

IMPORTANT NOTICE---BEFORE YOU MAKE ANY DECISIONS ABOUT WHETHER TO STOP PAYING HEALTH INSURANCE PREMIUMS, PLEASE READ THIS. YOU MAY ADVERSELY AFFECT YOUR RIGHTS AND INCREASE YOUR COSTS

The Section 1114 Retired Pilots' Committee has been notified that certain retired pilots may elect to simply stop paying health insurance premiums due to reduced pension payments. For your own sake, please "look before you leap."

Delta and the Committee have negotiated to take advantage of an important tax benefit with respect to health insurance premiums. The unfortunate fact that the Delta Pilots Pension Plan has been terminated and will be taken over by the PBGC gives rise to an important benefit for those under 65 which may substantially reduce your health insurance costs in the long run. That is the **Health Coverage Tax Credit**. The Health Coverage Tax Credit ("HCTC") will pay 65% of a retiree's premium cost for certain health coverages. To be entitled to the HCTC tax credit, however, you must be covered by an "HCTC qualified plan." An HCTC plan includes certain state-qualified plans, your spouse's coverage through his or her employer (if the employer pays less than 50% of the cost of coverage) and most importantly in Delta's case, a type of health coverage known as "COBRA" coverage.

COBRA is a federal law that requires certain employers, such as Delta, to make available the employer's health insurance program to former employees upon the occurrence of a "qualifying event." The employer (Delta) must offer COBRA coverage to retirees, spouses and dependents (if the spouse and dependent have been covered by the Delta plan) for a certain period of time following the occurrence of a "substantial change in coverage." Here, that change occurs on January 1, 2007, for retirees that are required to pay an increased percentage amount of the health insurance premium.

Delta's COBRA coverage is identical to the DPMP, and the individual premium is \$460.14 per month (and remember, if you qualify, you will be entitled to an HCTC tax credit of 65% of that premium).

You are eligible for COBRA if:

You are a retiree, spouse or dependent currently covered by a Delta plan **OR**

You are a survivor currently covered by a Delta plan and your spouse died less than three years ago; **AND**

You will experience a "substantial change in coverage" in your Delta coverage such as increased premium cost arrangements that take effect January 1, 2007

If you are eligible for COBRA, you are eligible for HCTC if:

Your spouse's employer does not pay more than 49% of you and your spouse's health coverage.

You are not eligible for Medicare or similar subsidized coverage, such as TriCare.

You are eligible to receive PBGC payments. (However, Delta is negotiating to remove this requirement in this case.)

If you are HCTC eligible, your premium payment after the tax credit will be 35% of the COBRA rate, or approximately \$ 161.05 for 2007. As a result, eligible retired pilots end up paying a net lower premium than they do now. If the retired pilot is HCTC eligible, the spouse is HCTC eligible provided that she or he is COBRA eligible.

So, unless you have a better, cheaper option for health insurance coverage (i.e., spousal coverage or TriCare), please carefully review whether you are eligible for HCTC before you simply elect to stop making your premium payments and terminate coverage. **The Committee believes that those who terminate coverage may permanently surrender HCTC eligibility for two reasons:**

- Insureds who simply stop paying their premiums mid year likely forfeit their right to opt back in to the Delta medical plan (unless they show proof that they immediately picked up and maintained other creditable coverage).
- Even if the insured did what was needed to be able to opt back in for January 1, the insured must be in the Delta coverage on December 31, 2006, or they will not experience the necessary increased contribution percentage in a way that would qualify them for COBRA. Again, you must qualify for COBRA to become HCTC eligible (or you must be enrolled in a qualified state health plan or your spouse's employer-sponsored plan, if that employer pays less than 50% of the cost of coverage).

Further information on HCTC is available at the HCTC website at:
<http://www.irs.gov/individuals/article/0,,id=109960,00.html>

Hopefully, this short summary will help you to choose not to lose HCTC eligibility if it applies to you.

Thank you.
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