



DELTA DISABLED PILOTS AND SURVIVORS ASSOCIATION

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UPDATE ON CORRECTION OF SOCIAL SECURITY OFFSET

This is another update on the social security offset issue. There still appears to be a lot of confusion in getting a final resolution to the social security offset to LTD benefits. This message will address some of the questions that have arisen.

1. Why has correction of the improper social security offset to LTD benefits taken so long?

The correction of LTD benefits is not a simple process because every benefit calculation is somewhat unique. The initial LTD benefit, which is based upon the pilot's final average earnings (FAE), is adjusted over time for increases in the variable portion of that benefit. Reductions are made to the LTD benefit on a dollar for dollar basis by the amount of Delta retirement benefits paid to the pilot. This reduction or offset is a combination of benefits paid from the Delta Pilots Retirement Plan (DPRP) as a lump sum distribution, money purchase pension plan distribution and monthly annuity payments (now paid by the PBGC).

When the DPRP was terminated and turned over to the PBGC, a complex calculation became even more complex. Anyone who has attempted to decipher a PBGC benefit calculation should have sympathy with the individuals assigned to calculate offsets to LTD benefits.

In the initial attempt to correct the social security offset to LTD benefits, Delta made errors. Unfortunately, additional errors have been uncovered in the ongoing correction process. Hopefully Delta eventually will complete the correction process with accurate results.

2. Have some pilots received a correction for a social security offset that was improperly applied to their LTD benefits?

Yes, some pilots have been notified that their LTD benefits are being corrected and that they will receive a retro check.

3. Why have some pilots been informed that a correction to their LTD benefit is not required?

Delta appears to have been inconsistent in applying the social security offset to LTD benefits. In some cases, a social security offset was applied; in other cases, it was not applied. The complexity of PBGC documentation may have contributed to this inconsistency. If a social security offset was not applied to a pilot's LTD benefits, a correction is not warranted.

Unfortunately, errors have been uncovered in Delta's recent review. Two pilots, who were informed that corrections to their benefits were not warranted, now are being informed that they will receive a correction. In both of these cases, the pilots reached age 65 before the Delta Pilots Retirement Plan was terminated. If you receive notification that a correction of your LTD account is not necessary, you may want to request a review of your LTD account extending back to your disabling event date.

4. Should pilots who reached age 65 prior to October 2006, be entitled to a correction of the social security offset to LTD benefits even if Delta has notified them that a correction is not warranted?

Yes. Prior to termination of the Delta Pilots Retirement Plan (DPRP), Delta appears to have been consistent in denying pilots an increase in LTD benefit payments when a social security offset was applied to their DPRP benefits. Consequently, pilots in this category should be entitled to receive a correction for any social security offsets that improperly were applied to their LTD benefits prior to October 2006 even if the post-October 2006 benefit payment was accurate.

Delta's current review of accounts extends only back to October 2006. LTD pilots who reached age 65 prior to that month may want to request a review of their LTD accounts dating back to their 65th birthday.

5. Why have some pilots been informed that they owe money to the D&S Plan?

The amount of the benefit paid by the PBGC serves as an offset to LTD benefits. When Delta turned the retirement plan over to the PBGC, an estimate was made of the appropriate offset to LTD benefits. Subsequent increases in payments from the PBGC should have been accompanied with a corresponding decrease in the LTD benefit payment. If a pilot failed to comply with Delta's request to keep Delta informed of increases in PBGC benefits, the pilot was over paid from the D&S Plan. Those excess payments must now be repaid to the D&S Plan. The correction for the social security offset reduces the amount that must be repaid.

If a pilot is informed that he owes money to the D&S Plan, he certainly should want to verify that Delta's calculations are correct. It seems reasonable to request a review of the LTD account going back to the original calculation of the disability benefit and changes to that benefit going forward. The information that Delta is supplying to pilots goes back only to October 2006. Some pilots have discovered errors that were introduced before that date.

6. If the social security offset issue had not arisen, would over payments from the D&S Plan have gone unnoticed?

It is fair to assume that Delta eventually would have received correct information about PBGC benefit payments and requested repayment of excess payments that had been made to pilots. The magnitude of the required repayment would have grown over time.

7. Have errors been detected in recent benefit information sent by Delta to pilots?

Yes, there have been some significant errors. In one case a pilot appears to be owed well over \$100,000 from the D&S Plan. The original calculation of his LTD benefit does not appear to be accurate and a large error subsequently was introduced into the offsets to his LTD benefits.

DDPSA is in the process of writing instructions on how you can check the accuracy of Delta's calculation of your disability benefit. Those instructions will be emailed to our members.

If you suspect that there are errors in your account, you may want to request that Delta provide a complete review of your LTD account including details of the original LTD benefit calculation, offsets to LTD benefit that were applied at the date of retirement and adjustments that have occurred over time.