

October 6, 2006

Dear Delta Pilot Retiree, Spouse or Survivor:

The Delta 1114 Pilot Retiree Committee has reached a settlement with Delta Air Lines regarding health care benefits for Retired Pilots,<sup>1</sup> and Delta has filed a motion for approval of the settlement. The motion will be heard by the Bankruptcy Court on October 19, 2006, at 2:30 p.m. Eastern Time. The Committee believes it has negotiated an agreement far superior to Delta's August 8, 2006, proposal, and strongly supports the motion. If the agreement is approved, the enrollment period will begin on December 1, 2006, and the agreement will take effect on January 1, 2007. This letter summarizes the changes the Committee has agreed to. Because these changes are necessitated by Delta's bankruptcy they are inevitably painful, but the Committee strongly believes that it has worked out a deal which minimizes and apportions the burden among the Retired Pilots as fairly as possible. Please be aware that the term sheet attached to the approval motion as Exhibit B is the definitive statement of these changes, and if there is any conflict between the term sheet and the description in this letter, the term sheet will control.

### **Disability and Survivorship Plan – No Further Changes**

Delta had proposed changes to the procedure for determining eligibility for disability under the Disability and Survivorship Plan. In the course of negotiations Delta has withdrawn that proposal, and the agreement makes no changes to the Disability and Survivorship Plan.

### **Health Plan Changes**

#### **A. Background.**

There are a number of different groups of Retired Pilots who, based in large part on their age and the policies in place when they retired, had access to healthcare plans offered by Delta for prices that ranged between zero and 100% of the actual monthly premium cost. Delta initially proposed simplifying its administrative burden by offering only one version of its Delta Pilots Medical Plan ("DPMP"), and proposed to achieve approximately \$24 million in cost savings by substantially increasing the amount Retired Pilots paid for access to medical care plans. Under Delta's initial proposal, for example, with a small number of exceptions, Retired Pilots age 65 and over who had been paying none of their healthcare premium would begin

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<sup>1</sup> A "Retired Pilot" is defined in a Stipulation and Consent Order dated May 26, 2006, as (a) pilots who retired from Delta on or before June 1, 2006 (or from Western Airlines, Inc. prior to its April 1, 1987 merger with Delta) or (b) pilots employed, or formerly employed, by Delta who on June 1, 2006 will be age 60 or over, not on the Delta pilots' system seniority list, and eligible for Delta health and welfare benefits. Retired Pilots also include survivors who are entitled to health and welfare benefits from Delta through a decedent who met the conditions set forth in clauses (a) or (b) above. The Committee's agreement with Delta applies to all of the Committee's constituents *except* those pilots who retired from Western Airlines, Inc., prior to its April 1, 1987 merger with Delta. Healthcare coverage for those Western Retirees is not changed.

paying 100% of their healthcare premiums. Because Delta is in bankruptcy and needs to restructure in order to survive (and continue to offer health care coverage at all), the Committee's charge was to negotiate the best plan with the smallest increase in cost to Retired Pilots, while at the same time helping Delta find a way to achieve the necessary savings. The Committee kept in mind the broad cross section of retirees represented and has negotiated an agreement to improve Delta's proposal for as many Pilot Retirees as reasonably possible.

**B. Types of Plans to be Offered**

Beginning on January 1, 2007, Delta will offer only the version of the Delta Pilots Medical Plan ("DPMP") which is currently available to Retired Pilots who retired after 1997. There will be no change to the plan for 2007, and in future years the plan will be identical to whatever plan is negotiated for that year between ALPA and Delta.

On and after reaching age 65, Retired Pilots, their spouses and survivors will have the option of enrolling in the DPMP or in another plan or program affiliated with Delta that provides medical benefits to retirees age 65 and over. These would be supplemental to Medicare, and would cover either medical, prescription drugs, or both (plus a dental option).

In addition, Delta will continue to offer Retired Pilots under age 65 its Family Care Medical Plan ("FCMP"). However, a Retired Pilot who elects to enroll in FCMP will be responsible for 100% of the FCMP premium, and the Committee anticipates that in most cases a Retired Pilot will find the DPMP premium structure more attractive.

**C. Premiums and Subsidies for Healthcare Coverage.**

Probably the Committee's most difficult task was to negotiate the amount of premiums to be paid among all Retired Pilots, particularly given the number of different groups paying different percentages of premiums. The description below applies as of January 1, 2007. The amount a Retired Pilot will be required to pay is shown as a percentage of the total premium. Premiums will vary depending on the plan and the age of the beneficiary, but for purposes of illustration, the projected monthly 2007 DPMP premium for a pilot under age 65 who retired after January 1, 1997, is about \$775.

(1) Change in Calculating Age. To begin with, as of January 1, 2007, the spouse, survivors and children of a Retired Pilot will be charged premiums based on their own ages. This was in the initial proposal by Delta. Previously, all premiums had been based on the age of the pilot, which in many cases led to a higher premium than using actual age.

(2) Elimination of the Service Related Premium. As of January 1, 2007, the Service Related Premium ("SRP"), an additional and varying charge paid by some Pilot Retirees, will be eliminated. This was also in the initial proposal by Delta.

(3) DPMP Premiums for Retired Pilots Who Are Under Age 65 on 1/1/2007.

a. DPMP. Retired Pilots and spouses under the age of 60 currently pay 100% of the DPMP premium until they reach age 60. This remains unchanged. Upon reaching age 60, the Retired Pilot will pay 51% of the DPMP premium from age 60 through age 64, but there are important exceptions which may lower this percentage which are discussed below.

i. COBRA/HCTC Option. There is a federal tax credit program which may give some Retired Pilots a significant benefit. Many Retired Pilots under age 65 will become eligible for COBRA coverage on January 1, 2007. Retired Pilots who elect COBRA coverage and whose pensions have been reduced may be eligible for the federal Health Care Tax Credit (“HCTC”) when, among other things, the Pension Benefit Guaranty Corporation (“PBGC”) assumes control of the Delta pension plan. No one knows when that will occur.

The HCTC pays 65% of the COBRA premium, leaving the Retired Pilot with a net expense of 35% of the COBRA premium. The COBRA premium is less expensive than the standard premium as it is approximately 60% of the standard. However, please note that Delta does not pay any portion of the COBRA premium, so a Retired Pilot who chooses COBRA will have to pay 100% of the COBRA premium until he qualifies for the HCTC. As a result, the Committee recommends that you should not elect COBRA until you know whether or not you are entitled to a payment from the PBGC (which is a primary requirement of HCTC eligibility).

At the Committee’s request, Delta is holding open the COBRA enrollment period until sixty (60) days after the PBGC first issues pension checks, which will indicate that the PBGC has formally assumed Trusteeship of the Delta pilots’ pension plan. This will allow Retired Pilots who believe they may be eligible for the HCTC to pay their applicable percentage of the DPMP rate, rather than the entire COBRA premium, until the PBGC takes over. A Retired Pilot who elects COBRA will still be eligible to return to the DPMP plan; however, a Retired Pilot can only elect COBRA once, and will be barred from COBRA coverage if he does not elect COBRA during the enrollment period. Delta has volunteered to try to facilitate the availability of the HCTC to Retired Pilots. For more information on HCTC, please visit this web page:

<http://www.irs.gov/individuals/article/0,,id=109960,00.html>

ii. Certain Retired Pilots For Whom HCTC Unavailable. If a Retired Pilot is unable to claim the HCTC solely because he receives no pension distribution from the PBGC after it takes over the Delta

pension plan, he can claim a refund of 16% of his DPMP premium from Delta at the end of 2007, and thereafter will pay only 35% of the DPMP premium.

b. Survivors of Deceased Pre-1997 Retirees. This group will pay 22% of the DPMP rate until they reach 65.

c. Survivors of Deceased Post-1997 Retirees. This group will pay 28% of the DPMP rate in 2007 and 31% of the DPMP rate thereafter, until they reach age 65.

(4) Subsidies and Reimbursements for Retired Pilots Who Are Over Age 65.

The insurance which Delta will make available to those over 65 is medical and prescription drug coverage supplemental to Medicare (plus a dental option) with a base premium significantly lower than the full DPMP premium for Retired Pilots under age 65. This group will receive, rather than a percentage reduction in the premium rate, a subsidy or, in some cases, a reimbursement, as follows:

a. Medicare Reimbursement. Pre-1997 Retirees, their spouses and Survivors who are age 65 or older will receive reimbursement of the monthly Medicare Part B premium in the amount of \$93.50 under the same conditions of eligibility in existence prior to the commencement of Delta's bankruptcy. This amount will increase yearly by the percentage increase of the CPI-W price index up to 3% per year.

b. Pre-1997 Subsidy. Pre-1997 Retirees, their spouses and survivors who are age 60 or older on January 1, 2007, and who are enrolled in one of Delta's plans, will be eligible from age 65 on to receive a subsidy from Delta of \$80 per month, increasing yearly by the percentage increase of the Consumer Price Index-Urban Wage and Clerical Workers up to a maximum of 3% per year. This is a closed group and no other Retired Pilot will receive this benefit.

c. Post-1997 Subsidy. Post-1997 Retirees, their spouses and survivors who are age 60 or older on January 1, 2007, and who are enrolled in one of Delta's plans, will be eligible from age 65 on to receive a subsidy from Delta of \$65 per month, increasing yearly by the percentage increase of the CPI-W price index up to 3% per year. This is a closed group and no other Retired Pilot will receive this benefit.

Additional information can be found on the Committee's website [here](#); Delta's bankruptcy website [here](#); Delta's link for retirees [here](#); and the IRS link concerning the HCTC [here](#).

Please address your questions to the Committee via the Committee's web site. Based on your questions, the Committee will compile and post a list of Frequently Asked Questions and responses on the web site in the next few days.

The Committee is made up of Retired Pilots from many of the affected groups described above, and they have personal experience with the types of financial losses that Retired Pilots are

suffering on account of Delta's bankruptcy. The agreement was reached after extensive analysis and negotiations. The Committee believes that the agreement significantly improves the benefits initially offered by Delta on August 8 for Retired Pilots. Comparatively, the agreement is better than the terms either negotiated or imposed upon pilot retirees in other major airline cases.

Sincerely yours,

1114 Retired Pilot Committee

Donald Romley, Chairman