, within 31 days of the later of his termination date or the date on which he receives notice, enroll in Optional Life Portability insurance at the premium rate provided by the insurer for such coverage. Such coverage may be purchased up to the lesser of the pilot's pre-termination Optional Life coverage level or $1,000,000 not to exceed 5 times the amount of pre-termination salary. The minimum amount of coverage is $20,000. Additionally, a terminating pilot may purchase a maximum of $25,000 coverage on his spouse and $5,000 on eligible children, provided the spouse had Optional Life insurance coverage prior to the pilot's termination and dependents are not home-confined or hospital-confined on the day prior to the pilot's termination; dependent coverage may only be continued while coverage is in effect for the pilot. No increases in coverage will be allowed after enrollment; however, a pilot who elected coverage in an amount greater than $20,000 shall be permitted to reduce the amount of coverage. The life insurance benefit will reduce to 60% at age 65 and 50% at age 70. Coverage shall terminate at the pilot's attainment of age 80, at which time the pilot may elect to convert his Optional Life Portability Insurance coverage to coverage under an individual policy.

D. Basic and Optional Accidental Death and Dismemberment Insurance Plan

1. The Company shall continue the Basic and Optional Accidental Death and Dismemberment Insurance Plan (AD&D). A pilot must comply with the requirements of the plan or lose or risk losing coverage. Coverage levels shall not be decreased during the term of this Agreement. A pilot's premium payments, if any, shall not be increased for equal amounts of coverage.

2. Basic AD&D Plan premiums shall be paid by the Company; Optional AD&D Plan premiums shall be paid by the pilot. Premium amounts for the optional coverage are provided in the AD&D Plan and the PBB.

3. The life insurance benefit provided under the basic portion of the AD&D Plan shall be fifteen thousand dollars ($15,000). The life insurance benefit available under the optional portion of the AD&D Plan shall be available in increments; the first increment shall be thirty-five thousand ($35,000) and all additional increments shall be fifty thousand dollars ($50,000), up to a maximum optional benefit of two hundred thirty-five thousand dollars ($235,000).

4. Eligibility for coverage under the optional portion of the AD&D Plan begins for a pilot upon his date of hire. Coverage under the optional portion of this plan shall begin on the first day of the month following

the pilot's completion of the application procedure described in the PBB and upon the payment of the required premium. Coverage under the basic portion of this plan shall begin upon a pilot's date of hire, or if later, the first day he is actively at work.

5. Coverage under the AD&D Plan shall end as provided in the policy and the PBB.

6. Other restrictions, requirements and limitations of the AD&D Plan are described in the AD&D policy and the PBB.

E. Business Travel Accident Insurance Plan

1. The Company shall continue the Business Travel Accident Insurance Plan. A pilot must comply with the requirements of the plan or lose or risk losing coverage.

2. Business Travel Accident Plan premiums shall be paid by the Company.

3. The life insurance benefit provided under the Travel Accident Plan shall be $150,000 if a pilot is traveling on Company business, including: (i) flying a Company aircraft as part of his occupation, or (ii) while traveling on Company business on any aircraft that is owned, rented, chartered or leased by the Company, even if the travel is for pleasure. The dismemberment provisions of the Travel Accident Plan are described in the PBB. They provide for a percentage ranging from 25% to 100% of the death benefit under the Travel Accident Plan to be paid upon a covered loss. Covered losses and the applicable dismemberment coverage amounts are listed in the Travel Accident Plan, policy, certificate, and the PBB.

4. Coverage under the Travel Accident Plan begins for a pilot upon his date of hire.

5. Coverage under the Travel Accident Plan shall end as provided in the policy and the PBB.

6. A pilot shall be covered from the time he starts a business trip from either work or home, whichever occurs last, and shall be covered throughout the business travel until returning to work or home, whichever occurs first. A pilot shall not be covered while commuting to and from work. For purposes of this paragraph, "work" shall include the airport in which deadhead or deviation travel originates or terminates, as applicable. A pilot who deviates is considered to be on business travel while traveling pursuant to the provisions of Section 8. Other restrictions, requirements and limitations are described in the Travel Accident Plan, policy, certificate, and the PBB.

F. Survivor Income Benefit Plan

1. The terms and conditions of the survivor benefit provided by the Federal Express Corporation Survivor Income Benefit Plan (the "FedEx SIB"), as described in the FedEx SIB policy and the PBB, shall continue with respect to pilots who die prior to January 1, 2007. Pilots who die on or after January 1, 2007, shall not be covered by the FedEx SIB.

2. SIB premiums shall be paid by the Company.

G. Group Health Plan

1. The Company shall provide to pilots (and their eligible covered spouses and dependents) medical benefits (including pharmacy and behavioral, mental health/substance abuse benefits, dental benefits and vision benefits) in accordance with the terms of the Federal Express Corporation Group Health Plan, as amended effective January 1, 2006. A pilot must comply with the requirements of the Plan, as in effect on January 1, 2006, or lose or risk losing coverage. Any changes to the Group Health Plan or the PBB regarding the Group Health Plan can only be made as provided in Section 27.A.3.

2. In 2007, the Company shall provide the same group health benefit options as those provided in 2006, and will also provide (except in California) open access under the CIGNA POS and CIGNA Network Plans. For coverage in 2007, the amounts of the monthly premiums payable by participants will be the same as the amounts payable for coverage in 2006.

3. Effective January 1, 2008, the Company shall provide the Base and Buy-Up group health benefit options, through Wellpoint/BCBS, as described in Section 27, Appendix A. A pilot may elect coverage for medical/pharmacy/mental health and substance abuse benefits only (through WellPoint/BCBS), dental benefits only, vision benefits only, or any combination. For 2008 and beyond, monthly premiums will be based on four separate coverage tiers.

4. The amounts of the monthly premiums payable for all group health benefits will be as follows:

   a. Monthly premiums for 2008 are as follows:

      i. For all coverages (medical/pharmacy, dental and vision):

	Base Plan	Buy-Up Plan
Pilot	$20.00	$50.00
Pilot + Child(ren)	$80.00	$120.00
Pilot + Spouse	$95.00	$140.00
Pilot + Family	$120.00	$190.00

Note: If dental coverage is not elected, subtract from the above premium the applicable amount from Section 27.G.4.a.ii. (below), and if vision coverage is not elected, subtract from the above premium the applicable amount from Section 27.G.4.a.iii. (below).

      ii. For dental coverage only:

	Base Plan	Buy-Up Plan
Pilot	$3.00	$5.00
Pilot + Child(ren)	$12.00	$15.00
Pilot + Spouse	$13.00	$16.00
Pilot + Family	$14.00	$19.00

      iii. For vision coverage only:

Pilot	$2.00
Pilot + Child(ren)	$4.00
Pilot + Spouse	$4.00
Pilot + Family	$6.00

b. Monthly premiums for coverage in 2009 and 2010 may increase, but not by more than 10% over the monthly premiums for the immediately preceding year; provided, however, the sum of the increases for both 2009 and 2010 may not exceed 15%. For example, if the monthly premiums for 2009 are 8% higher than the monthly premiums for 2008, then the monthly premiums for 2010 can be no more than 7% higher than the monthly premiums for 2009.

c. For 2011 and beyond, the monthly premiums may increase, but not by more than 6% over the monthly premiums payable for the immediately preceding year.

5. The Company will offer to pilots (and their covered spouses and dependents) coverage under any HMO that the Company offers to any other employee, on terms no less favorable than the terms offered to any other employee. It is understood that the Company may discontinue coverage under any HMO.

6. As of October 30, 2006, but prior to January 1, 2008, coverage under the Group Health Plan for pilots and their eligible spouses and eligible dependents shall be as described in the Plan and the PBB. The Group Health Plan shall continue to provide that the spouse and eligible dependents of an active pilot who dies while an active employee will remain in the Company's Group Health Plan for 24 consecutive months following the pilot's death at the employee dependent coverage premium. Thereafter, the spouse/dependents shall be eligible to begin their period of COBRA coverage, which is 36 months.

   Effective January 1, 2008, the Group Health Plan shall continue to provide that the spouse and eligible dependents of an active pilot who dies while an active employee will remain in the Company's Group Health Plan for 24 consecutive months following the pilot's death at the employee dependent coverage premium. Thereafter, the spouse/dependents shall be eligible to begin their period of COBRA coverage, which is 36 months.

   Effective as of October 30, 2006, the Group Health Plan and the Retiree Group Health Plan shall be amended to provide that when an active employee age 55 or older dies after satisfying the eligibility requirements for Retiree Health Coverage, eligible dependents can participate in the Retiree Group Health Plan for two years at the cost in effect before the employee's death and, after two years, eligible dependents can continue coverage by paying the full cost, including the part that was paid by the Company until: (1) with respect to a dependent who is a surviving spouse, the date on which such dependent attains age 65 (or becomes Medicare eligible), or (2) with respect to a dependent who is a child of the pilot, the date on which such child no longer satisfies the definition of "dependent" as set forth in the Plan. Eligible dependents must decide if they wish to elect coverage under the Retiree Group Health Plan, but if they obtain or retain coverage under a Company-sponsored health plan (as the dependent of an active employee, or as an active employee, or by electing COBRA), they may elect coverage under the Retiree Group Health Plan but defer participation in that plan until the other coverage terminates. Eligible dependents may continue to participate in the Group Health Plan for the 36-month COBRA continuation period, subject to payment of the COBRA coverage rate (102% of cost) for the applicable coverage tier.

7. Coverage under the Group Health Plan ends for a pilot and his eligible, covered dependents as provided in the Plan and the PBB.

8. Payment of benefits from the Group Health Plan is subject to the Plan's right to reimbursement/subrogation, as described in the reimbursement/subrogation provisions of the Plans and as administered by the Company's agent for all other employees of the Company.

9. Other restrictions, requirements and limitations on each of the Group Health Plan options described above are set forth in the Group Health Plan and the PBB, and, effective January 1, 2008, Section 27, Appendix A.

H. Retiree Group Health Plan (Coverage for Retirees and Eligible Survivors)

1. The Company shall provide medical benefits (including pharmacy, behavioral, and mental health benefits), dental benefits and vision benefits to pilots who have retired on or after February 4, 1999, and their eligible covered spouses and dependents, and their eligible survivors, in accordance with the terms of the Federal Express Corporation Retiree Group Health Plan, as amended effective January 1, 2005. A pilot must comply with the requirements of the Retiree Group Health Plan, as in effect on January 1, 2005, or lose or risk losing coverage. Any changes to the Retiree Group Health Plan or the PBB regarding the Group Health Plan can only be made as provided in Section 27.A.3.

2. A retiring pilot is eligible for retiree coverage under the Retiree Group Health Plan if he:

   a. was hired before January 1, 1988, is at least 55 years old, and has 10 years of continuous service with the Company after age 45;

   b. was hired on or after January 1, 1988, or was a Flying Tiger employee who began to work for the Company on August 7, 1989, and is at least 55 years old, and has 20 years of continuous service after age 35 (Flying Tiger service plus FedEx service); or

   c. is age 60 with at least five years continuous service immediately prior to age 60.

   For purposes of this paragraph, "continuous service" means service that begins on the first day of employment with the Company in a permanent full-time or permanent part-time position and which is uninterrupted by resignation, retirement, discharge, reduction in force of more than two years, or reversion to a nonpermanent position.

3. Coverage under the Retiree Group Health Plan for a retired pilot and for the eligible survivors of active and retired pilots shall be as set forth under the plan document, except as follows:

   a. With respect to (i) pilots who retire on or after February 4, 1999, but prior to January 1, 2008, after having satisfied the eligibility requirements for coverage under the Retiree Group Health Plan, and their eligible spouses and dependents, (ii) survivors of active and retired pilots who died on or after February 4, 1999, but prior to January 1, 2008, after having satisfied the eligibility requirements for coverage under the Retiree Group Health Plan, coverage under the Retiree Group Health Plan is as set forth in the Retiree Group Health Plan and the PBB, except that on or after January 1, 2008, such pilots may, if eligible:

      i. make a one-time election to receive pre-Medicare coverage under the terms of the Company's Retiree Medical Plan for its non-pilot retirees; or

      ii. make a one-time election to receive or continue to receive coverage under the terms of the Federal Express Corporation Retiree Group Health Plan; or

      iii. make a one-time election to receive coverage under the Post-Medicare Plan described in Section 27.I. (below).

   b. Pilots who retired on or after February 4, 1999, but prior to January 1, 2008, and who opted out of coverage under the Retiree Group Health Plan prior to January 1, 2008, shall be given a one-time opportunity to elect among the coverage options described in Section 27.H.3.a. (above), if they are eligible.

   c. With respect to pilots who retire on or after January 1, 2008, and their eligible spouses and dependents, the Retiree Group Health Plan shall provide solely for coverage for the retiring pilot and/or his eligible spouse and dependents for the period prior to their attaining Medicare eligibility age. Pilots retiring on or after January 1, 2008, who have attained Medicare eligibility age may, if eligible, elect coverage under the Post-Medicare Plan described in Section 27.I. (below).

   d. Effective as of October 30, 2006, the Retiree Group Health Plan shall be amended to provide that the following individuals are eligible for coverage:

      i. Retired Pilots. A retired pilot, and the retired pilot's eligible spouse and eligible dependents, are eligible for coverage if the pilot retires on or after February 4, 1999, after having satisfied the age and service eligibility requirements for retiree health coverage under the plan provisions in effect on the date of the pilot's retirement.

      ii. Pilot's Eligible Surviving Spouse and Eligible Surviving Dependents. A pilot's eligible surviving spouse and eligible surviving eligible dependents (as determined under the plan provisions in effect on the date of the pilot's retirement) will be eligible to continue coverage under the Retiree Group Health Plan as provided below. Except for the COBRA period, the eligibility of a surviving dependent other than a surviving spouse will end no later than the date the individual no longer meets the definition of an eligible dependent.

         (a) Death of Pilot While Retired (Pilot Dies On or After October 30, 2006). The following provision applies to the eligible surviving spouse and eligible surviving dependents of pilots who retired on or after February 4, 1999, and died on or after October 30, 2006.

(1) For the first 24 months after the retired pilot's death (or until such survivors are no longer eligible dependents under the terms of the retiree health plan), such eligible survivors may continue in the retiree health plan subject to making a monthly contribution in the amount a retired pilot would pay for the applicable coverage tier.

(2) After the first 24 months and until eligibility for Medicare (or until such survivors are no longer eligible dependents under the terms of the Retiree Group Health Plan), such eligible survivors may continue participation in the Retiree Group Health Plan, subject to making a monthly contribution equal to 100% of the cost of the applicable coverage tier.

(3) After eligibility for Medicare (or after such date as the survivors are no longer eligible dependents under the terms of the retiree health plan), such eligible survivors may continue participation in the Retiree Group Health Plan for 36 months subject to paying the COBRA rate (102% of cost) for the applicable coverage tier (Note: Such survivors may also be eligible to participate in the retired pilot Post-Medicare VEBA).

(b) Death of Pilot While Retired (Pilot Dies Prior to October 30, 2006). This provision applies to the eligible surviving spouse and eligible surviving dependents of pilots who retired on or after February 4, 1999, and died prior to October 30, 2006.

(1) For the first 12 months after the retired pilot's death (or until such survivors are no longer eligible dependents under the terms of the retiree health plan), such eligible survivors may continue in the retiree health plan subject to making a monthly contribution in the amount a retired pilot would pay for the applicable coverage tier.

(2) After the first 12 months and until eligibility for Medicare (or until such survivors are no longer eligible dependents under the terms of the retiree health plan), such eligible survivors may continue in the retiree health plan subject to making a monthly contribution equal to 100% of th0e cost of the applicable coverage tier.

(3) After eligibility for Medicare (or after such date as the survivors are no longer eligible dependents under the terms of the Retiree Group Health Plan), such eligible survivors may continue in the Retiree Group Health Plan for 36 months subject to paying the COBRA rate (102% of cost) for the applicable coverage tier. Such eligible survivors may also be eligible to participate in the retired pilot Post-Medicare VEBA described in Section 27.I. (below).

(c) Death of Pilot While on Seniority List, After Meeting Age and Service Eligibility Requirements for Retiree Health Coverage. This provision applies to the eligible surviving spouse and eligible surviving dependents of pilots who died while on the seniority list, on or after October 30, 2006, and after meeting the age and service eligibility requirements for coverage under the Retiree Group Health Plan.

(1) For the first 24 months after the pilot's death (or until such survivors are no longer eligible dependents under the terms of the Retiree Group Health Plan), such eligible survivors may continue in the Group Health Plan subject to making a monthly contribution in the amount an active pilot would pay for the applicable coverage tier.

(2) After the first 24 months following the pilot's death, such eligible survivors may elect coverage under the Retiree Group Health Plan but defer commencement of coverage in the Retiree Group Health Plan and continue in the Group Health Plan for 36 months subject to paying the COBRA rate (102% of cost) for the applicable coverage tier (At any time during the 36-month COBRA period, the eligible survivors may request commencement of coverage under the Retiree Group Health Plan).

(3) In lieu of the option described in paragraph (2) (above), after the first 24 months and until eligibility for Medicare (or until such survivors are no longer eligible dependents under the terms of the Retiree Group Health Plan), such eligible survivors may participate in the Retiree Group Health Plan, subject to making a monthly contribution equal to 100% of the cost of the applicable coverage tier.

(4) After eligibility for Medicare (or after such date as the survivors are no longer eligible dependents under the Retiree Group Health Plan), such eligible survivors may continue in the Retiree Group Health Plan for 36 months subject to paying the COBRA

rate (102% of cost) for the applicable coverage tier. Such eligible survivors may also be eligible to participate in the retired pilot Post-Medicare VEBA described in Section 27.I. (below).

(d) Death of Pilot While on Seniority List, Before Meeting Age and Service Eligibility Requirements for Retiree Health Coverage. This provision applies to the eligible surviving spouse and eligible surviving dependents of pilots who die while on the seniority list and on or after October 30, 2006, but before meeting the age and eligibility requirements for retiree health coverage.

(1) For the first 24 months after the pilot's death (or until such survivors are no longer eligible dependents under the terms of the Group Health Plan), such eligible survivors may continue in the Group Health Plan subject to making a monthly contribution in the amount an active pilot would pay for the applicable coverage tier.

(2) For the next 36 months, such eligible survivors may continue in the Group Health Plan subject to paying the COBRA rate (102% of cost) for the applicable coverage tier.

e. Any Company cost for providing pre-Medicare coverage which is in excess of one and one-half times the Company's fiscal 1993 per capita projected cost ($4,813 annually for each Pre-Medicare eligible retired pilot, spouse or surviving spouse) shall be paid by the retired pilot.

f. Prior to January 1, 2008, the monthly premium contribution for a retired pilot and his eligible spouse and dependents and for eligible survivors is as follows:

	Pre-Medicare		
Plan Option	**Retiree**	**Spouse**	**Child**
CIGNA POS	$273	$284	$60*
CIGNA Network	$273	$284	$60*
Retiree Basic	$273	$284	$60*
Puerto Rico PPO	$273	$284	$60*

*$62 if child is disabled and eligible for Medicare

g. On and after January 1, 2008, the monthly premium for a retired pilot and his eligible spouse and eligible dependents and for eligible survivors is as follows:

i. The Company will pay the first $401.08 per month ($4,813 annually) of the total cost of health coverage for each Pre-Medicare eligible retired pilot and the same amount for each eligible spouse and the same amount for each eligible surviving spouse (i.e., the Company's fiscal 1993 per capita cap is maintained). The remainder of the total cost for each pilot and for each spouse will be paid by the covered individual, either from the assets in the individual's Health Reimbursement Account (HRA), if any, or from the individual's other assets.

ii. For all dependent children and all surviving dependent children (not per child), the participant's contribution for coverage will be $45/month for the Base Plan, $55/month for the Buy-Up Plan, and $25/month for the high deductible plan.

For this purpose, "total cost" will be determined by the actuarial firm selected by the Company, exercising its best professional judgment, based on the total blended cost of all retired pilots and non-pilot retirees (and spouses, other dependents and survivors) participating in Pre-Medicare health benefits. Such determination (and supporting data) regarding the pilots' costs will be shared with the Association in advance of each open enrollment period (Note: The Company and Association will consult regarding the legality and appropriateness under generally accepted accounting principles of blending the experience of retirees and actives for this purpose).

h. Eligible spouses and dependents on the date that a pilot commences coverage under the Retiree Group Health Plan, and eligible survivors of retired pilots, are eligible for coverage under the Retiree Group Health Plan and the PBB, subject to the provisions in effect on the date of the pilot's retirement.

i. A retired pilot shall have the option of having his monthly Retiree Group Health Plan premiums deducted from his monthly pension check. He may also have the option of paying these premiums by check on a monthly basis.

4. Coverage under the Retiree Group Health Plan

   a. With respect to a pilot who retires on or after February 4, 1999, but prior to January 1, 2008, such retiring pilot can elect any coverage option available in his geographic area, as described herein. If the retiring pilot fails to make an election, he will be automatically enrolled in the default option selected by the Company's Employee Benefits Department for similarly situated retirees of his age and in his geographic location, and at the same level (employee only, employee + spouse, etc.) at which he was covered immediately prior to his retirement, based on his eligible dependents, if he has remitted payment within 31 days of notification. He shall remain covered by that option unless and until he fails to remit the required monthly premium. During the next annual enrollment period, he may change to any coverage option available to retirees in his geographic area.

   b. Effective January 1, 2008, coverage options available to pilots who retired on or after February 4, 1999, and who are not eligible for Medicare, such pilots' eligible spouses and dependents and eligible survivors, and the eligible survivors of active pilots, shall be the Base and Buy-Up options provided through Wellpoint/BCBS, as described in Section 27, Appendix A, and a separate high-deductible option, as described in Section 27, Appendix B. Additionally, dental and vision coverage shall be offered separately from medical/pharmacy/mental health-substance abuse-EAP. Effective January 1, 2008, the monthly premium contribution for a retired pilot's dependent children or for all surviving dependent children is as follows: $45/month for the Base Plan, and $55/month for the Buy-Up Plan. The premium contributions for the High Deductible Option are as set forth in Section 27, Appendix B.

5. Payment of benefits from the Retiree Group Health Plan is subject to the Plan's right to reimbursement/subrogation, as described in the reimbursement/subrogation provisions of the Plan and as administered by the Company's agent for all other employees of the Company.

6. Other restrictions, requirements and limitations on each of the Retiree Group Health Plan options described above are set forth in the Retiree Group Health Plan and the PBB, and as described herein.

7. Health Reimbursement Accounts. In accordance with the following, the Company will establish, fund, invest and administer a Voluntary Employees Beneficiary Association (VEBA) with individual Health Reimbursement Accounts (HRAs) for the following individuals:

   a. For each eligible pilot who retired after May 31, 2004, but before August 26, 2006, the Company will deposit the signing bonus otherwise to be provided to these pilots into an individual HRA in the same amount as they would have received under the signing bonus program. A retired pilot is eligible to receive such contribution if he met the age and service requirements for coverage under the Retiree Group Health Plan at his retirement. The Company will make the payment to the HRAs under the VEBA upon establishment of the VEBA, to occur not later than January 28, 2007 (90 days after October 30, 2006).

   b. For each eligible active pilot (i) having a seniority list number on August 25, 2006, (ii) who has attained at least age 53 before January 1, 2007, (iii) who is expected to meet the age and service requirements for coverage under the Retiree Group Health Plan as of his attainment of age 60 or older, and (iv) who retires on or after August 26, 2006, the Company will make a one-time cash payment of restricted signing bonus to the VEBA equal to $25,000. Such contributions shall be made no later than January 28, 2007 (90 days after October 30, 2006). The contribution and interest attributable thereto shall be transferred to the HRA established with respect to that pilot upon the date that the pilot attains age 59, or if earlier, as soon as practicable after the pilot dies. If a pilot attains age 59 or dies prior to the date that the Company funds the VEBA pursuant to this

Section 27.H.7.b., the contribution and interest attributable to such pilot shall be transferred to the HRA as soon as possible after the date on which the Company funds the VEBA.

c. HRA contributions will not be reduced for a pilot who continues as an active employee past age 60.

d. There is no requirement that a pilot participate in a Company-sponsored Pre-Medicare health care plan when he retires in order to use his HRA or to receive an HRA contribution.

e. A pilot's HRA may be used for reimbursement of any qualified medical expenses while retired, including participant premium contributions, whether before or after Medicare eligibility. Any unused amounts in the HRA at the time of the pilot's death (whether before or after retirement) may be used for reimbursement of any qualified medical expenses of the eligible surviving spouse and any other eligible surviving dependents. Any unused amounts in the HRA at the last to die of the pilot, eligible surviving spouse and eligible surviving dependents will be forfeited to the VEBA.

f. Amounts forfeited to the VEBA will be applied to pay the reasonable administrative expenses of the VEBA.

g. The Company will pay all administrative expenses of the VEBA in excess of administrative expenses paid out of forfeitures pursuant to the above paragraph.

h. Participants will be allowed to access their HRA by using a debit card.

I. Post-Medicare Retiree Health

1. With respect to any pilot retiring on or after February 4, 1999, but prior to January 1, 2008, who attains Medicare eligibility age prior to January 1, 2008, such retired pilot and the eligible dependents of such pilot, if any, shall continue to participate in the Retiree Group Health Plan, subject to the terms and conditions of that Plan. Any Company cost for providing pre-Medicare coverage or post-Medicare coverage which is in excess of one and one-half times the Company's fiscal 1993 per capita projected cost for each pre-Medicare eligible or Medicare-eligible retired pilot, eligible spouse or eligible surviving spouse shall be paid by the retired pilot.

For the period beginning January 1, 2007, and ending December 31, 2007, the monthly premium contribution for a retired pilot and his eligible spouse and other eligible dependents is as follows:

	Medicare Eligible		
Plan Option	**Retiree**	**Spouse**	**Child**
CIGNA POS	N/A	N/A	N/A
CIGNA Network	N/A	N/A	N/A
Retiree Basic	$349	$360	$60*
Puerto Rico PPO	$349	$360	$60*

*$62 if child is disabled and eligible for Medicare

2. With respect to pilots who retire on or after January 1, 2008, and their eligible dependents, the Retiree Group Health Plan shall provide solely for coverage for the retiring pilot and/or his eligible dependents for the period prior to their attaining Medicare eligibility age. The Association shall establish, sponsor and maintain a Post-Medicare Retiree Health Plan ("Post-Medicare Plan") and Voluntary Employees' Beneficiary Association ("VEBA"), to be effective January 1, 2008. Pilots retiring prior to January 1,

2008, who have attained Medicare eligibility age may, if eligible, elect coverage under the Post-Medicare Plan described in this Section 27.I. (below). The Post-Medicare Plan and VEBA are collectively bargained for purposes of Internal Revenue Code Sections 419 and 419A.

3. The Company will make a lump sum contribution to the VEBA of $3.2 million, payable no later than November 30, 2006, with an additional $40 million contribution to be made to the VEBA no later than June 1, 2007.

   As soon as practicable after October 30, 2006, but not later than January 1, 2007, the Company will contribute to the VEBA 50 cents of each paid credit hour for each pilot having a seniority list number (which would otherwise be paid to the pilot in cash) as the pilot's ongoing monthly contribution to the Post-Medicare Plan/VEBA. The Company shall remit such contributions to the VEBA no later than the 15th day of the calendar month following the calendar month during which the credit hours were actually paid. On the effective date of the Company's contribution of 50 cents per paid credit hour, the hourly pay rates agreed upon for pilots will be established as book rates. Actual pay rates will be 50 cents less per hour. All retirement and welfare benefits based on pay will be based on pay determined under the book rates. The purpose of this provision is to allow the ongoing monthly VEBA contributions of 50 cents per paid credit hour to be funded out of compensation that would otherwise be paid directly to pilots in cash.

   Lump sum and monthly contributions will be placed in an interest-bearing escrow account until the VEBA is established.

4. The Post-Medicare Plan/VEBA will be administered by the Administrative Board (Board), which will be composed of three regular members and two alternate members. The President of the Association will appoint and remove all members, based on the recommendations of the FedEx MEC. Two regular members and one alternate member will be retired pilots, and one regular member and one alternate member will be active pilots. Regular and alternate members may attend all meetings of the Board. Each regular member has one vote. The alternate member who is a retired pilot may vote in the absence of a regular member who is a retired pilot, and the alternate member who is an active pilot may vote in the absence of the regular member who is an active pilot. A quorum is established by two retired pilot members and one active pilot member. Decisions of the Board will be made by majority of the three members voting. The Board will select, monitor and replace all vendors and other providers of services to the Post-Medicare Plan (e.g., medical plan administrator(s), trustee(s), investment manager(s)). The Board will determine the Post-Medicare Plan's investment policy and will have full responsibility for investment of the VEBA funds. The Board will determine benefits to be provided under the Post-Medicare Plan, as provided below. Board members are fiduciaries subject to ERISA's standards of conduct for fiduciaries. The Administrative Board will determine the reasonable administrative expenses which may be paid by the Post-Medicare Plan/VEBA.

5. The Association will prepare and adopt the Post-Medicare Plan and VEBA documents. The Association shall have the sole power to amend the Post-Medicare Plan and VEBA at any time, without the Company's consent, provided that no modification (i) shall conflict with the terms of this Agreement, or (ii) shall increase the obligations of the Company under this Agreement without the Company's consent.

6. The Administrative Board will determine all medical, pharmacy, dental and vision benefits under the Plan. After the Plan's inception, the Administrative Board may modify benefits provided under the Plan, subject to MEC approval; provided, however, that MEC approval is not required for changes that are consistent with the Pre-Medicare plan options, or are de minimus. The Administrative Board is obligated to seek modifications to the Plan (subject to MEC approval) that the Board reasonably determines are necessary or appropriate to maintain the viability of the Plan. All individual benefit claims and appeals of individual benefit claims under the Plan will be filed with and decided by the vendors hired by the Administrative Board, pursuant to such vendors' standard procedures. The CBA's grievance procedures will not apply to any individual benefit claims or appeals of individual benefit claims under this Plan.

7. The Administrative Board will determine the amount of participant contributions required to maintain coverage under the Post-Medicare Plan. Participant contributions may be made by automatic deduction from the pension payment, or by automatic bank draft, or automatic payment from the participant's Health Reimbursement Account ("HRA") if any.

8. Any assets remaining in the VEBA in the event of termination of the Plan will be distributed to the following individuals, in such shares as determined by the Administrative Board:

   a. Retired pilots participating in the Plan upon Plan termination;

   b. Retired pilots who would have participated in the Plan but who, as of Plan termination, have not yet attained Medicare eligibility age;

   c. Pilots on whose behalf the Company has remitted any monthly contributions of $.50 of such pilot's hourly book rate;

   d. Survivors participating in the Plan upon Plan termination.

9. The following retired pilots, eligible spouses and eligible dependents, and eligible survivors, shall be eligible to participate in the Post-Medicare Plan ("Eligible Individuals"):

   a. A retired pilot who has attained Medicare eligibility age, and the retired pilot's eligible spouse who has attained Medicare eligibility age, are eligible for coverage under the Post-Medicare Plan if the pilot retires on or after February 4, 1999, after having satisfied the age and service eligibility requirements for retiree health coverage under the Retiree Group Health Plan. The retired pilot's eligible spouse and eligible dependents who are not eligible for Medicare will remain in the Retiree Group Health Plan until they are either eligible for Medicare, then enter the Post-Medicare Plan, or in the case of a dependent child, cease to be eligible for coverage under the Retiree Group Health Plan.

   b. Pilot's Eligible Surviving Spouse and Eligible Surviving Dependents. A pilot's eligible surviving spouse who has attained Medicare eligibility age is eligible for coverage under the Post-Medicare Plan if the pilot:

      i. Retired on or after February 4, 1999, after having satisfied the age and service eligibility requirements for coverage under the Retiree Group Health Plan; or

      ii. Died on or after October 30, 2006, while on the seniority list, after having satisfied the age and service eligibility requirements for coverage under the Retiree Group Health Plan; or

      iii. Died on or after February 4, 1999, but before October 30, 2006, while on the seniority list, after having satisfied the age and service eligibility requirements for coverage under the Retiree Group Health Plan, if such pilot had elected coverage under the Retiree Group Health Plan, pursuant to the one-time election made available under that plan, referenced in Section 27.H.3.a. and b. (above).

   c. The eligibility of a retired pilot or such pilot's eligible spouse for coverage under the Post-Medicare Plan will begin when that individual attains Medicare age.

   d. No individual may be covered under the Post-Medicare Plan unless, immediately prior to coverage under the Post-Medicare Plan, the individual was covered under either the Group Health Plan or the Retiree Group Health Plan, except as follows: As soon as possible after establishment of the Post-Medicare Plan, the Administrative Board will conduct a single open enrollment period allowing retired pilots who are otherwise eligible for coverage (and their eligible spouse and eligible dependents) to elect coverage under the Post-Medicare Plan even though, at that time, they are no longer covered under the Group Health Plan or the Retiree Group Health plan because they had previously "opted out" of such coverage. The Company will use its best efforts to determine who is eligible for coverage under the Post-Medicare Plan pursuant to this provision, and will so inform the Board.

   e. An Eligible Individual becomes a participant in the Post-Medicare Plan unless he opts out. Once an individual opts out of Plan coverage, the individual cannot return to Plan coverage. The Administrative Board will establish guidelines for opt-out and deferral of enrollment. An individual's participation will terminate at the earliest of the following events:

      i. Failure to pay premium;

      ii. Death;

      iii. Individual first opts out of coverage under the Post-Medicare Plan.

10. With the exception of the remittance of contributions on behalf of pilots as described in Section 27.I.3. (above), the Company will have no administrative responsibility for the Post-Medicare Plan/VEBA.

However, the Company will provide to the Administrative Board such relevant data as is readily available from the Company's records (or its vendors' records) and which is necessary or appropriate for the Administrative Board's proper administration of the Post-Medicare Plan.

The Company agrees to provide to the Administrative Board an initial file of Eligible Individuals and thereafter a weekly file containing new Eligible Individuals. The Company shall have no further responsibility regarding the determination of an Eligible Individual's eligibility for coverage under the Post-Medicare Plan.

11. The parties agree that at the time this Agreement becomes amendable, the Association and the Company will negotiate further with respect to appropriate future contributions to the VEBA. Ninety days prior to the amendable date, the Association agrees to provide (or have the vendor provide) relevant data, information, claim experience, etc., to the Company in anticipation of and solely with respect to these negotiations.

J. Disability Plan

1. Except as provided herein, the terms and conditions of the Federal Express Corporation Long Term Disability Plan for Crew Members (the "LTD") shall remain the same and shall not be amended without the consent of the Association, which consent shall not be unreasonably withheld.

2. A pilot shall be eligible for LTD benefits upon exhaustion of his disability sick account, as described in Section 14, or upon his experiencing a seat change or moving to a non-pilot position because of disability, as described in the LTD plan document and the PBB. Except as provided in Sections 27.J.6. and 27.J.7. (below), disability benefits paid to pilots who are disabled prior to October 30, 2006, shall be governed by the terms of the disability plans in effect on the date of commencement of the disability. Pilots who become disabled on or after October 30, 2006, shall be governed by the provisions below.

3. LTD benefits payable to a pilot whose disability commences on or after October 30, 2006 shall equal 60% of monthly earnings for the first 24 months that a pilot is eligible to receive benefits under the LTD plan. Thereafter:

   a. Benefits payable to a captain or first officer who becomes disabled and continues to have an occupational disability through the earlier of the date on which such pilot (1) ceases to be disabled, or (2) attains age 65 (or, if the Company no longer employs second officers, regulated age), shall equal 50% of monthly earnings, as described in Section 27.J.5. herein.

   b. Benefits payable to a second officer (while the Company employs second officers) who becomes disabled and who continues to have an occupational disability through the earlier of the date on which such pilot (1) ceases to be disabled, or (2) the later of the date on which the pilot attains age 65 or receives benefits under the LTD Plan for 5 years, shall equal 50% of monthly earnings, as described in Section 27.J.5. herein.

4. The Company shall pay the full cost of such coverage.

5. Monthly earnings shall continue to be defined as a pilot's basic monthly compensation, i.e., the 12 highest consecutive months out of the 36 consecutive months preceding the disability period.

6. As of June 1, 2006, a pilot's monthly benefit during the first 24 months of disability may not exceed $11,000 per month, subject to the limitations set forth in Code §401(a)(17). As of June 1, 2006, a pilot's monthly benefit following the first 24 months of disability may not exceed $9,166.66 per month, subject to the limitations set forth in Code §401(a)(17). Increases to this limit shall be indexed based on periodic adjustments to the limitations of Code §401(a)(17).

7. The provisions of Section 27.J.6. above notwithstanding, on and after October 30, 2006, the monthly benefits of pilots in pay status, which are capped by the limitations of Code §401(a)(17), will be adjusted, up to the 60% or 50% level, as applicable, but not to exceed the amount permitted pursuant to the limitations of Code §401(a)(17) at the time of such adjustment. The benefit amount adjustments made under this Section 27.J.7. are not intended to be one-time adjustments; rather, adjustments will continue to be made in the future, for benefits paid thereafter, at the time of future adjustments to the limitations of Code §401(a)(17). This Section 27.J.7. shall apply to all pilots, whether their benefits began before or after the signing of this Agreement.

8. Current LTD provisions concerning the offset for wages earned by a pilot who experiences a disability related seat change or disability related move to a non-pilot position shall remain in effect as provided in the LTD plan document and the PBB.

9. After completion of the LTD's 24-month occupational disability period at 60% of monthly earnings, a pilot shall be eligible to receive occupational disability benefits thereafter at 50% of monthly earnings until he is no longer entitled to disability benefits, as provided in Section 27.J.3. If, after the 24 month period, such pilot continues to be unable to hold a 2nd class medical certificate at any time from the date of his attainment of the regulated age through the date of his 65th birthday, he shall be eligible to receive occupational disability benefits equal to the lesser of (1) 50% of such pilot's projected monthly earnings as a Second Officer, or (2) his occupational disability benefit immediately prior to his attainment of the regulated age. A pilot's projected monthly earnings as a Second Officer shall be determined by multiplying the credit hours used in calculating his Basic Monthly Compensation (as defined in the LTD Plan) by the rate of pay in effect for Second Officers at the time that such pilot attains the regulated age. The "pay rate in effect for Second Officers" shall mean, with respect to any pilot whose benefit is calculated pursuant to this provision, the hourly pay rate in effect on the date that the pilot attains the regulated age for the highest second officer position that the pilot could hold as of the date he attained the regulated age.

10. Pilot disability for mental disorders, as currently defined in the LTD, shall remain at 60 months.

11. Pilot disability for alcohol and substance abuse shall remain at a maximum of 26 weeks.

12. Payment of benefits from the LTD is subject to the Plan's right to reimbursement/subrogation, as described in the reimbursement/subrogation provisions of the Plan and as administered by the Company's agent for all other employees of the Company.

13. An LTD reduction arising out of other employment or self-employment during the term of a pilot's disability shall be applicable to a pilot only after the disability payments plus the outside income earned by the pilot exceed the pilot's pre-disability income. For purposes of this provision, a pilot's pre-disability income shall be measured as the average earnings (Company and outside earned income) over the 12 months immediately preceding the pilots disability.

    For example, a pilot programs software as a side business in addition to flying. He breaks his arm on July 1, 1998, and goes on LTD disability after his sick leave runs out on September 1, 1998. Between July 1, 1997, and July 1, 1998, the pilot made $100,000 as a FedEx pilot and $25,000 in his software business, for a monthly average total of $10,416.66. While on disability, the pilot continues to program software and makes $4,000 per month in addition to drawing a monthly disability of $5,000.00 (for the first 24 months; $4,166 thereafter) from the Company. The $9,000.00 monthly average income is below the $10,416.66 he earned before his disability, so no offset is required. If however, the pilot earned $7,000 per month in the software business, then his total monthly earnings ($12,000.00) would exceed his combined predisability monthly income ($10,416.66) by $1,583.34. In this situation, a monthly disability reduction of 50% of the $1583.34, or $791.67 per month would be required.

14. Disability benefit payments under the LTD shall end as described in the LTD plan document and PBB.

15. LTD benefits shall be reduced by other benefits and income received during the disability period, as described in the LTD plan document and the PBB, except: (i) as provided in Section 27.J.13. (above), and (ii) the amount of a pilot's Social Security Disability Income which shall be offset from his LTD benefits shall be equal to 70% of the Social Security Disability Income payable to the pilot (excluding any amount payable to the pilot on account of any member of the pilot's family).

16. A pilot claiming LTD benefits shall not receive such benefits unless his claim is substantiated by significant objective findings of disability as defined in the LTD plan document and the PBB.

17. A pilot shall be subject to restrictions on recurring disability periods as described in the LTD plan document and the PBB.

18. LTD benefits shall not be paid for a disability caused by an excludable condition listed in the LTD plan document and the PBB.

19. During the period that a pilot is on disability, the pilot shall have access to Company communications systems including PRISM and Company E-mail.

K. Dependent Care Reimbursement Plan

Pilots shall continue to be permitted to participate in the Federal Express Corporation Dependent Care Reimbursement Plan, under the same terms and conditions as other employees of the Company.

L. Health Care Contribution Plan

Pilots shall continue to be permitted to participate in the Federal Express Corporation Health Care Contribution Plan, under the same terms and conditions as other employees of the Company.

M. Health Care Reimbursement Account Plan

Effective as of January 1, 2007, pilots shall be permitted to participate in the Federal Express Corporation Health Care Reimbursement Plan, under the same terms and conditions as other employees of the Company, except that the maximum contribution/reimbursement amount for pilots shall not be less than $3,000, and pilots will be able to use a debit card to access their accounts under the Plan.

N. Long Term Care Plan

Pilots shall continue to be permitted to participate in the Federal Express Corporation Long Term Care Plan, under the same terms and conditions as other employees of the Company.

O. Group Legal Services Plan

Pilots shall continue to be permitted to participate in the Federal Express Corporation Group Legal Services Plan, under the same terms and conditions as other employees of the Company.

P. Metpay

Pilots shall continue to be permitted to participate in the MetPay program, under the same terms and conditions as other employees of the Company.

Q. Pilot Benefit Review Board

1. A Pilot Benefit Review Board shall be established for the Insurance Plans and the Retirement Plans described in Section 28.
2. The Pilot Review Board ("Review Board") shall consist of an equal number of members appointed by the Company and members appointed by the Association. Each party shall appoint up to three members. Vacancies in the membership of the Review Board shall be filled by appointment of the respective parties.
3. The Review Board may convene meetings at its discretion, or whenever a majority of the members of the Review Board make a written request for a meeting at least fourteen days prior to the meeting date.
4. The Review Board may convene meetings in person, by telephone conference, or by other electronic means as mutually agreed upon.
5. Any pilot who seeks review by the Board must make a request in writing no later than 120 days following the date on which a decision is rendered on appeal. The Review Board may, in its discretion, waive the one hundred twenty day period if circumstances warrant, in order to insure a full and fair review of a pilot's claim. A pilot who requests a review by the Review Board shall have at least 30 days from the date of his request to submit any written statement or other documentation for the Review Board's consideration during its review. The Review Board is not required to conduct a formal hearing with respect to the review of any claim presented by a pilot.
6. A majority of the Review Board, sitting without a neutral member, shall constitute a quorum. Each member of the Review Board shall have one vote. In the event that one member is absent from a meeting, such member may give his proxy to another member. Proxies must be in writing.
7. A decision by majority vote shall be final and binding on all parties, and the Review Board shall issue a written decision within 30 days after the vote.
8. In the event of a deadlock vote, the Review Board shall convene a meeting, which shall be chaired by a neutral arbitrator, to render its decision. The neutral arbitrator shall be selected from a panel of arbitrators designated jointly by the Company and the Association. Such panel shall be comprised of members of the National Academy of Arbitrators and experienced in both airline arbitration and pension or other relevant employee benefit issues. A decision by majority vote shall be final and binding on all parties, and the Review Board shall issue a written decision within 30 days after the vote.

9. Should vacancies occur on the panel of neutral arbitrators, the parties shall attempt to agree on a replacement within 30 days after the vacancy occurs. If the parties are unable to agree on a replacement, the vacancy shall remain unfilled unless there are too few arbitrators to preside over required meetings, in which case the parties may select an arbitrator by the alternative strike method from a list of arbitrators provided by the National Mediation Board who are members of the National Academy of Arbitrators to preside over scheduled meetings on an ad hoc basis.

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Pilot BlueCard Plan

Provided through Wellpoint/BCBS

1. MEDICAL AND PHARMACY BENEFITS

BENEFIT	Buy Up Option		Base Option	
	Network Provider	Non-Network Provider	Network Provider	Non-Network Provider
Coinsurance	100%	70% after deductible	90% after deductible	70% after deductible
Deductible (applies to all coinsurance except Pharmacy)	No annual deductible	• $250 per individual • $750 family	• $250 per individual • $750 family	• $250 per individual • $750 family
Maximum Out-of-Pocket (includes Deductible)	N/A except California (subject to change by California Mandates, if applicable): • $1,150 per individual • $3,450 family All copayments apply to California out-of-	• $3,250 per individual • $9,750 family	• $2,000 per individual • $6,000 family	• $3,250 per individual • $9,750 family
PCP Office Visit	$20 Primary Care copay (Internal Medicine, Pediatrician, General Practice, Family Practice)	70% after deductible	$20 Primary Care copay (Internal Medicine, Pediatrician, General Practice, Family Practice)	70% after deductible
Specialist Office Visit	$40 copay	70% after deductible	$40 copay	70% after deductible
Preventive Services	100% (based on vendor standard guidelines)	70% after deductible	100% (based on vendor standard guidelines)	70% after deductible

BENEFIT	Buy Up Option		Base Option	
	Network Provider	Non-Network Provider	Network Provider	Non-Network Provider
Lab and X-ray	100% If services performed in physician office, may be subject to office visit payment.	70% after deductible	90% after deductible If services performed in physician office, may be subject to office visit payment.	70% after deductible
Chiropractic Services ($1,750 annual maximum benefit)	$20 copay each visit	70% after deductible	90% after deductible	70% after deductible
Physical Therapy, Speech Therapy, Occupational Therapy	Inpatient: 100% coverage Outpatient: $20 copay	70% after deductible	Inpatient: 90% after deductible Outpatient: $20 copay	70% after deductible
Inpatient Hospital Services	$150 copay, then 100%	$150 copay, then 70% after deductible	$150 copay, then 90% after deductible	$150 copay, then 70% after deductible
Maternity Office Visits	$20 copay @ 1st visit; then 100%	70% after deductible	$20 copay each visit	70% after deductible
Outpatient Surgery Copayment	$50 copay then 100%	$50 copay then 70% after deductible	$50 copay then 90% after deductible	$50 then 70% after deductible
Emergency Services	• $75 copay (waived if admitted) then 100% in an emergency • If not a true emergency, services are covered at the out-of-network level (70% after deductible) • Ambulance: 100%	• $75 copay (waived if admitted) then 100% in an emergency • If not a true emergency, services are covered at the out-of-network level (70% after deductible) • Ambulance: Covered at the in-network level if an emergency. If not a true emergency, 70% after deductible	• $75 copay (waived if admitted) then 90% after deductible in an emergency • If not a true emergency, services are covered at the out-of-network level (70% after deductible) • Ambulance: 90% after deductible	• $75 copay (waived if admitted) then 90% after deductible if an emergency • If not a true emergency, services are covered at the out-of-network level (70% after deductible) • Ambulance: Covered at the in-network level if an emergency. If not a true emergency, 70% after deductible
Urgent Care Facility	$35 copay then 100%	$35 copay then 70% after deductible	$35 copay then 90% after deductible	$35 copay then 70% after deductible

BENEFIT	Buy Up Option		Base Option	
	Network Provider	Non-Network Provider	Network Provider	Non-Network Provider
Skilled Nursing Facility	100%	70% after deductible	90% after deductible	70% after deductible
In-Patient Rehabilitation	100%	70% after deductible	90% after deductible	70% after deductible
Home Health Care Services	100%	70% after deductible	90% after deductible	70% after deductible
Hospice	100%	70% after deductible	90% after deductible	70% after deductible
Durable Medical Equipment (DME)/ External Prosthetic Devices	100%	70% after deductible	90% after deductible	70% after deductible
Pharmacy: Retail	$7.50/$35/$55 (Covered individual pays the cost of the drug if less than the copayment.)	50% (In no case can the 50% insurance be less than what would have been paid in-network.)	$10/$25/$50; may be increased by the Company up to $4 annually for second and third tiers (Covered individual pays the cost of the drug if less than the copayment.)	50% (In no case can the 50% insurance be less than what would have been paid in-network.)
Pharmacy: Mail Order	$7.50/$65/$115	Not covered	$10/$60/$110; may be increased by the Company up to $2 annually for second and third tiers	Not covered
Mental Health	90% (must be preauthorized)	50% (must be preauthorized)	90% (must be preauthorized)	50% (must be preauthorized)
Substance Abuse ($50,000 lifetime benefit maximum)	90% (must be preauthorized)	50% (must be preauthorized)	90% (must be preauthorized)	50% (must be preauthorized)
Employee Assistance Program (EAP)	100% up to 8 visits; must be preauthorized	0%	100% up to 8 visits; must be preauthorized	0%

BENEFIT	Buy Up Option		Base Option	
	Network Provider	Non-Network Provider	Network Provider	Non-Network Provider
(available to covered pilot and any person living in household)				

2. DENTAL BENEFITS

BENEFIT	Buy Up Option	Base Option
Dental Benefit Deductibles	\$50/\$100	\$100/\$300
Dental Services (\$2,750 annual benefit limit; \$30,000 lifetime benefit limit)	Class I (Preventive) Services: 90% • dental x-rays, • sealants (permanent molars only), • preventive care (first two checkups in calendar year are not subject to deductible) Class II Services: 80% • Restorations (fillings), including amalgam, silicate, plastic and composite restoration • Endodontics • Oral Surgery • Extractions • Other services Class III Services: 80% • Crowns and/or replacement crowns when medically necessary Class IV Services: 50% • Orthodontics • Full or partial denture or bridgework if replaces natural teeth extracted while individual is covered or if replaces another denture or bridge that is at least five years old when individual has been covered under the plan for at least six months	Class I (Preventive) Services: 80% • dental x-rays, • sealants (permanent molars only), • preventive care (first two checkups in calendar year are not subject to deductible) Class II Services: 80% • Restorations (fillings), including amalgam, silicate, plastic and composite restoration • Endodontics • Oral Surgery • Extractions • Other services Class III Services: 75% • Crowns and/or replacement crowns when medically necessary Class IV Services: 50% • Orthodontics • Full or partial denture or bridgework if replaces natural teeth extracted while individual is covered or if replaces another denture or bridge that is at least five years old when individual has been covered under the plan for at least six months

3. VISION BENEFITS

BENEFIT	Network Provider	Non-Network Provider
Vision Benefit:		
• Preventive Services (one routine eye exam, including dilation when indicated by provider, once every 12 months)	• 100%	• Up to $50 reimbursed
• One pair of frames every 24 months	• 100% coverage up to $115 after $15 copay	• Up to $120 reimbursed
• One pair of standard glass, plastic or safety lenses every 12 months (single vision, bifocals, trifocals, and lenticular lenses)	• 100% after $15 copay	• Single vision: up to $35 reimbursed; Bifocal: up to $50 reimbursed; Trifocal: up to $65 reimbursed; Lenticular: up to $90 reimbursed
• Contact lenses every 12 months (based on vendor's guidelines)	• 100% coverage up to $110	• Up to $135 reimbursed for exam, fitting, follow-up and materials; up to $55 reimbursed for materials only

Notes:

1. All medical and mental health services are subject to $3,000,000 lifetime maximum benefit and determination of medical necessity based on vendor's guidelines.
2. Medical out-of-network covered charges are limited to 90th percentile Reasonable and Customary (R&C). A covered individual who is out-of-network is responsible for any balance above R&C.
3. Members shall have the ability to self-refer to any in-network provider (including any medical specialist) without any penalty or reduction in benefits.
4. Preventive care benefit is subject to vendor's standard guidelines.
5. Subject to vendor capabilities, the member is not responsible for obtaining preauthorization for any in-network services, with the exception of mental health, substance abuse and EAP services. The member is responsible for obtaining out-of-network preauthorization for in-patient hospital services, outpatient surgery, skilled nursing facility services, in-patient rehabilitation services, home health services, hospice, mental health and substance abuse services. While on Company business (domestic and international), pilots are covered under in-network provisions for all urgent or emergency benefits.

6. If not on Company business, while outside of the United States, members are covered under in-network provisions and out-of-network provisions the same as if they were in the United States.
7. Dental and vision benefits are unbundled from medical/mental health/substance abuse/EAP. Pilots may (i) opt out of dental and/or vision coverage, or (ii) elect dental and/or vision coverage for themselves and eligible dependents.
8. Dental and vision services subject to vendor's guidelines. Covered individuals may not receive benefits for spectacle lenses and contact lenses during the same 12-month period.
9. Vision benefit: Lens options include: oversized, PGX (sun-sensitive glass), progressive addition multifocal, blended bifocal, polycarbonate, solid, gradient, or sun-tinted plastic, UV and scratch-resistant coatings, quadrifocal (safety glasses only), full-spectrum, faceted, ski-type, low-power aspheric, and intermediate. Conventional bifocals will be supplied for anyone who is unable to adapt to progressive addition multifocal lenses up to 60 days from the date the eyewear is dispensed.
10. Vision benefit: Covered individual may choose from vendor's collection of standard soft daily wear, planned replacement and disposable lenses or 100% coverage up to $110, which includes lenses, care kit for proper cleaning and sterilization, and related expenses (e.g., fitting fee). Contact lenses are dispensed subject to vendor's requirements, including but not limited to separate fitting exam and follow-up care from the routine eye exam for new (to the provider or first time) wearers. First time wearers must pay $10 fee toward the cost of professional fitting.
11. In-network buy-up option in California is subject to the California rules for buy-up plans.
12. Covered non-network dental charges are limited to 90th percentile R&C.
13. Should the co-pays not be increased to the maximum allowed for a particular calendar year for the prescription drug benefit, the balance shall not carryover to the next year but be limited to the remaining increases allotted for each subsequent year.

High Deductible Option

Estimated Initial Contribution:

$85 retiree, $85 spouse, $25 child/children

Estimated Annual Increase: $30-$45/yr.

	In-Network	**Out-of-Network**
Deductible	$500/$1,500	$1,000/$3,000
Out-of-Pocket Maximum (including deductible)	$3,000/$9,000 (no copayments & no prescription drug copayments/coinsurances apply to the out-of-pocket maximum)	$5,000/$15,000
Office Visits	$70 copayment PCP/$100 Specialist	60% after deductible
Preventive Care	$70 copayment	Not covered
Inpatient Hospital	80% after deductible	60% after deductible
Outpatient Surgery	$250 copayment, then 80% coverage after deductible	60% after deductible
Emergency Room	$150 copayment, then 80% after deductible	60% after deductible
Urgent Care Facility	$70 copayment, then 80% coverage after deductible	60% after deductible
Diagnostic	$250 copayment, then 80% coverage after deductible	60% after deductible
Lab/X-ray	$250 copayment, then 80% coverage after deductible	60% after deductible
SNF	$250 copayment, then 80% coverage after deductible	60% after deductible
Prescription Drug Retail	Mandatory Generic: $10Preferred Brand: 50% ($50/Minimum; $150/Maximum) Non-Preferred Brand: 50% ($75/Minimum; $175/ Maximum)	50% coverage
Prescription Drug Mail Order	Mandatory Generic: $10 Preferred Brand: 50%	No coverage

	($100/Minimum; $300/Maximum) Non-Preferred Brand: 50% ($150/Minimum; $350/Maximum)	