

Judge: Delta Can Eliminate Pilot Pension

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Judge OKs Termination of Delta Pilots Pension Plan After Group Withdraws Objection

WHITE PLAINS, N.Y. (AP) -- A federal bankruptcy judge on Tuesday approved Delta Air Lines Inc.'s request to terminate its pilots' pension plan.

Judge Adlai Hardin's decision came after a splinter group representing retired pilots formally withdrew its objection to the termination of the plan, which included an option for pilots to retire early at the age of 50 and take out half their entitlements in one lump sum payment.

Delta, the nation's third-largest carrier, must still go to the federal government's pension agency, the Pension Benefit Guaranty Corp., to officially end the plan. At that time, the PBGC will take over the plan and pay pilots reduced benefits. The change would be retroactive to Sept. 2. Delta had said the pilots would still receive, on average, about \$75,200 a year, including the lump sum payment.

The carrier told Hardin on Friday it had no choice but to eliminate its pilots' pension plan if it is to come out from bankruptcy and remain afloat.

In a settlement reached on Labor Day, the group representing about 100 retired pilots agreed to pull its objections to the plan's termination. In exchange, Delta agreed to pay \$500,000 to the group, known as DP2, to cover fees and expenses. Also part of the settlement was an agreement from both sides to no longer "criticize or disparage one another."

"I think we would all agree that termination of the pension plan is not a good thing," said Sherwin Kaplan, a lawyer for DP2, at the hearing. The plan's end, he added, will cause "enormous hardships" to the pensioners, many of whom had worked for decades only to see their entitlements cut.

But in the end, DP2 and its lawyers concluded that the group simply did not have the financial resources to successfully battle its termination.

The judge called Delta's evidence and arguments showing that it has no choice but to end the plan "overwhelming." He said he read most if not all, of the scores of letters sent to him by retired pilots opposing the plan's end.

Delta's active pilots have already agreed not to object to the termination request as part of a \$280-million-dollar-a-year concessions agreement first reached with management in April.

Termination of the pension plan means the end to the ability of Delta pilots who retire in the future to collect half of their pension benefits in a lump sum. That lump sum drove hundreds of pilots to retire, many of them early, before Delta filed for bankruptcy in September 2005. Delta said that more than 90 percent of its retiring pilots have chosen to take out the lump sum payments.

Because of a liquidity shortfall in the pension plan, the lump sum option has not been available since last October.

Delta says it does not have enough money to cover the pilot pensions. As of July 1, the pilot pension plan was projected to have assets of 39 percent of its current liability -- \$1.6 billion of assets versus \$4.1 billion in liabilities -- according to a Delta court filing from Aug 4.

Atlanta-based Delta has said it hopes to keep the pension plan for its ground workers and flight attendants, which does not have a lump sum option.

Delta hopes to emerge from bankruptcy protection by mid-2007.

UAL Corp.'s United Airlines, the second-largest carrier in the country, terminated its pilots' pension plan in 2004, while it was under bankruptcy protection. Kaplan had also represented the U.S. Airways retirees. A federal judge upheld that termination in June