

TO: DDPSA Members

FROM: Ev Gost, DDPSA Chairman

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TITLE: WHAT HAPPENS IF THE D&S TRUST RUNS OUT OF FUNDS?

Let me start with a little background about the Delta Pilots Disability and Survivorship (D&S) Plan. The D&S Plan was established in 1972 to provide disability benefits for disabled Delta pilots and survivorship benefits for eligible survivors of deceased Delta pilots. Delta established the D&S Trust from which all D&S Plan benefits were to be paid.

During the Delta bankruptcy, the D&S Plan was amended to add Delta as a secondary source of D&S Plan benefits payment. Therefore, it appears that Delta will have to pay D&S Plan benefits if the D&S Trust runs out of money. The caveat is that the D&S Plan includes a provision that allows Delta to amend or discontinue the Plan.

You may take comfort in Delta's repeatedly stated intentions to maintain the D&S Plan indefinitely. For example, Rob Kight, Delta Vice President of Benefits, in an open letter to the Board of Directors of the Delta Air Lines Retirement Committee (DALRC) dated March 5, 2008, made the following statements about D&S Plan benefits:

"The facts are that Delta did not change any of the benefits provided to retirees and survivors under the D&S Plans during our bankruptcy—the most financially bleak period in our history.... We have repeatedly said that we have no intention of changing these benefits in the future whether or not the trust that pays them has excess assets."

I do not doubt Delta's good intentions. However, Delta also had good intentions about indefinitely maintaining the Delta Pilots Retirement Plan which was terminated and turned over to the PBGC during the bankruptcy proceedings. Therefore, let's consider the possibility that an unforeseen financial crisis arises and Delta feels

compelled to exercise its right to amend or discontinue the D&S Plan. In that scenario, Delta must seek ALPA's approval because the Pilot Working Agreement (Contract) restricts Delta's ability to amend the D&S Plan.

Most likely ALPA will not agree to the discontinuance of the D&S Plan because there are almost 12,000 active pilots who have life insurance benefits as well as potential disability benefits under the Plan. I do not believe that ALPA is inclined to agree to changes in retiree benefits under the D&S Plan because the current ALPA leadership appears committed to protecting such benefits. However, retired Delta pilots who suffered significant financial losses as a result of the Delta bankruptcy may question what will happen to their D&S Plan benefits if Delta's financial condition deteriorates or in the unlikely event that ALPA no longer is the bargaining agent for Delta pilots.

In summary, the best conditional answer to the question of what happens if the D&S Trust runs out of funds is that D&S Plan benefits should continue to be paid by Delta Air Lines. This answer is based upon the assumptions that (1) Delta's good intentions remain intact and/or (2) ALPA remains as the collective bargaining agent and refuses to approve changes to the Plan that would be detrimental to retiree benefits. If you have concerns about the fulfillment of (1) or (2) above, you certainly should be a supporter of DDPSA. We will be sending out statements soon requesting contributions that will allow us to continue our work on your behalf.

The bottom line is that the best protection of D&S Plan benefits is a healthy D&S Trust with sufficient assets to pay all future Plan benefit obligations. Unfortunately, the latest available financial information about the D&S Plan indicated that D&S Trust assets were sufficient to pay approximately 47% of Plan benefit obligations.

Is there anything that can be done to encourage Delta to increase contributions to the D&S Trust? That will be the topic of a future article.