

AP

Delta, Pension Agency Reach Settlement

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Delta, PBGC Reach Settlement on Pilot Pension Termination Request

ATLANTA (AP) -- Delta Air Lines Inc. and the Pension Benefit Guaranty Corp. have settled the carrier's request to terminate its pilots pension plan. The agreement would award the government's pension insurer an unsecured claim of \$2.2 billion against the nation's third biggest carrier.

The Atlanta-based company said in a bankruptcy court filing Monday that the agreement also calls for Delta's reorganization plan to provide the PBGC with \$225 million in senior unsecured notes. Delta retains the right to replace the notes with cash.

Delta has already received court approval to terminate the pension plan, but it also needs the PBGC's nod.

The airline has said it needs to eliminate its pilots pension to successfully emerge from Chapter 11, which it hopes to do by the middle of next year.

Termination of the pension plan would mean the PBGC would take over the pilot pension and pay the pilots' benefits up to a maximum limit, in many cases less than what they were expecting under the company plan.

The agreement disclosed Monday calls for the PBGC to complete the termination of the pilots pension plan expeditiously and, if it makes a final determination to terminate the plan as recommended by its staff, the termination will be retroactive to Sept. 2.

A hearing on the agreement between Delta and the PBGC is scheduled for Dec. 20 in U.S. Bankruptcy Court in New York.

Other terms of the agreement:

-- When Delta emerges from Chapter 11, the PBGC will be deemed to have waived its rights to restore the pilot plan in full or in part.

--Delta agrees not to establish any new tax-qualified defined benefit plans for its pilots for a period of five years after the exit date.

--Delta will reimburse PBGC for legal fees and expenses up to \$7.5 million.

Delta's roughly 6,000 active pilots negotiated a \$2.1 billion unsecured claim in the bankruptcy case, money that could help them recoup some of their lost pension benefits. Already retired pilots negotiated \$800 million in unsecured claims.

Delta has said it plans to maintain its non-pilot pension plan, which covers ground employees and flight attendants. It reiterated that Monday, noting that pension reform legislation passed by Congress helped it preserve the non-pilot pension plan.

Delta, meanwhile, faces a hostile bid by Tempe, Ariz.-based US Airways Group Inc. to buy the company in a deal that would create the nation's largest carrier. Delta management has said it opposes a merger; its unsecured creditors are weighing the proposal against Delta's standalone plan.