

A Summary of the Meeting Between the DP3 Board of Trustees and Members of the Delta MEC Administration March 4, 2004

The Board of Trustees of the Delta Pilots Pension Preservation Organization requested meetings with Delta CEO Gerald Grinstein and Delta MEC Chairman Captain John Malone. The meeting with Mr. Grinstein was held Feb. 23. A meeting with members of the Delta MEC Administration was held March 4.

Representing ALPA were Delta MEC Executive Administrator Captain Kim Welch, MEC Vice-Chairman Captain Mike Pinho and the Delta MEC Coordinator, ALPA Attorney Bill Elliott. Captain Malone joined the meeting in progress for a few minutes. DP3 Trustees present were Chairman, Bill Houseman; Vice-Chairman, Jim Gray; Secretary, Reuben Black; Treasurer, Jim Bomar; Jim Haigh and Ron Stowe.

Communication with retired pilots. We asked what could be done to improve communications between ALPA and retired pilots. Captain Welch said that all information available to active Delta pilots including access to the forums is also available to retirees on the DALPA web site at <http://www.deltapilots.org>. Any active or retired pilot can log on using the pilot's ALPA number and password.

Captain Welch said that ALPA would write a letter to retirees explaining how to log on to the DALPA site and provide directions for those who no longer have a password. He also said that future ALPA communications to active pilots would be sent to DP3 so we can forward them directly to our members. ALPA may include a link to DP3's web site <http://dp3.org> on the DALPA site.

Assistance offered to DP3. Captains Pinho and Welch offered ALPA staff support to DP3 to help ensure technical accuracy in our publications, particularly as they relate to complex bankruptcy and pension issues.

Negotiations. Captain Welch reviewed the last nine months of contract talks with Delta management. (A timeline and details of negotiations may be found on the DALPA web site <http://www.deltapilots.org> in the Negotiators' Notepads.) Captain Welch expressed concern that the company has not responded to ALPA's continuing offer to engage in mid-contract negotiations, and that no further talks are scheduled. "I am puzzled that the company says publicly that an agreement needs to be reached right away, but that urgency has not resulted in negotiating sessions," Captain Welch said.

Despite the wide gap in proposals, Captain Welch said that ALPA is ready to immediately continue negotiations. He stressed that any agreement reached would be the result of negotiation and not an outcome dictated to the pilots by management.

Captain Malone added, "We want to be at the negotiating table. We are not through negotiating and we are not at our end game, but any agreement that is reached will need to be fair and balanced. We will do what is right. When the right deal is there, we will go with it."

When asked about possible changes to the retirement plan, Captain Malone said, "This is no longer an airline of young pilots. Our youngest pilots are in their thirties. I am not yet fifty and we call pilots my age 'Dead Zoners.' I am too young to retire and too old to want to start over. Any change to the retirement plan could have a drastic effect on this group. The union leadership understands the importance of preserving these benefits."

Captain Malone said that the Delta pilots have already made a significant contribution to Delta's cost cutting. "We have gone from an airline of 10,000 pilots to 7,500, and that's not all. Many pilots have rolled back to a more junior seat, plus we have 1,060 furloughed pilots."

Captain Welch said that ALPA believes there is a difference between what Delta wants and what it needs. "We will give Delta the tools it needs to operate with a competitive overall cost structure," Captain Welch said. "We know we can't sustain our current rates, but we don't have to match American's or United's hourly pay rates to provide Delta with a competitive cost of operation."

Section 6 negotiations. Captain Welch said that the current contract allows the exchange of opening letters for negotiations under Section 6 of the Railway Labor Act as early as August 3, 2004, nine months before the amendable date in May 2005. He said that ALPA has shifted its focus to prepare for these negotiations but also remains ready to continue mid-contract talks.

May 1 early retirements. The ALPA representatives discussed the rumors of unusual numbers of early retirements on May 1. Captain Pinho said that the actual numbers are low at this time, however. We discussed the reasons many pilots are evaluating early retirement. Captain Welch said, "We would hate to see pilots retire out of fear and directly impact the categories that are making Delta the most money."

Captain Welch said that the Delta MEC would soon publish an MEC Update that will be a definitive paper on bankruptcy and its effect on Delta retirement and pension issues. He said the paper should help allay some of the fear and misunderstanding Delta pilots have about these subjects, much of which stems from the situations unique to USAir and UAL.

Representation. We asked how ALPA represents retired pilots. "We take the role of representation very seriously, from the most junior furloughed pilot to retirees," Captain Malone said.

We asked about three areas of "representation" that directly affect retirees. First, what about the grievance process and benefits earned by retirees? Mr. Elliott answered, "So long as the retirement plan is a part of the Pilots Working Agreement we will enforce it as part of the contract." He cited examples of grievances filed by retirees in where ALPA is acting as the agent for the retired pilots.

Second, what about reducing earned benefits through negotiations? Can you take away my retirement as part of a concession package? Captain Welch said, "Accrued benefits may not be negotiated away." He said that a more complete discussion of this issue is found in the MEC Update on the pension plan.

Finally, we asked about ALPA's role in representing retired pilots as unsecured creditors before a bankruptcy court. The answers seem to be varying forms of, "it depends." The ALPA representatives said the issue of representation in bankruptcy is not covered by the Pilot Working Agreement, and that the retired pilots may wish to consider outside counsel in representing their issues in bankruptcy court. (DP3 was formed after the events at UAL and USAir exposed the vulnerability of retirees in bankruptcy.)

Retirement funding. Captain Welch said that the pilots' retirement trust fund is estimated to be funded to 84% as of July 2003, the most recent information available. He said the delay in getting current retirement plan funding information is because Delta changed firms that provide the plan's actuarial assumptions.

Captain Welch said that the preliminary valuation of the fund has been such that Delta's payment in 2004 might be \$71 million instead of the \$115 million previously announced. He said that in ALPA's opinion, the present level of funding for the pilots retirement plan would make it unlikely that a bankruptcy judge would allow a distress determination of the plan in the event of bankruptcy.

The Pension Relief Bill. Captain Pinho said that this legislation would make it more difficult for Delta to terminate the retirement plan in a bankruptcy. The legislation has passed both the House and Senate and is now in joint committee. The White House has threatened to veto the final bill if it contains provisions included in the Senate version that would give additional relief to airlines and steel companies. Both ALPA and Delta strongly favor the Senate version of the bill.

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