

Pension Meeting Summary – May 20, 2003
Renaissance Hotel – Atlanta

Approximately 225 people attended, representing most departments and including active and retired employees as well as some survivors of deceased employees.

Cathy Cone facilitated a discussion re:

- Establishing a retirement website – three attendees volunteered to research the most feasible method of establishing the website including a voting mechanism. They will report their findings to Cathy.
- Need to establish a non-profit corporation – the group agreed that this was an appropriate vehicle for protecting the interests of the group.
- Suggestions for electing the retirement committee representatives – most discussion centered on reaching the largest number of people with several suggestions that the other social websites be used to reach the majority, e.g., Delta Pioneers, Station Manager's website, etc. Several volunteered to check on the willingness of these groups to provide e-mail addresses or links to a pension website. At the end of the meeting the group agreed that Cathy should appoint an ad hoc committee to develop a mission statement and set of bylaws for the group, subject to approval of the elected committee and the group as a whole.
- Picketing at G.O or airports – considerable discussion about the need to keep pressure on the board of directors and executive officers. The group overwhelmingly agreed that picketing was not the right avenue but letters to the board would be reasonable. Cathy offered to have letters sent to her to be mailed jointly. Board members are Jack Smith, Jim Kilts, Ed Budd, David Goode, Joan Spero, George Fisher, Jerry Grinstein, Andy Young, and Leo Mullin. Cathy cones' address is 7505 Memorial Woods, #60, Houston, TX 77024. Other suggestions included contacting AARP and keeping shareholders informed.
- Bob Coleman's response to Cathy's question at the shareholder meeting re: why employees were not made aware of the limitations for paying retirement benefits if the PBGC were to take over administration of the plan (Cathy has shared a copy of this letter to her mailing list in a recent e-mail). Effectively Mr. Coleman responded only relative to early retirement packages without regard to those who took regular retirements and did not address the fact that seminars taught by Delta employees mislead attendees by telling them their pensions were guaranteed even in the event of bankruptcy.

Pension Benefit Guaranty Corporation (PBGC)

Bill House, District Manager in the Insurance Department of the PBGC Washington office spoke and fielded questions re: the impact on the pension plan if the Delta Family Care Retirement Plan were to enter a distressed termination and be administered by the PBGC. Attending with him were Michelle Gray, District Manager in the Atlanta office and four field representatives from Atlanta. Mr. House supervised the TWA plan and has held several similar meetings with UAL employees. He was also involved with the EAL/PAA plans. The Pan American plan was handled by the Atlanta office.

The PBGC was established as a result of the bankruptcy of the Studebaker Corporation in the early 60's. In 1974 Congress passed the Employment Retirement Income Security Act from which the PBGC was formed to provide minimum benefits for private sector companies. This covers 42M workers and 40K defined benefit plans. PBGC currently is trustee for pensions of more than 300K people. Benefit expenditures exceed \$100M per month. The PBGC'S sources of income include insurance premiums from the companies with defined benefit plans, recovering pension plan assets in the event of bankruptcy and investment income on assets held by the PBGC.

The facts:

- There are two critical dates – the date the plan is terminated and the date PBGC becomes trustee of the plan. These are normally within one or two days of each other.
- More than 90% of people receive all the benefits to which they were entitled when placed under the PBGC.
- Only federal taxes are taken out of checks issued by the PBGC. The employee must make arrangements for state taxes, insurance etc.
- Once the PBGC becomes trustee they meet with the company to understand the retirement plan and administer the same plan; e.g. if there is a social security offset in the company plan then there would be an offset in the PBGC plan. (Check www.pbgc.gov for a list of plans for which they are trustee). They send a letter and booklet to all participants and request information on the participant.
- Since there are IRS regulated limits on what the PBGC can pay, they advise any participant who will have a reduction in their benefits about 1 month before the reduction takes place. As this calculation can take some time, the full benefits continue in the interim and any overpayment is arranged to be paid back over time.
- After all records are audited and benefits valued, a final benefit determination letter is sent. This can take up to 3 years.

- The maximum limit guarantee insures that no matter how under funded the plan is, you will be paid the maximum amount allowable.
- If assets in the terminated plan exceed the amount that can be paid under IRS regulations, the benefit to the employee may exceed the PBGC limits up to the full amount that would be received under the Delta Family Care retirement Trust.
- Purchased annuities are not guaranteed by the PBGC. The amount of retirement income would be reduced by the amount coming from an annuity. 401's and IRA's are not insured...only defined benefit plans.
- On the PBGC website you can find the maximum amounts payable based on different ages. If you are a retiree, age 65 and the plan is terminated in 2003, you are entitled to \$3600 per month from PBGC. If you are receiving more than \$3600 per month, then your benefit will likely be reduced dependent upon the assets in the plan and the amount of time you have been retired or eligible to be retired. At age 70 the maximum allowable is \$6000 per month.
- Age under the PBGC is determined based on your age at the time the plan is terminated, not the age at which you actually retired. If you are still active, then age will be determined by the retirement date or, if you choose to defer payments, the age at which you begin to draw the benefit.
- PBGC will not offer income leveling to those who retire after the PBGC becomes trustee for the plan. Income leveling for those already retired is honored.
- If a portion of your retirement was paid in a lump sum, monthly benefit eligibility could be reduced to take the lump sum into account.
- PBGC is pushing for legislation to increase funding levels for defined benefit plans. There are good reasons for a company to keep a plan funded; i.e., tax advantages by being able to deduct defined plan funding and premium payments. On the flip side, the IRS will not allow a company to over fund a plan to keep from paying taxes.
- Difference in security of PBGC and Social Security is that SS is pay as you go. PBGC has invested assets for long term funding.
- SERP is not a qualified or defined benefit plan. Companies just set aside funding or pay from operating cash.
- Improvements made to a plan within 5 years of the plan termination are prorated for receipt over the 5 year period. For example, an employee receives 5 years credit and retires in 2002. If the plan is terminated in 2004, then 2 years of the early retirement credit (40%) is paid immediately. The remaining three years credit is paid at 20% the first year, 40% the second year and by the 3rd year the person receives the full benefit of the 5 year credit improvement.
- PBGC monitors under funded plans. Mr. House will check on status of Delta's funding.

Delta Retirement Plans

Leon Piper, Vice-President Worldwide Benefits for Delta, fielded questions from the group regarding the Delta Retirement Plans.

- Mr. Piper stated that he was one of the 33 executives covered by the secular trust to provide guaranteed retirement income for the non insured portion not covered by the Delta Family Care Retirement Plan. He did not know the names of all 33 executives or the amounts funded in the individual trusts and said that he would provide that information if possible
- In discussing the reasons that the secular trusts were established he reiterated the information in the proxy regarding the recent unprecedented events in the industry and the need to retain the executive management team. As he is not a participant in board meetings, he did not know if the recommendation for the trusts was generated by the management group or the Personnel and Compensation Committee of the BOD. Ultimately the BOD would be responsible for the decision.
- The secular trusts have been funded for 2002 and 2003 to cover earned benefits and taxes have been included, although the taxes will be taken out once payouts begin so that the individual does not receive more than to which they were entitled.
- C.E Woolman began a trust fund for Delta employees that was rolled in to the retirement plans we have today. Delta has made moves to secure the pensions of all people and there are no plans to go into bankruptcy.
- Regarding funding of the plans, Mr. Piper explained that the way liabilities are calculated is exaggerated. For the 10 prior years, Delta was not allowed to make contributions to the plan because it was fully funded. Delta's funding requirement for 2003 was \$40M, but Delta funded \$76M early in the year. Total amount of under funding is about \$3.5B. Mr. Piper did not know what was the maximum allowable funding for 2003. Based on current information it appears that funding for 2004 will be between \$300M and \$350M.
- Largest % of employees receiving benefits from a non-qualified plan (like a SERP) would be pilots and then some management personnel. Mr. Piper did not know the total percentage who receive a non-qualified benefit.
- Regarding current legislative effort by airlines to delay funding for 5 years, Mr. Piper explained that the bill was brought forward by ALPA at NWA. While Delta was approached and does not oppose the bill, it is not Delta's priority. Delta will not oppose if it does not interfere with legislation that is more important to Delta.

- Referencing the executive compensation around bonuses, Mr. Piper explained that Leo Mullin and Fred Reid had taken 25% and 10% pay cuts respectively and are forgoing 2003 bonuses and other officers had taken 8% pay cuts. In addition, Mr. Mullin gave up stock options which were to be granted as part of his signing of a new contract. No other officers have forgone bonuses, stock options, etc.
- Details of the Cash Balance Plan are being written and a web site is now available. This is the best way to find out how it individually impacts an active employee. Delta employees have a 7 year transition and those who retire get the greater of the cash balance or traditional plans.
- In a bankruptcy, continuation of the medical benefits would be determined by what would be required to come out of bankruptcy. Less than 30% of companies offer retiree medical including access to purchase.
- Delta is currently analyzing the impact of 2003 medical plan changes. No decisions have been made on possible changes for 2004.
- Western purchased annuity from John Hancock. Delta is working with them to try to improve the communication process, but Delta does not administer this plan.
- Latest version of Retirement Summary Plan is in 1997 benefits handbook.

General Information

The PBGC requested that we help get the word to any former EAL/PAA employees that may be eligible for benefits to check the PBGC website.

Donations were taken at the meeting to cover cost of the room, audio/visual, etc. Remaining monies will become the responsibility if the elected representatives.