

Retired Delta pilots win ruling

Bankruptcy court to rehear pension bid

By RUSSELL GRANTHAM
The Atlanta Journal-Constitution
Published on: 05/06/06

Delta Air Lines' retired pilots will again ask a federal bankruptcy judge to restore certain pension benefits after a federal district judge in New York reversed the bankruptcy court's earlier denial of the pilots' motion.

The decision, made on a narrow legal issue, means that Delta will once again have to defend in bankruptcy court its decision to stop making potentially hundreds of millions of dollars of pilot pension payments and contributions into the pilots' pension fund.

U.S. District Judge Leonard Sand ruled this week that the bankruptcy court erred by denying a motion by DP3, a pilot retiree group, on the basis of a legal technicality that only Delta can use the bankruptcy code to modify pension or other benefits on union employees. "Courts have implicitly recognized" that other parties can take such legal actions, the judge said in his order.

"It just further establishes the right of retired pilots to be part of this process," said Jim Gray, chairman of DP3. "The retired pilots are not going away. We paid for these benefits."

A spokesman for Delta said the airline plans to "vigorously contest" the retired pilots' motion.

"Delta believes there is no merit to the DP3 claim that certain pension contributions and payments are required to be made during the bankruptcy case," said the spokesman, Michael Freitag.

DP3 had objected when Delta stopped paying so-called nonqualified pension benefits to about 3,500 retired pilots and stopped contributing to the pilots' pension plan after it filed for Chapter 11 last September. The airline has since reached a tentative agreement with the pilots' union to give pilots a \$650 million IOU if it terminates their pension plan.

U.S. Bankruptcy Judge Prudence Beatty denied DP3's motion in October. At the time, Delta said retirees' supplemental benefits cost about \$6.9 million a month. The airline also said an adverse decision by the judge would have forced it to contribute about \$160 million to the pilots' pension plan and hundreds of

millions of dollars more in the future. The issue will now go before Judge Adlai Hardin Jr., who took over the case in January. No hearing has yet been scheduled.