



## **DELTA DISABLED PILOTS AND SURVIVORS ASSOCIATION**

P.O. Box 5955,  
Vacaville, CA 95696

[www.ddpsa.org](http://www.ddpsa.org)

June 29, 2023

### **FINANCIAL STATUS OF THE D&S PLAN**

The required Summary Annual Report on the Delta Pilots Disability & Survivorship Plan ("D&S Plan") dated June 15, 2023, was mailed to plan participants. A detailed review by some of our members of the disturbing financial status of the D&S Plan resulted in a multitude of inquiries. This News Release is intended to allay some of your immediate fears as well as to make you aware of potential problems.

According to the report, as of June 30, 2022, the value of Plan assets decreased substantially to \$201,631,618. (Note that this report, which comes almost a full year following the end of the Plan's fiscal Year, is in compliance with ERISA regulations). During this plan year ending on June 30, 2022, over \$249 million was paid out in benefits and insurance premiums. Assuming benefit payments in the current plan year are approximately the same as in the previous year, it does not take a rocket scientist to figure out that the Plan now has minimal, if any, assets.

What happens next? The "Short Answer" is that Benefits should continue to be paid. You may have noticed that the Summary Annual Report includes the following statement: "Delta Air Lines, Inc. has committed itself to pay certain disability and survivorship claims incurred under the Plan." By way of background, during Delta's bankruptcy proceedings, the D&S Plan was amended to include the following provision:

"10.05 Source of Benefit Payments: (a) Sources for benefit payments include the Benefit Fund, any insurance policies owned by the Benefit Fund and contributions made directly to the Plan by an Employing Company. Each Employing Company is obligated to make contributions to the Plan in an amount sufficient to allow the Plan to make all benefit payments." For clarification "Employing Company" essentially means Delta Air Lines.

Can Delta unilaterally change the provisions of the D&S Plan? No. Although D&S Plan states that Delta has the right to discontinue the Plan, amend the Plan or suspend contributions, the Pilot Working Agreement specifies that the Plan will not be amended, changed, varied, modified or voluntarily discontinued except as agreed by ALPA. In a non-bankruptcy situation, in our view, it is unlikely that ALPA would agree to modification or termination of retiree or survivorship benefits.

What are some potential problems here? The first problem relates to the variable portion of D&S Plan benefits. You may recall that benefit payments from the D&S Plan Trust are "1/2 Fixed; 1/2 Variable." The Variable Half can go up or down each year (but not lower than the starting amount) based on a complex formula that essentially looks at the prior five years investment returns. The lack of assets in the D&S Trust, will have a negative long term impact on the variable benefit. In the current year, many beneficiaries of the D&S Plan experienced an unusually large reduction of approximately 6.9% in their variable benefit. Future decreases could reasonably be expected if there are no funds to invest to produce returns, absent some change in the methodology. However, it currently appears that Delta and ALPA are discussing a method for meeting the plan provisions relating to the variable portion of D&S Plan benefits. How that plays out remains to be seen.

Another potential problem could arise if Delta declares bankruptcy at some point in the future. We believe that the D&S Plan survived the previous bankruptcy for the following two reasons: (1) the Plan was very well funded at that time making it capable of paying benefits and (2) the Exclusive Benefit Rule, stated in the Plan, reserved the funds ONLY for the payment of benefits to plan participants and beneficiaries, and for Plan administrative expenses. Looking ahead, in any future bankruptcy proceedings, without significant assets in the Trust Fund, the D&S Plan could potentially be considered for termination. Currently, Delta's robust earnings make it difficult to envision the potential of a future bankruptcy. However, in year 2000, the likelihood of a future Delta bankruptcy filing also appeared to be very remote. While we do not consider bankruptcy to be a likely possibility, the risk is arguably greater than zero.

DDPSA will diligently continue our mission to monitor the Delta Pilots Disability & Survivorship Plan, and the payment of benefits. We currently are exploring possible actions intended to enhance the security of D&S Plan benefits.

Thank you for your continuing support of our volunteer efforts on your behalf.