

**JG REMARKS**  
**Democratic Senate Caucus Meeting**  
**June 16, 2005**

Good morning, Senators Reid, Clinton, Kennedy, Baucus and other Members of the Caucus.

Thank you for this opportunity to address the crisis threatening Delta and other major network carriers as we struggle to honor the pension benefits airline employees already have earned and also restructure our businesses outside of bankruptcy.

My name is Jerry Grinstein and I am here today on behalf of 85,000 active and retired Delta people – or more than double that number if dependants are included.

At Delta, we are working closely with our retiree organizations as well as Northwest Airlines and the Air Line Pilots Association in support of pension funding reform. Our shared goal is a transition funding rule that would help us in our effort to meet our obligations to employees and avoid the transfer of liabilities to the Pension Benefit Guaranty Corporation – a situation that already has occurred at US Airways and United Airlines.

We need your help as we try to avoid a repeat of the tragic reduction or loss in retirement benefits experienced by the employees of those carriers.

At this point, I'd like to offer a brief explanation as to why Delta requires a longer transition funding period.

Our company's two traditional defined benefit pension plans were actually overfunded as recently as 2000, and pension funding rules discouraged additional contributions to plans determined to be fully funded.

In more recent years, the combination of historically low interest rates and significant declines in the equity market has created large funding deficits in the plans, triggering accelerated payments, or deficit reduction contributions. For Delta, the estimated required funding for our defined benefit plans in 2005 is about \$275 million, most of which has already been paid. However, without changes in the funding rules, the required payments to our two plans over the next three years is projected at \$2.6 billion. While Delta wants to honor these obligations, we are now facing the worst financial crisis in our 75-year history. In addition, the recent shedding of approximately \$15 billion in pension obligations by US Airways and United is adding to already intense competitive pressures.

As a result, major network carriers are now at a crossroads. Without changes to the current funding rule, airlines will almost certainly be forced into bankruptcy and the transfer of additional pension liabilities to the PBGC. Clearly, the current pension funding rules are not workable in today's airline environment.

At Delta, we began the process of moving away from the traditional defined benefit plans we can no longer afford in 2002, replacing them with alternate plans. What is needed as we transition to these new pension plans is a special funding rule that would give us the opportunity to meet our pension obligations and also continue our business transformation outside of bankruptcy.

The funding rules proposed by the Administration and House Republicans are not relevant or helpful for companies like Delta that are now exiting the traditional plans. They would only worsen our situation and make bankruptcy a more probable outcome.

The appropriate solution is a practical, sensible, airline-specific rule that balances the interests of all stakeholders.

Senators Rockefeller and Isakson have introduced S.861, the Employee Pension Preservation Act, a bill that we believe achieves these objectives.

S.861 would allow airlines to fund outstanding pension obligations on a more manageable and affordable 25-year schedule, using more stable, long term assumptions. It would give employees and retirees a greater chance of receiving the full pension benefits they have earned, rather than see those benefit diminished in a transfer of liabilities to the PBGC. In addition, S. 861 places a primary focus on protecting the PBGC from increased future liabilities. And by making it less likely that more airlines will transfer unfunded liabilities, the bill decreases the risk of a taxpayer funded bailout of the PBGC.

The bill would also benefit the traveling public, providing a solution that supports stability in our nation's air transportation system as the industry undergoes massive change. And finally, passage of this legislation would remove an enormous obstacle to Delta's ability to transform itself into a strong, viable carrier outside of court supervision.

One last point I'd like to stress to you today is that while Delta believes a special funding rule is necessary, we are not seeking a bailout or subsidy. Instead, our airline is pursuing an opposite course – one that limits PBGC liabilities and the potential need for a taxpayer bailout.

In closing, allow me to thank you once more for this opportunity to review our industry's unique and extremely urgent issues with the Caucus. Now, I'll be glad to try to answer any questions you might have.