

## PRESENTATION AT WALLYBIRD LUNCHEON—JANUARY 19, 2012

John Erickson, DDPSA Chairman provided some opening remarks explaining that DDPSA is the only organization whose primary function is to protect the assets of the D&S Trust and benefits under the D&S Plan.

Ev Gost, DDPSA Vice Chairman, gave a presentation and answered questions. A summary of Ev's presentation is indicated below.

### I. Brief overview of Survivor Benefits under the Delta Pilots Disability and Survivorship (D&S) Plan

- The D&S Plan was established in 1972 as part of a replacement plan for the previous pension plan.
- For pilots who retired before Jan 1, 2008, there is a monthly income survivor benefit under the D&S Plan that generally is based upon a percentage of FAE, Delta service and number of eligible survivors. A variable feature on one-half of the benefit can increase the amount of the benefit over time. In order to be eligible for the monthly income survivor benefit, the spouse must have been married to the pilot for at least 12 months prior to the pilot's retirement or disabling event date and remain married to the pilot until the date of the pilot's death. The D&S Plan survivor benefit is distinct from and in addition to any joint life survivorship benefit that may have been elected from the Delta Pilots Retirement Plan (now payable by the PBGC).
- If you elected the lump sum distribution from the retirement plan, a rough estimate of the monthly survivor's benefit from the D&S Plan is the amount you were receiving in retirement benefits (qualified and non-qualified) from Delta prior to termination of the pension plans.
- You can obtain a more accurate estimate of your survivor's monthly income benefit by making a request through the ESC (1-800-MY-DELTA) or by going to the DDPSA website at [www.ddpsa.org](http://www.ddpsa.org) clicking on the survivor section, clicking on survivor benefits worksheet and the entering the appropriate

figures. Historically the estimates obtained from this worksheet have been very close to the written estimates provided by Delta.

II. FREQUENTLY ASKED QUESTIONS RELATING TO WHETHER OR NOT THE D&S PLAN SURVIVOR’S BENEFIT WILL BE THERE WHEN MY SURVIVOR NEEDS IT.

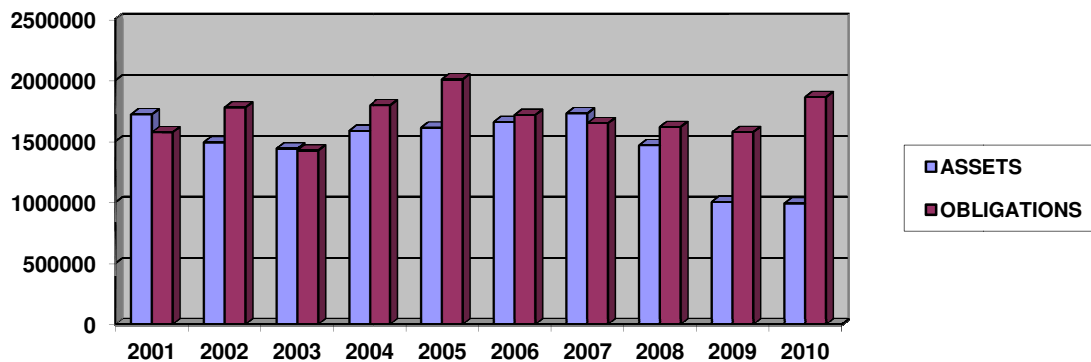
1. [What is the primary source of payment of D&S Plan benefits?](#) The Delta Pilots D&S Trust currently makes the payment of D&S Plan benefit.
2. [How do the assets of the D&S Trust compare with the D&S Plan Benefit Obligations?](#) For reference, see the table and graph below.

**D&S PLAN FINANCIAL DATA 2001-2010** (Plan years ending June 30<sup>th</sup>)

YEAR	PLAN ASSETS	BENEFIT OBLIGATION	ASSUMED INT. RATE	EXPENDITURES	# OF PLAN PARTICIPANTS
2001	\$1,719,570,000	\$1,573,165,000	7.50	\$97,302,000	
2002	\$1,490,669,000	\$1,776,798,000	7.25	\$88,331,000	13,148
2003	\$1,439,930,000	\$1,424,776,000	8.00		13,431
2004	\$1,585,915,000	\$1,793,769,000	6.25	\$95,105,000	13,254
2005	\$1,610,728,000	\$2,006,791,000	5.125		12,385
2006	\$1,656,846,000	\$1,715,266,000	6.125	\$109,402,000	12,313
2007	\$1,727,497,000	\$1,647,618,000	6.25	\$215,260,000 <sup>1</sup>	12,232
2008	\$1,465,766,000	\$1,616,836,000	6.75	\$184,589,000	12,688
2009	\$1,002,822,000	\$1,575,066,000	6.375	\$186,306,000	17,404 <sup>2</sup>
2010	\$ 989,723,000	\$1,861,164,000	5.125	\$183,412,000	17,002
2011	Not available	Not available			

<sup>1</sup> On May 31, 2006, the bankruptcy court approved an agreement to authorize the expenditure of \$60 million for pilot sick leave during calendar year 2006 and \$60 million every year thereafter. The expenditures for the Plan Year July 1, 2006-June 30, 2007 appear to reflect almost 2 years worth of expenditures on pilot sick leave.

<sup>2</sup> The increase in plan participants is a result of the merger with Northwest Airlines.



Comments about the table and bar graph:

- The assets of the Plan were relatively sufficient to pay all plan benefit obligations through the plan year that ended on June 30, 2008. Since that date, there has been a dramatic decline in the value of Plan Assets as a result of (1) declines in equity market values (2) expenditures to pay \$60 million annually for the sick leave of active pilots (3) increased expenditures for disability benefits resulting from the termination of pilot pension plans (4) expenditures to provide life insurance for active pilots and for pilots who retired after December 31, 2007 and (5) increased expenditures for survivor benefits as the number of eligible survivors has increased.
- Increases and decreases in the Plan Benefit Obligations have been influenced primarily by adjustments in the assumed interest rate.
- The existing level of Plan Benefit Obligations exceeds assets to the point that even elevated future yields most likely will not produce sufficient assets to pay all future benefit obligations unless there are additional contributions to the D&S Plan.

3. [What is a reasonable estimate of how long the D&S Trust assets will last?](#)

Any estimate of how long the assets will last has to take in consideration assumptions relating to a number of factors including, but not limited to, the following: (1) continuation of the \$60 million annual expenditure from the D&S Trust to pay for pilot sick leave, (2) Delta's contributions to the Plan (3) investment yields on the assets in the Trust.

Recent annual expenditures of the plan have been in the range of \$180 to \$185 million to pay disability and survivor benefits, pilot sick leave, life insurance premiums and administrative expenses (including investment management fees). Delta reimburses the Plan for disability and life insurance expenditures relating to former Northwest pilots as well as making an annual contribution of up to \$60 million based upon 4% of Delta's free cash flow. If we assume that the future annual expenditures after these reimbursements are in the range of \$115 to \$120 million and we assume an investment yield of 5.125% to 6.5%, the assets of the Trust should last between 9 to 12 years. If expenditures increase (i.e. more beneficiaries) or the reimbursements do not materialize, the time frame may be shorter.

4. [What happens if the D&S Trust runs out of assets?](#) Under the bankruptcy court approved agreement between Delta and ALPA, Delta is designated as an additional source of the direct payment of D&S Plan benefits. Therefore, if survivor benefits under the Plan are not modified and if the Plan is not terminated, the survivor benefits should continue to be paid directly by Delta.
5. [Can Delta modify or terminate the Plan?](#)  
The Plan specifies that although Delta intends to maintain the Plan indefinitely, Delta retains the right to modify the Plan or discontinue contributions to the Plan. However, the Pilot Working Agreement restricts Delta's right to amend or terminate the Plan without the approval of ALPA.
6. [Is there any indication that Delta intends to modify or terminate the Plan?](#)  
Delta has not expressed an intention to modify or terminate retiree benefits under the Plan. To the contrary, Delta repeatedly stated an intention to maintain the Plan indefinitely. The Summary Plan Description (SPD) historically has indicated that Survivor Benefits continue for the life time of the surviving spouse, but could end if the Plan is terminated. In 2010, the SPD introduced the possibility that survivor benefits could end if the Plan no longer provides for monthly income survivor benefits. This expansion of reasons for termination of the benefit during the survivor's lifetime is a troubling departure from Delta's previous statements. Of

course, it must be noted that the D&S Plan, not the SPD, is the governing document.

7. [Does Delta have an incentive to terminate the Plan while there are assets in the D&S Trust?](#) The assets of the Plan cannot revert to Delta even in the event of termination of the D&S Plan; therefore, Delta has little incentive to modify or terminate the Plan as long as there are assets in the D&S Trust.
8. [In the event that Delta obtains ALPA's approval to terminate the Plan, will retired pilots and their survivors have any recourse?](#) In that unlikely event, impacted plan participants and beneficiaries as well as DDPSA may have no choice other than to pursue possible legal remedies. Hopefully, Delta will fulfill its repeatedly stated intentions to maintain the D&S Plan indefinitely and the Plan will survive until the demise of the last eligible survivor.
9. [What activities has DDPSA pursued?](#) DDPSA has done extensive research about the D&S Plan and is monitoring the status of the D&S Trust. The law firm of Lewis, Feinberg, Lee, Renaker and Jackson P.C., a firm well versed in employee benefits and ERISA regulations, has been retained in an advisory capacity.

### III. Additional questions that arose during the luncheon.

1. The answer that I received from my input in the worksheet posted on the DDPSA website indicates that my wife will receive only \$135 a month. Have I done something wrong?

Answer: The survivor benefit for former Western pilots is based upon Delta service after October 1, 1987. Unless you retired shortly after that date, you probably made an error in entering information in the worksheet. You may have entered your monthly FAE in the annual FAE box or the number of years you worked for Delta in the number of months box.

2. One of the pilots in attendance who was originally hired by Delta (no Western service but welcomed at the Wallybird luncheon) asked about DP3.

Answer: DP3 is focusing on retirement benefits paid by the PBGC whereas DDPSA is focusing on the D&S Plan. DDPSA hopes that DP3 will prevail in its appeal to the PBGC because a favorable outcome will ease some of the pain suffered by retired Delta pilots.

Former Western pilots should be grateful to the Western MEC for not handing the Western A, B and D Plans over to Delta in return for full participation in the Delta Pilots Retirement Plan. The impact that Delta's bankruptcy imposed upon many Delta pilots was very painful. A number of pilots with at least 25 years of Delta service who were receiving approximately \$7,500 per month from the Delta retirement plans prior to termination of those plans ended up with less than \$500 a month from the PBGC. Even though these pilots received lump sum distributions upon retirement and partial recovery for the loss of non-qualified benefits during bankruptcy proceedings, Delta's bankruptcy devastated their financial positions. For these pilots, as well as all retired Delta pilots, the survivor benefit under the D&S Plan may be critical to their surviving spouses.

3. One of the wives attending the luncheon asked if she will be eligible for a survivor's benefit under the D&S because she recalls signing a waiver when her husband retired from Delta.

Answer: Yes, she will. The waiver that she signed related to the Delta Pilots Retirement Plan, not the D&S Plan. The vast majority of retiring Delta pilots elected a single life annuity form of benefit from the Delta Pilots Retirement Plan. Their reasoning for not electing a joint life and survivorship form of benefit from the retirement plan was based upon the availability of an equivalent survivor's benefit under the D&S Plan.

4. One of the single Wallybirds asked if any of this information applied to him.

Answer: No, not unless he has eligible dependent children under the provisions of the D&S Plan. An eligible dependent child must be under age 19 (under age 23, if a full time student), never have been married and not employed full time.

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