



Delta Air Lines, Inc.  
Post Office Box 20706  
Atlanta, GA 30320-600

February 16, 2007

Dear Pilot Retiree or Survivor:

As you know, the Pension Benefit Guaranty Corporation (PBGC) became trustee of the Delta Pilots Retirement Plan (DPRP) effective December 31, 2006. As a result, there are two significant events about which the attached guide provides you more information.

First, PBGC has informed Delta that no deductions other than federal income taxes can be taken from pension payments effective with the March 1, 2007 payment. Therefore, the March 1 check *only* will continue to deduct state income tax. This means that you will need to make alternative arrangements to pay for any items that may have been deducted from your pension check previously, as described in the attachment.

Second, trusteeship began a process which may enable you to receive assistance from the federal government in paying your health care insurance premiums through the Health Coverage Tax Credit (HCTC) Program. For those who qualify, the HCTC can pay 65% of the cost of coverage. The IRS will soon be mailing HCTC program kits to those individuals the PBGC determines may be eligible. As you may recall from the Term Sheet settlement with the Pilot 1114 Committee, Delta had agreed to hold the COBRA election period open for eligible individuals for 60 days beyond the date the PBGC began issuing payments to retired pilots and survivors. While that clock actually began to run January 1 (based on the December 31<sup>st</sup> Trusteeship date), as further explained in the attached, Delta will hold the COBRA election period open until March 30, 2007 in order to allow adequate time for eligible individuals to receive and complete the HCTC Program Kit.

Also, please note that despite Delta's urging, PBGC appears to have concluded that those retired pilots and survivors who will receive no check from the PBGC will not be eligible for the HCTC – at least it appears that they do not intend to mail an HCTC Program Kit to such individuals. If you have questions about this decision, please contact the PBGC. More information is included in the attached.

We hope that this information assists you in understanding the new processes that will start due to the PBGC becoming trustee of the Delta Pilots Retirement Plan. Again, questions about the HCTC should be addressed to the HCTC Customer Contact Center at 1-866-628-4282 or to the PBGC at 1-800-400-7242, while questions regarding the Delta benefits that are not subject to the HCTC should be addressed to 1-800-MYDELTA. Also, now that the PBGC is trustee of the DPRP, Delta is not able to answer questions about your pension calculations or payments. Therefore, any questions about your pension payment from the DPRP should be addressed to the PBGC at 1-800-400-7242

Sincerely yours,

Robert L. Kight  
Vice President – Compensation, Benefits & Services

## Deductions From DPRP Pension Checks

The PBGC has advised that all current deductions from retired pilot qualified retirement checks (other than Federal tax withholding) must be *stopped* effective March 1, 2007. However, on a one time basis – for the March 1 check only – state income tax will continue to be withheld. This means that if you currently have deductions withheld from your pension check such as retiree medical, dental or vision, or any of the voluntary optional insurances such as optional life, dependent life, spouse life, child life, group accident or private pilots insurance, your pension deductions will end on March 1<sup>st</sup>. You will subsequently be moved into the Premium Pay/Direct Bill process administered by the Delta Employee Service Center (ESC). However, if you are a pilot survivor receiving a check from the Pilot Disability and Survivorship Plan, your deductions may continue from that check if funds are available to cover your total deduction amount.

Around the end of February, you will receive from the ESC a monthly premium invoice for your benefit coverage for March 2007. This invoice will reflect premiums due for the benefit coverage you had in effect in February at the time the invoice was produced. The Payment Due Date reflected on the March invoice will be March 1<sup>st</sup>; however, a 30-day grace period will apply to the Payment Due Date – as long as your premium payment is *received by March 31<sup>st</sup>*, your payment will be considered timely. Each month going forward, you will receive a premium invoice around the 20<sup>th</sup> of the month for the next month's premiums, and the 30-day grace period will always be applied. Look for additional information regarding this Premium Pay/Direct Bill process in the package you will receive from the Delta ESC in late February.

Questions regarding premium payment and invoicing for healthcare or voluntary insurances (other than those subject to the advance payment feature by the IRS -- see section below) should be directed to the ESC at 1-800 MY DELTA.

In addition to benefit premium deductions, other current deductions from your pension check will also end on March 1st. This could include deductions for Delta Community Credit Union (DCCU) Loans, Travelers Insurance, Delta Heritage Museum or United Way. If you currently have a DCCU Loan deduction, you will receive a separate communication from the DCCU regarding their direct payment process. Any questions about this process should be directed to the DCCU at 1-800-544-3328 or 404-715-4725. If you have questions about other voluntary deductions in place, you will need to contact the applicable provider listed below as soon as possible to make alternate payment arrangements or for any other questions you may have about these deductions:

Travelers Insurance	877-754-0476
Delta Heritage Museum	404-715-7886
United Way	404-773-7784

Your net check will continue to be deposited according to the most recent instructions you have provided. If you wish to change the instructions for payment of your net check, please contact PBGC at 1-800-400-7242.

## HCTC

### General Information About the HCTC Program

- The Internal Revenue Service (IRS) is responsible for the administration of the HCTC Program.
- If you are potentially eligible for the HCTC, the IRS will mail you a HCTC Program Kit. This package explains eligibility for the HCTC, what constitutes qualifying health coverage and ways that you can utilize the HCTC.
- The PBGC notified the IRS of the individuals that qualified for an HCTC Program Kit. Delta was not asked to provide information to the PBGC specifically for this purpose.
- We have been informed that mailing of these HCTC Program Kits to Delta pilot retirees and survivors will begin soon and should arrive by the end of February. Again, these are not mailed by Delta but will be sent by the IRS.
- If you are between ages 55 and 64 and receiving a DPRP pension payment from the PBGC you should receive an HCTC program kit. If you have questions about the contents in the program kit or if you do not receive a kit and want to follow up, please call the HCTC Customer Contact Center at 1-866-628-HCTC (4282).
- The HCTC Program Kit includes a Registration Form for the advance payment option. The advance payment option allows an eligible individual to claim the tax credit each month as your health plan payments are due. This means that the IRS will collect your portion of the premium (35%) directly from you and then submit it, along with the tax credit portion (65%) to the ESC.
- You must send in the completed Registration Form and supporting documentation before you can receive the advance payment. This is explained in the HCTC Program Kit.
- Despite Delta's urging, we understand that the PBGC did not include on the eligibility list for the HCTC Program Kits pilot retirees who are not receiving a check from the DPRP. This is a PBGC decision and if you have questions about the eligibility information provided to the IRS by the PBGC, you can contact the PBGC at 1-800-400-7242. Also, recall that the Agreement between Delta and the 1114 Pilot Retiree Committee, entitles pilot retirees ages 60-64 who are enrolled in the DPMP retiree medical coverage to a refund of 16% of the DPMP premium if they are not eligible to claim the HCTC solely because they are not receiving a pension payment from the PBGC.

### Information About Delta Coverage and the HCTC Program

- COBRA continuation coverage through Delta is coverage that qualifies for the HCTC. However you must meet all other eligibility criteria for the HCTC as well. Refer to the HCTC Program Kit for details.
- **Note that even if you are not eligible for Delta COBRA coverage, you may have access to another health plan that qualifies for the HCTC, such as a spouse's plan or a state-qualified health plan (most states now have a qualified plan). See Step Two in the HCTC Program Kit for more information about these options.**
- Pilot retirees, survivors and dependents who were eligible to elect Delta bankruptcy-related COBRA due to changes to retiree healthcare coverage made through the bankruptcy 1114 process were given the opportunity to make this election in November 2006 as part of the 2007

- open enrollment process. The Notice describing these rights was included in the open enrollment materials of eligible individuals.
- If you are eligible for bankruptcy-related COBRA coverage but did not elect it during open enrollment, you have **until March 30, 2007** to make the election. If you elected the bankruptcy-related COBRA during open enrollment (effective January 1, 2007) and have not made a change since then, you do not need to take further action to remain in bankruptcy-related COBRA coverage, other than to timely pay your premiums.
- Remember that coverage provided through the Delta Pilots Medical Plan (DPMP) provides a *combined* medical and dental benefit, so if bankruptcy-related COBRA coverage for the DPMP has been or is elected by March 30, 2007, *both* the medical and dental DPMP COBRA premiums are eligible for the HCTC. On the other hand, only the *medical* COBRA premium for other Delta COBRA coverage (such as the Standard Medical Option) is eligible for the HCTC, so if you elect to have a dental plan with this COBRA coverage you will be responsible for paying 100% of the dental portion of the premium.
- If you do not remember if you are eligible for or enrolled in bankruptcy-related COBRA coverage, you can find out by accessing Benefits Direct on DeltaNet by going to <http://dlnet.delta.com>. Once in Benefits Direct, click on the “Open Enrollment” option to view your eligible options. If you have additional questions about Delta COBRA coverage, contact the ESC at 1-800 MY DELTA
- If you are eligible for bankruptcy-related COBRA coverage and want to now elect it, you need to enroll no later than 5 p.m., Eastern Time, on March 30, 2007 through Benefits Direct on DeltaNet by going to <http://dlnet.delta.com>. Once in Benefits Direct, click on the “Open Enrollment” option to view your eligible options. Remember, if you can access TravelNet, or if you have home access to DeltaNet, you have a valid Delta Passport password and can enroll on-line. If not or if you have trouble enrolling on Benefits Direct, contact the ESC at 1-800 MY DELTA (1-800-693-3582), Monday – Friday, 8.a.m. to 5 p.m., Eastern Time, except on certain holidays. **Remember that after March 30, 2007 it will be too late to enroll in bankruptcy-related COBRA**
- When you elect bankruptcy-related COBRA, the coverage will be effective retroactively to January 1, 2007. If you paid premiums for other Delta medical coverage during this time, you will receive an invoice for the incremental cost, if any, of your COBRA coverage. You will receive this invoice within one month after the date you make your new election. If you were not previously enrolled in Delta coverage, your first invoice will include charges for the cost of COBRA coverage retroactive to January 1. For example, if you enroll in March, you will receive an invoice in April that includes a charge for January, February, March and April coverage.
- You may already be enrolled in regular COBRA coverage (i.e. COBRA coverage that generally lasts up to 18 months) and pay your COBRA premiums to Ceridian, the COBRA administrator for regular COBRA. This most likely would have been COBRA you elected at the time of your retirement. This is also qualifying coverage for purposes of the HCTC. If you have questions about your regular COBRA coverage, contact Ceridian directly at 1-800-877-7994.

#### Information You May Need to Submit With Your HCTC Registration Form

- If you apply for the advance payment option, you are required to submit certain supporting health plan documentation with your HCTC Registration Form. Step Three in the HCTC Program Kit explains what material is needed.
- If you enrolled in Delta bankruptcy-related COBRA coverage during open enrollment or enroll in it between now and March 30, you can request from the ESC a Health Coverage Tax Credit Documentation letter to satisfy these documentation requirements. The IRS has informed us

- that this form is sufficient for those enrolled in Delta bankruptcy-related COBRA coverage; your invoice from the ESC alone is not sufficient. You can request this personalized letter by calling the ESC at 1-800 MY DELTA.
- If you are enrolled in regular Delta COBRA coverage (COBRA coverage that lasts up to 18 months) due to having retired in the last eighteen months, you can use the premium invoice you receive from Ceridian to satisfy the HCTC registration process. You will also need to provide proof that the plan is COBRA with either a copy of your COBRA Qualifying Event Letter, or copy of the Ceridian Welcome Letter and proof you have paid the bill. Contact Ceridian directly at 1-800-877-7994 if you have any questions about proof of regular COBRA coverage or the premium invoice
- If you have health coverage with another qualified plan, read Step Three in the HCTC Program for what documents are needed for your type of plan. In most cases, a copy of an invoice is required.

### Payment for Delta COBRA Coverage

- If you enroll in Delta COBRA coverage and apply for the advance payment option, you will begin to receive monthly invoices for your portion of the COBRA premium directly from the HCTC Processing Center. The amount due should be paid in full by the due date on the invoice.
- You will also continue to receive monthly invoices from the ESC. The monthly invoice from the ESC will include all benefit coverages, *including the coverage eligible for the HCTC that you are also billed for by the HCTC Processing Center. Each month you will need to send a payment to both the HCTC Program for the amount due on your HCTC invoice and to ESC for the amount due on your ESC invoice, which includes amounts like life insurance premiums, vision premiums or coverage for Medicare-eligible family member that the HCTC will not cover; however you do not need to pay the ESC for the same COBRA premiums that are timely paid to the IRS (even though they are reflected on your ESC invoice).*
- It is your responsibility to ensure that timely and full payments are made for your coverage. As payments are received from the HCTC Processing Center, they will be credited to your ESC account and shown on your ESC invoice as a credit. Receiving an HCTC invoice does not mean that you are up to date in payments to the ESC. It is critical that you resolve any unpaid balances with the ESC in order to maintain your health coverage and remain an active participant in the HCTC Program.
- You are responsible for paying any COBRA premiums to Delta for periods of time prior to the time the advance payment option is effective. This full COBRA premium will be reflected on the monthly invoice received from the ESC, as described in the above bullet. (Note, you may be able to claim the 65% credit on your federal income tax return at the end of the year for any full payments you made to your COBRA plan for coverage for December 2006 and after, but the IRS does not retroactively pay your COBRA premiums for periods that have already passed.)
- Remember that ALL COBRA premiums must be received by the due date for you to continue to be eligible for COBRA. If you miss a payment or if a payment is received late, your COBRA coverage will be terminated and you will not be allowed to reenroll in it. **This means you will no longer be able to claim the HCTC for your Delta COBRA coverage.**
- The following example illustrates the HCTC registration, billing and payment process:

John Smith is 61 years old and receives a pension payment from the DPRP. He enrolled in the DPMP retiree coverage effective January 1, 2007. He is also eligible for

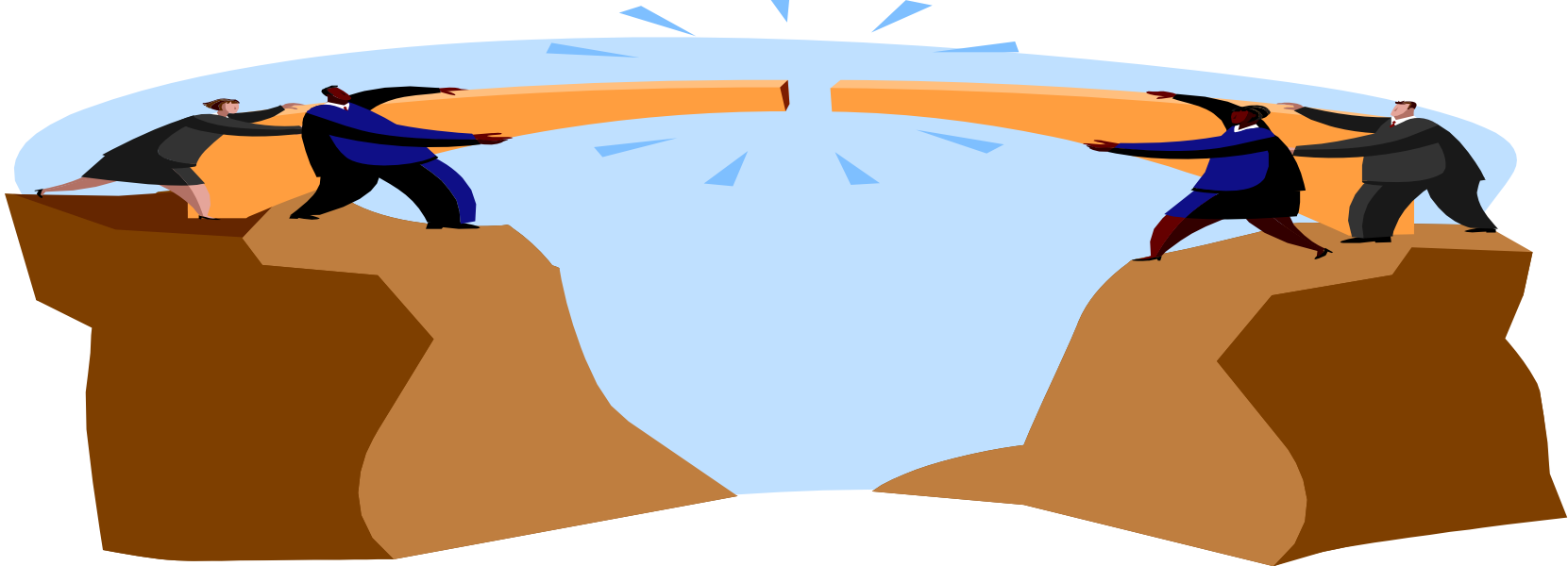
Delta bankruptcy-related COBRA and decides to elect COBRA and apply for the HCTC advance payment option. The following will need to happen:

1. John should log onto the Benefits Direct website, select the Open Enrollment option, and make his election for bankruptcy-related COBRA coverage by March 30, 2007.
2. Delta ESC will make the appropriate premium adjustments on John's next monthly billing invoice and will continue to send him monthly invoices. The monthly invoice from the ESC will include all benefit coverages, *including the COBRA coverage eligible for the HCTC*.
3. John completes the HCTC Registration Form and contacts the ESC at 1-800 MY DELTA to request the *required* COBRA documentation (the Health Coverage Tax Credit Documentation letter) which must accompany his HCTC Registration Form.
4. Once the IRS has received John's HCTC Registration Form and supporting documentation and determined that he is eligible for the advance payment, it will send him an invoice for the next period of COBRA coverage. It will bill him the applicable 35% of the premium. If the IRS receives John's portion of the premium prior to the due date, it will put its applicable portion of the premium (generally 65%) with John's portion and send it to Delta. If John misses the IRS's premium due date, John must pay 100% of the COBRA premium directly to Delta by the Delta COBRA due date.
5. John will continue to get an invoice from Delta for the coverage that is eligible for the HCTC, but if he timely pays his premium to the IRS and is otherwise caught up on all of his COBRA premiums, he will not need to pay the COBRA premium to Delta for his coverage that is eligible for the HCTC advance payment option. However, John carefully reviews his ESC invoice each month and makes timely payments to the ESC for other premiums due, such as voluntary insurances, as well as any balances due from the previous month.
6. As payments are received from the HCTC Processing Center, they will be credited to John's account and shown on his ESC invoice as a credit. John must also make sure he is current with the ESC through the end of the month in which he receives his first HCTC invoice. It is John's responsibility to ensure that timely payments are made for his coverage. If we do not receive the full amount due for John's coverage by the due date, John's COBRA coverage will be terminated and partial payments refunded.

**Any questions regarding HCTC eligibility, the HCTC advance payment process and HCTC invoicing should be addressed to the HCTC Customer Contact Center at 1-866-628-4282.**

**The Georgia Department of Labor**  
may be able to assist you in paying your health insurance premium

## **BRIDGING THE GAP**



The Health Coverage Tax Credit (HCTC), administered by the IRS, pays 65% of the cost of health insurance premiums for qualified applicants. However, it can take six to ten weeks to get advance health care payments started.

The Georgia Department of Labor's HCTC Bridge Program may be able to assist you while you are waiting for HCTC advance payments to begin. The Bridge Program pays 65% of your health insurance premium if you qualify. You pay only the remaining 35%.

For more information on the Georgia Department of Labor's HCTC Bridge Program please call **404-232-3672** or email [Gloria.Wiley@dol.state.ga.us](mailto:Gloria.Wiley@dol.state.ga.us).