

Delta wins ruling on retiree costs

By [RUSSELL GRANTHAM](#)

The Atlanta Journal-Constitution

Published on: 10/20/06

Fourteen years after retiring from Delta Air Lines, Milton D. Allgood's plans for his golden years are headed into the unknown.

Thursday, U.S. Bankruptcy Judge Adlai Hardin approved an overhaul of Delta's retiree health benefits that will remove about 15,000 older retirees from the airline's self-insured health plan and significantly raise premiums for younger retirees.

The airline, restructuring in bankruptcy court, said it needs the cost reductions to be able to emerge from Chapter 11 as a viable business next year. The airline hopes to save about \$50 million a year by shifting more costs to about 42,000 Delta retirees and relatives, saving roughly \$1,200 per participant.

The changes are the latest move in Delta's efforts to trim labor costs by about \$930 million a year. The Atlanta-based carrier has shed thousands of jobs, cut pay, frozen pensions and gotten approval to terminate its pilots' pension plan since filing for Chapter 11.

The changes approved Thursday, which take effect Jan. 1, were the result of pacts reached earlier this month with two court-appointed committees representing retired pilots and retired flight attendants and ground employees. Under the settlements, "virtually all" retirees will receive unsecured claims that could later be converted to new Delta stock after the Atlanta-based airline emerges from bankruptcy, said Delta Vice President Robert Kight. He declined to elaborate.

"Obviously we're pleased that we could strike an agreement with both committees," he said, but "it's never a good thing when you reduce the benefits of retirees."

Allgood said his family's monthly income is about \$2,750 from Social Security benefits and his Delta pension. He said he doesn't know how much his health insurance and prescription drug costs will go up as a result of Delta's health care benefit changes, but he's sure it will be painful.

"Now, I'm 72 years of age and my wife and I take 14 different medications, and they're going to do away with our medical insurance. That's going to hurt," said Allgood, who worked 35 years at Delta, retiring in 1992 as an aircraft fueler. "Right now we don't have a whole lot left after the bills are paid."

Allgood and his 71-year-old wife, Joann, live in a modest home in rural Pike County, about 20 miles southwest of Griffin. They pay less than \$500 a year now for their health insurance, plus about \$1,000 out of pocket for medications.

They say they will have to absorb whatever extra costs a new plan might bring, because neither is able to work. "I'm going to have to find something to replace my Delta coverage," he said, because without it, some of their medications would cost hundreds of dollars per month.

Allgood said Delta's move is not a surprise, but he's not happy about it.

"Delta just hasn't done us right about this insurance business," he said. "What does trouble me is that the upper echelon of Delta has walked away with multimillions and left the working employee destitute. I'm not destitute, but when you compare what I've got to what they're got, it's troubling to me."

Kight, however, said many older retirees such as the Allgoods may get better medical coverage and lower out-of-pocket costs under a replacement plan that is part of the settlement than they have under their current Delta coverage. The replacement plan is "going to be a superior benefit than what they had before," said Kight.

Still, nearly all retirees are likely to see a significant jump in their health care premiums. Retirees over the age of 65 and retired pilots between 60 and 65 may be most affected under the changes.

Currently, most non-pilot retirees over 65 pay for 22 percent of their coverage and retired pilots over 65 get free health insurance. After Delta's overhaul, older non-pilot retirees will be removed from Delta's self-insured health plan. Instead, they will receive a \$50-per-month subsidy for at least five years that can be used toward an outside health plan to be arranged by a group of Delta retirees.

Coverage for most retirees in that group will be over \$100 a month but less than \$200 before the subsidies, said Kight.

Delta said it will also set up a "hardship fund" of up to \$2 million to help lower-income retirees.

Younger retirees or those who retired under special incentive plans will typically pay a bigger share of total health coverage costs, which are now typically \$600 a month. Some retirees' share will rise from 22 percent to 35 percent, for instance.

Retired pilots over 65 years old will get subsidies up to \$80 per month and can stay with Delta's plan or go to an outside plan. Retired pilots who are between 60 and 65 years old will pay 51 percent instead of 22 percent of the full cost of their coverage under Delta's plan.

Thursday, Hardin overruled an objection from a group of retired pilots headed by a former union chairman, William Buergey. In a court filing last week, Buergey said the proposed benefit reductions were "unduly harsh" and unfairly targeted retired pilots,

whose pension plans are being terminated. Hardin approved Delta's request to shed the pilots' pension plan last month.