



DELTA DISABLED PILOTS AND SURVIVORS ASSOCIATION

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March 1, 2014

FREQUENTLY ASKED QUESTIONS ABOUT THE SOCIAL SECURITY OFFSET TO LONG TERM DISABILITY (LTD) BENEFITS

UPDATE ON THE CORRECTION TO THE IMPROPER SOCIAL SECURITY OFFSET TO LTD BENEFITS

A. Why did Delta make corrections to LTD benefits on January 31st and reverse those corrections on February 28th?

The January 31st correction was intended to correct the monthly benefit going forward. Unfortunately, the calculation of the correction was not accurate in many cases. Delta decided to reverse that correction to avoid compounding errors in the retro payment. Although further delays are frustrating, it is better to wait for an accurate correction than to be subjected to repayment to the D&S Plan at some time in the future. Anyone who has made repayment to the D&S Plan understands the complex income tax ramification relating to such repayment.

B. How can Delta make accurate determinations of the correction?

In order to make accurate corrections to LTD benefits for the social security offset, Delta will need to verify the amount of the social security offset that the PBGC is applying to benefits. We are awaiting further instructions on how Delta intends to obtain the necessary information. In the meantime, DDPSA is establishing a method for our members to be able to forward relevant information in order to expedite processing of the correction.

C. If I submitted PBGC documentation to Delta, why can't that information be used to correct my benefit?

It appears that Delta cannot find the PBGC documentation that has been submitted previously. Consequently, Delta may require pilots to resubmit the documentation.

D. How can DDPSA help?

DDPSA is establishing a pipeline for our members that should expedite the processing of the correction. An email, which is being sent to our members, explains the process.

1. Does the Delta Pilots Disability and Survivorship (D&S) Plan specify a Social Security Offset to LTD benefits?

No. Although the Delta Pilots Retirement Plan (DPRP) specified a Social Security Offset to the retirement benefits of most retired Delta pilots, the D&S Plan does not contain a Social Security Offset to either disability or survivor benefits.

2. Why did Delta apply a Social Security Offset to LTD benefits?

It appears that the improper application of a Social Security Offset to LTD benefits was an unintended oversight in administering the D&S Plan. When pilots retired from Delta under the 60% FAE formula benefit, a nominal Social Security Offset was automatically applied to their retirement benefits upon reaching age 65 (it was applied earlier if the pilot commenced receiving “old age” Social Security benefits before age 65). When this nominal Social Security Offset reduced the retirement benefit, the reduced amount of the retirement benefit (after the Social Security Offset was applied) should have been the appropriate reduction to LTD benefits. However, Delta did not administer the D&S Plan in this manner.

3. Who raised this issue with Delta?

The current DDPSA Chairman raised this issue with Delta on March 2, 2011 with a request for the correction to his benefit and to the benefits of all impacted pilots. Delta denied his request for a benefit correction and refused to recognize him as a representative of other pilots.

4. What was the process in getting Delta to correct the improper application of a Social Security offset to LTD benefits?

In accordance with specified procedures and with the support of ALPA, an appeal was filed with the Administrative Subcommittee on September 27, 2011. The Administrative Subcommittee elected to escalate the appeal to the Administrative Committee. The Administrative Committee, in a letter dated June 15, 2012, denied the appeal. With the assistance of the highly qualified DDPSA attorney, a subsequent appeal was filed to the Benefits Review Board (BRB) on October 11, 2012. The BRB hearing convened on May 15, 2013. A decision was rendered by the BRB on September 12, 2013, which reversed the decision of the Administrative Committee. The letter explaining the BRB decision indicated that the LTD benefits of the appellant would be corrected, but it did not address the correction of benefits of other similarly impacted pilots.

5. Why did DDPSA request its members to authorize DDPSA as their representative in filing claims for a correction of their LTD benefits?

Following receipt of the BRB decision, the DDPSA attorney was consulted about means of ensuring that our members receive appropriate corrections to their LTD benefits. One possibility was to have individual members sign retainer agreements with her law firm. An alternative was for DDPSA members to authorize DDPSA to act as their representative in filing claims and appeals with Delta. We chose the latter, more cost effective strategy. Accordingly, authorization forms were sent to DDPSA members.

Through recent communications with Delta, we have been informed that LTD accounts will be corrected. The authorization forms still may be essential in ensuring that all of our members receive the appropriate corrections to LTD benefits.

6. Were other appeals filed with the Administrative Committee?

Yes. In one case, a pilot initially had a zero benefit from the PBGC. When his PBGC benefit subsequently was increased to \$250 per month, his LTD benefit was reduced by \$265. The additional \$15 reduction represented the improper Social Security Offset that was applied to his LTD benefit. This pilot filed an appeal in accordance

with specified procedures. In October 2013, he was informed that each appeal would be considered on a case by case basis. Although we anticipate that the recent communication from Delta will resolve his case, he still has not received notification from Delta.

7. Did all pilots receiving LTD benefits have a Social Security Offset improperly applied to their LTD benefits?

No. Pilots who were not impacted by the improper reduction of a Social Security Offset to LTD benefits will not receive a correction. These pilots include:

- a. Pilots who were hired by Delta before February 1, 1972, and who retired under the minimum benefit formula.**
- b. Former Northeast pilots who retired under the minimum benefit formula.**
- c. Pilots under age 65 who have not yet commenced receiving “old age” social security benefits—however, such pilots will benefit from the DDPSA action when they reach age 65.**
- d. Pilots who have not yet begun drawing benefits from the PBGC—however, such pilots will benefit from the DDPSA action when they commence receiving PBGC benefits.**
- e. Pilots with a zero PBGC benefit.**
- f. Pilots whose retirement benefit completely offset the LTD benefit.**

8. Will all survivors of deceased LTD pilots receive the correction?

The correction will apply only to survivors of deceased LTD pilots who had retired or had commenced receiving benefits from the PBGC and who died after age 65 (or after commencing the receipt of “old age” social security benefits if such benefits were commenced between ages 62 and 65).

9. What is the best method of ensuring that LTD pilots and survivors receive the appropriate correction to LTD benefits?

Maintaining contact with DDPSA is the most effective means of ensuring accurate and appropriate corrections to LTD benefits. DDPSA requests that pilots and survivors contact us when they receive the correction to their benefits.

10. How will the correction of benefits be administered if pilots owe money to the D&S Plan for previous overpayment of benefits?

If a pilot still has an amount that has to be repaid to the D&S Plan, the retro payment will be applied towards that amount. If the retro payment amount exceeds the balance owed to the D&S Plan, the pilot will receive the amount of the excess.

11. When should impacted LTD pilots and survivors of deceased LTD pilots expect to receive the correction?

The adjustment to benefits going forward could occur as early as January 31, 2014. The retro payment probably will take longer to calculate and process.

12. Why has DDPSA been encouraging pilots to contribute to DDPSA?

DDPSA is the only organization that focuses on protecting D&S Plan benefits. We do not have any paid employees and we operate with minimal administrative

expenses. However, having a qualified and capable attorney is essential to achieving our goals. We incurred legal expenses in winning the victory on the Social Security Offset. It seems appropriate for the pilots who will benefit from the correction to LTD benefits to provide financial support to DDPSA.

We have asked disabled pilots to contribute more than survivors and normally retired pilots (who have potential survivors) because disabled pilots typically have both LTD and potential survivor benefits under the D&S Plan.