



DELTA DISABLED PILOTS AND SURVIVORS ASSOCIATION

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Judge rules in favor of retired union members in American Airlines case

A recent ruling in a case involving American Airlines retired personnel may be good news for beneficiaries of the Delta Pilots Disability and Survivorship (D&S) Plan. Judge Lane denied American Airlines request for a summary judgment that would have allowed American to shift the burden of health care premiums to retired former union members. Although American Airlines may pursue this issue through trial proceedings, the ruling by Judge Lane appears to be favorable for retirees who worked under a Collective Bargaining Agreement (CBA).

The salient parts of Judge Lane's ruling are as follows:

1. The judge considered the question of whether promises made to provide the benefits had been promised in way that they were vested and couldn't be unilaterally changed.

He explained in his ruling that, "The Plaintiffs [American, parent AMR and other relative companies] contend that none of the operative documents can be read as a promise to provide benefits for life and that the documents reserve the right to modify the benefits."

However, his decision stated, "The Court denies the Motion because the relevant documents contain language reasonably susceptible to interpretation as a promise to vest benefits and lack language categorically reserving the Plaintiffs' right to terminate their contributions to the retiree benefits."

2. Judge Lane weighed American's position that the summary documents for the benefit plans gave it flexibility to change the plans, versus the retirees' position that he had to look at the collective bargaining agreements between American Airlines and its unions.

After weighing the arguments and precedent, Lane wrote that "the court rejects Plaintiffs' argument that the CBAs should not be considered in assessing whether benefits have vested for the retirees."

American Airlines had argued that commitments to retirees provided in union contracts changed when the contracts changed. But Lane ruled that the collective bargaining agreement in place at the time of the employee's retirement governed that retiree's benefits, not any subsequent labor contracts approved after the person retired.

3. Even though Judge Lane opined that there is "no authority establishing that the Railway Labor Act automatically vests retiree benefits, regardless of the terms of the relevant documents," he added the following comment relating to Allied Pilots Association retirees (Defendant in this case): "The Defendant points to various language in the documents that make up the CBAs as being reasonably susceptible to interpretation as a promise to vest benefits. The Court agrees that these can be reasonably interpreted as a promise for lifetime benefits."

Why is Judge Lane's decision important to DDPSA members? There are strong parallels between the position of the American Airlines retired pilots in this case and the position of retired

participants and beneficiaries of the Delta Pilots D&S Plan. First, Delta retired pilots had worked under a collective bargaining agreement where plan benefits had been negotiated. Secondly, there appears to be relevant documentation and communications from Delta that is susceptible to reasonable interpretation as a promise for lifetime benefits. Thirdly, Delta did not alter retiree D&S Plan benefits under Section 1114 proceedings in the Delta bankruptcy.

It must be recognized that this recent ruling does not solidify the long term security of Delta Pilots D&S Plan benefits. American Airlines may challenge this ruling by filing for trial proceedings. The eventual outcome of this case is not predictable, but at this point in time, the decision looks favorable.

It is important to note that a retiree committee was essential in defending against the attempt of American Airlines to modify retiree benefits. If Delta at some future date moves to amend or terminate retiree D&S Plan benefits, it will be important for an organization such as DDPSA to be capable of challenging any such attempt.

Although the foregoing information is believed to be accurate, no warranties are made or implied as to its accuracy.