



Pension Benefit Guaranty Corporation
1200 K Street, N.W., Washington, D.C. 20005-4026

March 9, 2012



Re: Case No. 205441, Delta Pilots Retirement Plan (the "Plan" or "Delta Plan")

Dear

We are responding to your appeal of PBGC's May 26, 2011 determination of your benefit under the Plan. For the reasons explained in this decision, the Appeals Board found that:

- PBGC's calculations correctly account for the Delta Pilots Money Purchase Pension Plan ("MPPP") distribution of \$37,349.22 paid to the Alternate Payee,
- PBGC's calculations do not correctly account for the MPPP distribution of \$76,702.45 paid to you. Pursuant to the terms of the Plan, your MPPP offset is \$1,243.52, not the \$1,036.88 amount used in PBGC's May 26, 2011 determination. Consequently, PBGC calculated your Plan benefit incorrectly.
- Due to legal limits applicable to your Plan benefit, your PBGC benefit at your age-60 Normal Retirement Date ("NRD") is less than your Plan benefit. Due to your incorrect MPPP offset amount, PBGC's determination of your PBGC benefit is also incorrect.

PBGC's Benefit Administration and Payment Department ("BAPD") will issue you a corrected determination with new 45-day appeal rights. The Board expects your new PBGC monthly age-60 benefit amount to be approximately \$100 less than PBGC's May 26, 2011 determination stated.

PBGC's Benefit Determination and Your Appeal

PBGC's May 26, 2011 letter determined that you are entitled to a PBGC-payable monthly benefit of \$2,447.65 in the form of a Straight Life Annuity with no survivor benefits ("SLA"), starting on your September 1, 2018 (age 60) NRD. The benefit statement dated May 5, 2011 and enclosed with PBGC's letter stated that the Alternate Payee's portion of the Plan monthly benefit is \$2,191.39 (as of your NRD).

You appealed PBGC's determination on September 8, 2011, stating:

I believe the PBGC Formal Determination of my benefits is partially incorrect based on reviewing the language in Paragraph 11 of the accompanying Qualified Domestic Relations Order for the Delta Pilots Money Purchase Pension Plan from my divorce in [redacted] of 2002. [. . .] the Alternate Payee is already receiving payment and credit for and via the PBGC formal determination of benefits to the Alternate Payee from [redacted] portion of the Delta Pilots Retirement Plan. Therefore, that benefit should offset or reduce the amount and credit the Alternate Payee receives for [redacted] portion of the Delta Pilots Money Purchase Pension benefit. [. . .] Essentially, as the PBGC Formal Determination now stands, the Alternate Payee is receiving double benefit for [redacted] claimed portions of the PBGC formal benefit determination as it is currently computed.

PBGC and the Plan's Termination

PBGC is the United States government corporation that insures pensions in accordance with Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). PBGC's insurance program covers only certain defined benefit pension plans that are "qualified" (or in practice could be qualified) under section 401(a) of the Internal Revenue Code ("IRC"). If a plan sponsor is unable to support its defined benefit pension plan, PBGC becomes the trustee of the plan and pays guaranteed pension benefits according to the terms of the Plan, the provisions of ERISA and the IRC, PBGC regulations and policies, and, in your case, the terms of any applicable Qualified Domestic Relations Order ("QDRO").

The Delta Pilots Retirement Plan terminated on September 2, 2006 and was trusted by the PBGC on December 31, 2006. Because of legal limits under ERISA and PBGC's regulations, the benefits PBGC guarantees may be less than the benefits a pension plan would otherwise pay. One of these limits, the Maximum Guaranteed Benefit limit, applies to your benefit.

Background on the Delta Plan and the MPPP Plan

Your appeal letter indicates you are aware the Delta Plan paid a participant's vested Formula Benefit¹ from multiple plans. Your Delta Plan Formula Benefit was paid in conjunction with benefits from two other retirement plans not trusted by PBGC: the Delta Pilots Supplemental Annuity Plan ("SAP") and the MPPP.

As previously stated, PBGC insures the Delta Plan's qualified benefits, subject to ERISA's legal limits. Because your Delta Plan Formula Benefit is based on your annual average earnings, it is subject to the §401(a)(17) IRC limits for the maximum annual earnings allowed in

¹ Under the Delta Plan, the Formula Benefit is defined in section 1.18 as: "The benefit amount expressed as a monthly single life annuity that is equal to the greater of (a) the ratio of the Employee's Credited Service to 25, with a maximum ratio of 1.0 times 60% of the Employee's Final Average Earnings, both determined as of the Employee's Retirement Date or other date of Termination of Continuous Employment; or (b) for those Employees eligible therefore, the prior plan minimum benefit described in Section 8.02 of the Plan. The Formula Benefit shall be appropriately reduced for early commencement of benefits in accordance with the appropriate methodology set forth in the Plan and all other applicable provisions of the Plan shall be applied in determining the Formula Benefit (other than limitations imposed on the Plan by Code Section 401a)(17) and Code Section 415)."

calculating a qualified benefit. Your earnings exceeded these limits. Thus, the Delta Plan calculates two benefit amounts for you: (1) your total Formula Benefit using your actual earnings, and (2) your "qualified" Formula Benefit using your earnings up to the §401(a)(17) IRC limit in effect at the time. The portion of your total Formula Benefit that exceeds your qualified Formula Benefit is considered "non-qualified" and was payable from a non-qualified retirement plan, namely the SAP.

Delta's pension program also included the MPPP, a qualified defined contribution plan not insured by PBGC. Under the provisions of Delta's pension plans, a participant in your situation would receive total Formula benefit amount from the combination of the three plans, i.e., the Delta Plan, the MPPP, and the SAP.² This was accomplished by having the MPPP benefit amount offset first against the non-qualified benefit under the SAP and then (if any offset amount remains) against the benefit payable from the qualified Delta Plan.

On June 1, 2006, the Plan adopted and made effective the 10th Amendment, which provided that in the event any of the above non-qualified and/or qualified plans terminated, the MPPP offset will continue to be determined and applied as if those plans continue to exist. The 10th Amendment is thus favorable to participants and APs because when the non-qualified plans terminated, the Plan still offset the MPPP benefit first against the non-qualified benefits (even though the non-qualified benefits were no longer payable). As a result, for any participant who would have received a non-qualified benefit, this procedure reduces the remaining MPPP offset to be applied against the qualified Delta Plan benefit payable by PBGC. The calculation of the MPPP offset itself was established by the Plan's 11th Amendment, adopted and made effective on June 30, 2006.³

Your Delta Plan and MPPP Domestic Relations Orders

A Domestic Relations Order ("DRO" or "order") is one of two types; it is either a "shared payment" order or a "separate interest" order. A separate interest order treats the benefit as marital property and apportions part of the total benefit to the alternate payee ("AP"), and part to the participant. A separate interest order requires the plan to treat the AP's share of the pension as his or her own plan benefit, which is payable throughout the life of the AP and is not dependent upon the life of the participant. In contrast, a shared payment order does not give the AP own benefit based on a share of the participant's total benefit, but rather diverts a portion of each of the participant's monthly benefit payments to the AP. Thus, the AP does not have

² Delta also sponsored another non-qualified plan, known as the Bridge Plan, which in some cases paid part of the participant's benefit that exceeded the IRC limits. The Bridge Plan is not relevant in your case since you did not have a Bridge Plan benefit.

³ In accordance with the Plan's 11th Amendment, your MPPP offset is determined by projecting your MPPP account balance at its distribution date to your Plan benefit start date. The amendment provides a standard table of factors using straight line interpolation that assumes a 6.5% annual return on the MPPP account balance from the distribution date to your Plan annuity start date. Thus, your MPPP offset amount increases continually with time.

own benefit under a shared payment order, and payments to the AP generally stop at the death of the participant.

A separate interest DRO applicable to "the Participant's benefits under the Delta Pilots Retirement Plan, Delta Pilots Supplemental Annuity Plan, and/or Delta Pilots Bridge Plan, as applicable" ("Delta Plan DRO") was entered by the Superior Court of Fayette County, Georgia on May 8, 2003. The Delta Plan DRO names as the AP and assigns

Fifty percent (50%) of the Participant's Formula Benefit (as defined in the Delta Pilots Retirement Plan) accrued through March 31, 2002, expressed as a single life annuity payable at the Participant's Normal Retirement Date. . . over the life expectancy of the Alternate Payee.

In addition, paragraph 8 of the Delta Plan DRO requires the AP's Plan benefit be reduced by MPPP benefit, if any:

The benefit awarded to the Alternate Payee pursuant to this Section 7 shall be reduced by the amount, if any, of the Delta Pilots Money Purchase Pension Plan benefit that is awarded to the Alternate Payee under a Qualified Domestic Relations Order issued to such Plan.

A second DRO applicable to the MPPP ("MPPP DRO") was also entered into court on May 8, 2003 and assigns the AP an MPPP benefit equal to:

[F]ifty percent (50%) of the Participant's vested account balance under the Plan as of [March 31, 2002] . . . [and] include[s] earnings (i.e. gains and losses) from [March 31, 2002], to the date of distribution to the Alternate Payee.

On June 25, 2003, Delta determined both the Delta Plan DRO and the MPPP DRO to be qualified, making them the Delta Plan QDRO and the MPPP QDRO, respectively. On July 10, 2009, PBGC also determined your Delta Plan DRO to be qualified, and neither you nor the AP appealed PBGC's qualification letter. Both the Delta and PBGC qualification letters state that the Delta Plan QDRO provides you and the AP with a "separate interest" in your Plan benefit.

The MPPP Distributions Paid to You and the AP

The MPPP Account Balances Distributed to You and the Alternate Payee

PBGC records show that when MPPP account balances were distributed to you and the AP on August 23, 2006, your total MPPP balance was \$114,051.67. Pursuant to the MPPP QDRO, Delta determined that 50% of the MPPP balance as of March 31, 2002 with earnings up to August 23, 2006 was \$37,349.22, and Delta distributed this \$37,349.22 balance to the AP. The remaining MPPP balance of \$76,702.45 [\$114,051.67 - \$37,349.22] was distributed to you.

The AP's MPPP Offset is Correct

The issue you raise in your appeal is whether PBGC's determination of the AP's benefit properly accounts for the MPPP distribution made to [] in August 2006. The Board finds that PBGC's determinations correctly account for the AP's receipt of the \$37,349.22 MPPP distribution.

The Board agrees that the Delta Plan QDRO and MPPP QDRO discussed previously in this decision support your appeal's contention that the AP's Plan benefit must be offset by [] MPPP benefit. For purposes of applying the MPPP offset, the AP's MPPP distribution is converted into a monthly benefit equivalent. The AP's \$37,349.22 MPPP distribution equals a \$613.71 monthly benefit offset, which is first applied against [] non-qualified SAP benefit. Delta calculated the AP's SAP benefit as \$820.35, pursuant to the terms of the Delta Plan QDRO. After applying the AP's MPPP offset to [] SAP benefit, the AP's remaining MPPP offset is \$0.00 and [] remaining SAP benefit is \$206.64.

The AP's remaining SAP benefit of \$206.64 will never be paid due to the SAP's termination. Because the AP's \$613.71 MPPP offset is applied in full against the AP's \$820.35 SAP benefit, [] MPPP offset does not affect [] qualified Plan benefit. The Board has reviewed the AP's benefit calculations. We found that the AP's MPPP offset amount is correctly applied, pursuant to the terms of the Plan and the applicable QDROs, and that the AP's PBGC benefit determination is also correct.

Your MPPP Offset is Incorrect

PBGC's May 26, 2011 benefit determination, however, incorrectly calculated your MPPP offset as **\$1,036.88** (see line (2) of your May 5, 2011 benefit statement). Your correct MPPP offset amount is **\$1,243.52**. This error was discovered while your appeal was under review by the Board; PBGC's actuarial consultants that produced the initial calculations in your benefit statement informed PBGC and the Appeals Board that the actuarial firm had made an error in calculating your portion of the Plan benefit. BAPD concurred that an error was made in calculating your Plan benefit. The Appeals Board, after reviewing the actuarial firm's work, also agrees an error was made and your MPPP offset should be \$1,243.52, as explained next.

Your MPPP distribution of \$76,702.45 is equal to a monthly benefit equivalent of \$1,260.34. Your non-qualified SAP benefit is \$16.82. After applying your MPPP offset against your SAP benefit, the remaining **\$1,243.52** [= \$1,260.34 - \$16.82] of your MPPP offset must be applied against your Plan benefit. Instead, PBGC's May 26, 2011 benefit determination incorrectly applied a \$1,036.88 MPPP offset.

As a result of this error, PBGC's calculation of your Plan benefit after the MPPP offset is also incorrect and is too high by \$206.64 [= \$1,243.52 - \$1,036.88]. Although PBGC cannot pay you the full Plan benefit due to certain legal limitations, your PBGC benefit is determined based on your full Plan benefit amount. Consequently, this \$206.64 error in your MPPP offset results in your PBGC benefit also being incorrect. PBGC's forthcoming corrected determination of

your benefit under the Plan will reflect your corrected PBGC benefit after applying the correct MPPP offset discussed above.

Your Corrected PBGC Benefit

ERISA's Maximum Guaranteed Benefit Limit Impacts Your Benefit

Due to ERISA's Maximum Guaranteed Benefit ("MGB") limit, both you and the AP will receive PBGC-guaranteed benefits less than the benefit the Plan would have paid had it not terminated. Section 4022(b)(3) of ERISA provides that PBGC's guarantee of a participant's plan benefit cannot exceed a specified dollar amount payable in the form of a SLA at age 65. This MGB limit is adjusted for your age at retirement (should you retire at an age other than 65) and for the Alternate Payee's portion of your benefit. The resulting adjusted MGB amount determines your PBGC Guaranteed Monthly Benefit amount.

PBGC's May 5, 2011 benefit statement listed your PBGC Guaranteed Monthly Benefit at NRD as \$1,592.51 before your Social Security offset and \$1,489.56 after and for the rest of your life (see lines (10) and (11)). Your PBGC Guaranteed Monthly Benefit will change slightly due to PBGC's correction of your Plan benefit calculation.

Your PBGC Benefit Will Also Include a 4022(c) Benefit

ERISA section 4022(c) allows PBGC to pay benefits greater than the MGB based on an allocation of Plan recoveries from the Plan sponsor. Under these provisions, you and the AP will each receive a PBGC benefit larger than your PBGC Guaranteed Monthly Benefits; your PBGC benefit is determined as your PBGC Guaranteed Monthly Benefit plus your 4022(c) benefit. Your 4022(c) benefit will also change, however, due to PBGC's correction of your Plan benefit calculation.

The Board expects your age-60 PBGC benefit (your PBGC Guaranteed Monthly Benefit and your 4022(c) benefit), after correcting your MPPP offset amount, will be approximately \$100 less than PBGC's May 26, 2011 benefit determination stated.

Your PBGC Benefit Varies Based on Your Annuity Starting Date

The May 5, 2011 benefit statement enclosed with PBGC's determination letter showed your benefit amount at three different start dates (your age-60 NRD, your 07/01/2011 Earliest Benefit Starting Date, and your Age-65 Retirement Date). Your benefit amount depends on when you elect to start your benefit, because:

1. the MPPP offset amount increases each month after your MPPP distribution date;
2. the application of PBGC adjustment factors to the MGB will increase your MGB amount with each month you wait before commencing benefits; and

3. if you elect to retire after your age-60 NRD, your PBGC benefit also increases due to Plan late retirement factors that increase your monthly benefit to account for the delay in benefit commencement.

Please note that PBGC policy requires you to terminate employment with Delta in order to commence benefits before your age-60 NRD. You may, however, continue your Delta employment while receiving your PBGC benefit if you choose to retire on or after your age-60 NRD. We note that PBGC policy requires a participant to start his or her benefit by April 1 of the calendar year following the calendar year in which the participant attains age 70 ½.

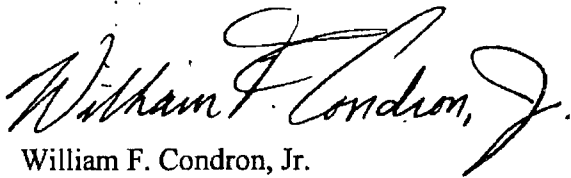
PBGC can provide you with benefit estimates for annuity starting dates other than the ones you will see in your forthcoming corrected benefit statement accompanying the corrected benefit determination. You may contact PBGC's Customer Contact Center at 1-800-400-7242 to request such an estimate.

Decision

Having applied the law, the provisions of the Plan, and the terms of the May 2003 QDRO to your case, the Board finds that your May 26, 2011 determination is incorrect due to an error in PBGC's calculation of your MPPP offset amount. You will be receiving a corrected benefit determination from BAPD shortly with your new benefit amounts and a new 45-day appeal right for issues not decided in this letter.

Meanwhile, if you have any questions, please call PBGC's Customer Contact Center at 1-800-400-7242.

Sincerely,



William F. Condron, Jr.
Member, Appeals Board