



Richard H. Anderson
Chief Executive Officer

October 31, 2008

The Honorable Saxby Chambliss
The Honorable Johnny Isakson
United States Senate
Washington, D.C. 20510

Dear Senators Chambliss and Isakson:

Thank you for your letter of October 23, 2008 regarding the pension concerns of Delta's retired pilots. It is clear from the content of your letter that you have not been provided a full view of the facts regarding the pension situation with Delta pilots, so I am happy for the opportunity to do so now. First, however, let me say, again, on behalf of Delta and the more than 90,000 active and retired participants in Delta's pension plan covering U.S. ground and flight attendant employees, thank you! Through Senator Isakson's leadership and Senator Chambliss' support, Delta achieved its goal of saving that pension plan from termination. Northwest Airlines was also able to save its plans from termination through the airline specific provisions of the Pension Protection Act of 2006 that we all worked so hard together to achieve. However, due to features inherent to the Delta Pilots Retirement Plan (the "Plan") – including a provision that allowed retiring pilots to take more than half their total accrued pension benefit as a cash lump sum when they retired resulting in many pilots retiring early just to obtain the lump sum – even this legislation was not sufficient to save the Plan from termination during our bankruptcy. Delta would not have been able to successfully reorganize and survive but for that termination and this was a fact recognized fully by the bankruptcy court judge in our case and agreed to by the Pension Benefit Guaranty Corporation.

The proposal you reference in your letter was raised to my attention in the early summer of this year. Termination of the Plan was the most difficult decision Delta had to face throughout the bankruptcy and for this reason we gave the proposal full consideration and exploration. Once that review was complete in mid-July, we communicated our findings to the leadership of the organization that submitted the proposal and made that letter available to all retired pilots. I have enclosed a copy of that response which details the numerous reasons the proposal submitted cannot work. It is true the issue was again raised at our September 25 shareholders meeting and I stated at the meeting that we consider the issue closed. While I understand and am sympathetic to the frustration expressed by our retired pilots, the proposal submitted is not workable and therefore further consideration of it would be fruitless.

Again, the attached letter provides detailed reasons why the proposal submitted is not workable, but I would like to draw your attention to a few specifics. Your letter states you understand that “the majority of retired Delta pilots receive only a small percentage of the monthly retirement benefit they earned while employees of Delta.” Nothing could be further from the truth. The Plan worked in a way that allowed each retiring pilot to take as a lump sum cash payment on retirement an amount equal to one half of their total retirement benefit. To really understand the impact of this feature, it helps to know that most pilots who retired in the years leading up to Delta’s bankruptcy earned enough money that their total pension benefit exceeded the amount that could legally be paid from a tax-qualified pension plan. For this reason, the total pension benefit for a retiring Delta pilot most often consisted of what are known as both qualified benefits (i.e. payable from a tax-qualified pension plan) and non-qualified benefits (i.e. generally payable from company assets). The way the Plan worked, the cash lump sum reference above was required to be paid almost exclusively from the tax-qualified pension plan assets and it often exceeded \$1 million dollars. When our retired pilots say that they “receive only a small percentage” of their retirement benefit, I can only assume they are ignoring the money already paid to them at the time they retired through this lump sum feature. Again, the availability of the lump sum in the Plan drove a very high number of Delta pilot early retirements. One of the consequences of this was that, in the twelve months leading up to our bankruptcy, more than one thousand of our pilots made the decision to retire early in order to secure for themselves the immediate payment of these lump sums representing more than half of their total accrued pension benefit. These retirements drained over \$900 million dollars out of the Plan in the 12 months prior to our bankruptcy. This was on top of the large number of pilots who had retired and taken their lump sums in the twelve months prior to that.

These lump sums only represented one half the total pension benefit for our retiring pilots. What they are, of course, concerned with now is what happened to the other half, so let me explain a few details about that. As I mentioned before, pilot pension benefits were generally large enough such that they could not all be paid from a tax-qualified pension plan. Under our pilot working agreement, lump sum payments on retirement were always taken first from the assets of the tax-qualified Plan. For this reason, in general, a significant portion of the remaining half of the pension benefit payable to retired pilots was in the form of non-qualified pension benefits payable from company assets. First, in addition to the 50% cash lump sum described above, retiring pilots also received an additional cash settlement of a portion of their non-qualified benefit at retirement. This settlement of what was known as the Money Purchase Pension Plan portion of the Plan meant that retiring pilots, in fact, received more than half their total benefit in cash at the time they retired.

Second, during our bankruptcy, all non-qualified pension benefits, including those payable to executives, were terminated. Each affected individual received a claim in Delta's bankruptcy for the value of any such lost non-qualified benefits, generally payable in the form of stock in the re-organized Delta. As is the case with virtually any bankruptcy, the claims in Delta's bankruptcy were not worth 100 cents on the dollar when paid and their ultimate value is tied directly to Delta's stock price. At the time the claims were paid to retired pilots, Delta's stock was trading just below \$20 per share and it has exceeded that amount in the intervening period, though it is not in that range now. A small additional distribution on this claim will likely be provided to retired pilots and other claimholders at some point in the future when all of the claims in Delta's case are finally resolved. While this represents a loss for our retired pilots for the non-qualified portion of their pension benefit, it is a loss experienced by every other Delta stakeholder who had a claim in Delta's bankruptcy case. It is worth noting that recovery on claims in the Delta case was substantially higher than in either the United Airlines or US Airways cases.

This brings us to the final portion of the pension benefit our retired pilots are concerned with, the remaining (if any) tax-qualified plan benefit payable to them from the Plan. Again, this portion represents the minority (often small minority) of a retired pilots pension benefit. As a result of the termination of the Plan, the Pension Benefit Guaranty Corporation (the "PBGC") is now responsible for this portion of the benefit. Your letter states you understand that "a number of retired pilots receive zero benefit from the PBGC, and many more get a monthly PBGC payment that equals half or less than half of their Social Security benefit check." While the rules that the PBGC applies to determining benefit amounts to participants in plans it administers are arcane at best, I can tell you that, in general, it is our retired pilots who received the largest lump sum payments who currently receive the least amount, including zero, from the PBGC. This makes sense when you consider what I've explained above. Those who had large lump sums paid out at the time of retirement often had very little, if any, tax-qualified benefit left to payout from the Plan. The PBGC takes this into account when calculating its benefit payments.

To summarize, Delta's retired pilots, in general, already received more than half their total pension benefit in cash, lump sum payments at the time they retired; they received a claim for their sizable non-qualified benefit and what is left over, if any, is paid to them by the PBGC under its rules. But the end of the PBGC portion of this story has not yet been written. In addition to paying claims directly to retired pilots for non-qualified benefits, Delta paid substantial claims and other consideration to the PBGC upon termination of the Plan. While not yet completed, the PBGC is in the process of valuing that consideration and when it does so, many if not most of the retired Delta pilots will get an increase in the benefit payable by the PBGC and that increase will be retroactive to the September 2006 date of Plan termination. One way your influence could

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certainly be helpful to retired Delta pilots would be to urge them to complete this process as expeditiously as possible.

Finally, your letter states that you are told that "Delta will be assuming the pension liabilities for over 30,000 Northwest employees and retirees." That is true and we will use the airline specific provisions of the Pension Protection Act of 2006 to ensure that we meet all those obligations. Each company had these obligations in its stand-alone business plans and the strength that we gain by merging together simply improves our ability to meet those obligations.

We do not dispute that retired Delta pilots suffered pension losses during the bankruptcy and we remain sympathetic to that loss and understanding of that frustration. However, I hope that what I've explained above gives you each a better perspective on the entire situation.

Having seen Captain Moak's separate response to you, let me also say that Delta very much supports S.1270/H.R.2103 and S.2505/H.R.4061. We wholeheartedly agree that your sponsorship and support of these measures would be an excellent way to support the active and retired pilots of Delta Air Lines.

Cordially,

A handwritten signature in cursive script, appearing to read "Richard".

Enclosure

cc: Captain Lee Moak