



May 24, 2012

12-04

## Contract 2012 – Compensation

This *Negotiators' Notepad* will discuss the details of the compensation portion of the Tentative Agreement recently approved for membership ratification by the MEC. It will provide perspective on where ratification of this TA will place the Delta pilots relative to where we are today and to our peers. This *Notepad* should be considered in conjunction with the entire series of TA-related *Notepads* as you educate yourself in preparation to make an informed decision.

As is typical in any negotiation, we did not achieve everything that we set out to achieve. We did, however, achieve rates that dwarf those of our legacy carrier competitors, and that will, in 2½ years' time, match or exceed today's rates at Southwest, UPS, and FedEx. Equally important, we have continued along our march of steady pay increases since the merger, such that the Delta pilot's compensation of pay and DC contribution will increase over 50% on average since 2008 by the end of this TA.

### Pay Rates, DC Contributions, and Profit Sharing

#### Aircraft Types

- Increased MD-88 pay to MD-90 rates (2.4% increase)
- Established rate for B-717 equal to DC-9 rate

### Overall Hourly Pay Rate Increase

Date	Effective Increase	Cumulative Increase
January 1, 2013	12.8%*	12.8%
January 1, 2014	3.0%	16.2%
January 1, 2015	3.0%	19.7%

\*Includes 4% increase effective on 7/1/12

## Hourly Pay Rates (12 year rate)

Captain	Current	2012	2013	2014	2015
B747-400/B-777	225.75	234.78	254.74	262.38	270.25
B787	216.27	224.92	244.04	251.36	258.90
B-767-400ER	213.24	221.77	240.62	247.84	255.27
A330-200/300	213.24	221.77	240.62	247.84	255.27
B-767/B-757	188.96	196.52	213.22	219.62	226.21
B737-900	182.14	189.43	205.53	211.69	218.04
B737-800/700	181.20	188.45	204.47	210.60	216.92
A320/319	174.84	181.83	197.29	203.21	209.30
MD-90	171.71	178.58	193.76	199.57	205.56
MD-88	167.68	178.58	193.76	199.57	205.56
B-717	163.05	169.57	183.99	189.51	195.19
DC9	163.05	169.57	183.99	189.51	195.19

First Officer	Current	2012	2013	2014	2015
B747-400/B-777	154.19	160.36	173.99	179.21	184.58
B787	147.71	153.62	166.68	171.68	176.83
B-767-400ER	145.64	151.47	164.34	169.27	174.35
A330-200/300	145.64	151.47	164.34	169.27	174.35
B-767/B-757	129.06	134.22	145.63	150.00	154.50
B737-900	124.40	129.38	140.37	144.58	148.92
B737-800/700	123.76	128.71	139.65	143.84	148.16
A320/319	119.42	124.20	134.75	138.80	142.96
MD-90	117.28	121.97	132.34	136.31	140.40
MD-88	114.53	121.97	132.34	136.31	140.40
B-717	111.36	115.81	125.66	129.43	133.31
DC9	111.36	115.81	125.66	129.43	133.31

## Annual Compensation

The following charts show the increases to a pilot's annual compensation at the 12-year rate between now and January 1, 2015, assuming 1000 hours of pay per year (900 hours of flying plus 100 hours of vacation and training).

Captain	Current	2012	2013	2014	2015
B-747-400/B-777	225,750	230,265	254,736	262,378	270,250
B-787	216,270	220,595	244,039	251,360	258,901
B-767-400ER	213,240	217,505	240,620	247,839	255,274
A-330-200/300	213,240	217,505	240,620	247,839	255,274
B-767/B-757	188,960	192,740	213,222	219,619	226,208
B-737-900	182,140	185,785	205,527	211,693	218,043
B-737-800/700	181,200	184,825	204,466	210,600	216,918
A-320/319	174,840	178,335	197,289	203,208	209,304
MD-90	171,710	175,145	193,758	199,570	205,557
MD-88	167,680	173,130	193,758	199,570	205,557
B-717	163,050	166,310	183,986	189,505	195,190
DC-9	163,050	166,310	183,986	189,505	195,190

First Officer	Current	2012	2013	2014	2015
B-747-400/B-777	154,190	157,275	173,988	179,208	184,584
B-787	147,710	150,665	166,676	171,676	176,827
B-767-400ER	145,640	148,555	164,340	169,270	174,348
A-330-200/300	145,640	148,555	164,340	169,270	174,348
B-767/B-757	129,060	131,640	145,631	150,000	154,500
B-737-900	124,400	126,890	140,373	144,584	148,922
B-737-800/700	123,760	126,235	139,651	143,840	148,156
A-320/319	119,420	121,810	134,754	138,796	142,960
MD-90	117,280	119,625	132,339	136,309	140,398
MD-88	114,530	118,250	132,339	136,309	140,398
B-717	111,360	113,585	125,659	129,428	133,311
DC-9	111,360	113,585	125,659	129,428	133,311

### Defined Contribution

- Targeting for former NW pilots ends on 12/31/13
- Company DC contribution increased by 1% on 1/1/14
- Results in 13% DC + 2% DPSP (401k) = 15% total for all pilots

### Profit Sharing

A portion of the profit sharing program has been converted into pay rates, effective with the February 2014 profit sharing payout. Specifically, beginning in 2013, approximately 1/3 of profit sharing payouts for Company pre-tax income levels between \$0 to \$2.5 billion will be monetized into approximately 2 percent of pay. This guarantees payout of that portion of the program, regardless of the Company's financial performance. The chart below shows how the program is being changed.

#### Pre-Tax Income Levels - % of Pre-Tax Income Paid under Program

Current	Effective Calendar Year 2013
\$0 to \$2.5 billion - 15.0%	\$0 to \$2.5 billion - 10.0%
Over \$2.5 billion - 20.0%	Over \$2.5 billion - 20.0%

This change captures *additional* value for the Delta pilots anytime the Company's pre-tax income is less than \$2.5B. All eligible employees, proportionally with their earnings, share the profit sharing program. Recall that the pilots' share is approximately one-third that of the entire eligible employee group.

Under today's profit sharing plan, should Delta have a pre-tax income of \$2.5B, the 15% payout would yield \$375M. Of that, the pilot group would share roughly one third, or \$125M. Under the TA, that amount will be reduced to \$83M, with the remaining \$42M having been converted into additional pay rates that are received upfront and throughout the year.

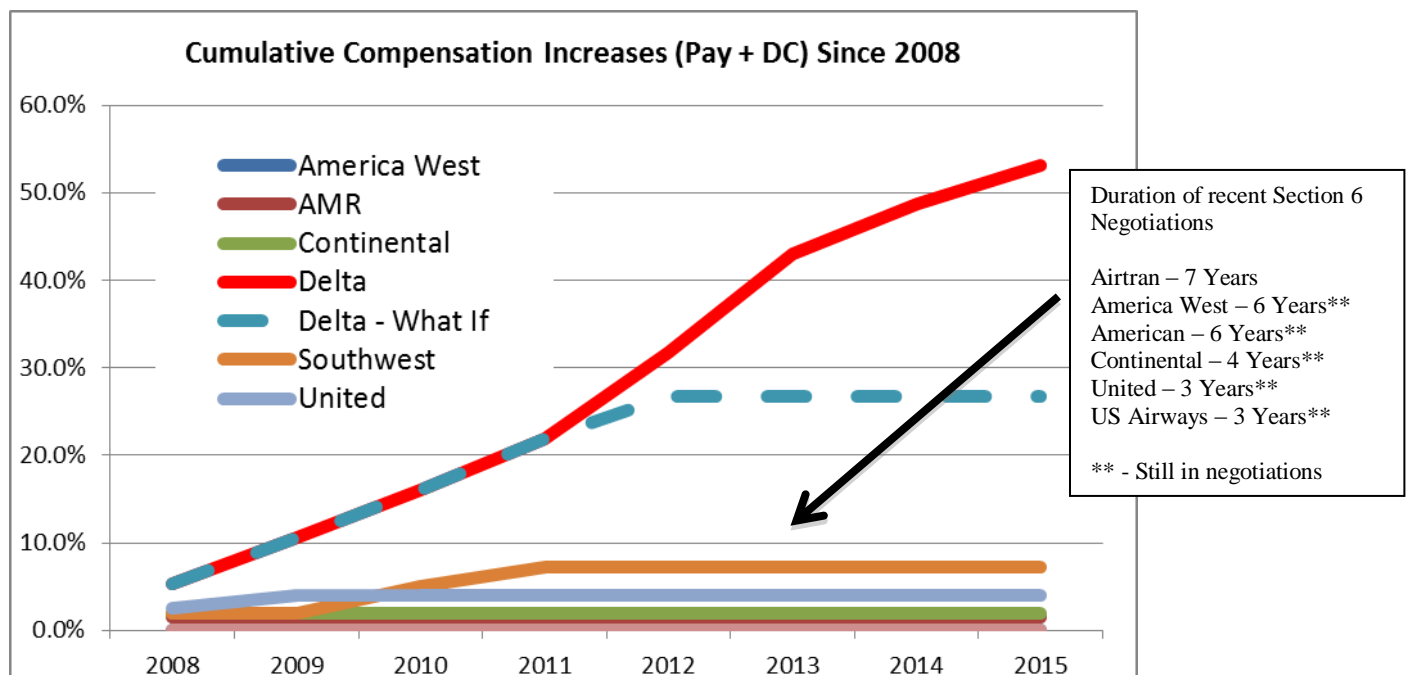
Now consider that in 2011, Delta had a pre-tax income of \$1.522B. The 15% payout yielded \$228M, of which the pilot group received roughly one-third, or \$76M. Under the TA, that amount would have been reduced to \$51M, but the pilot group would still have received the same \$42M in additional pay rates upfront throughout the year as described above, for a total payout of \$93M or \$17M *more* than had profit sharing not been converted to pay.

Because the profit sharing payout above \$2.5B has not been changed, we will see *no* difference should Delta's pre-tax income exceed that amount. Please note that for 2012, the 15% payout remains unchanged and will be paid in February of 2013.

## Industry Comparisons

### Total Compensation Increases

The following chart and the table below it show the overall increases in compensation (pay and DC contributions) that the Delta pilots will have been able to achieve since 2008 and through the end of this TA. Under this TA, the Delta pilots will have experienced an average 53.2% increase in total compensation since prior to the merger. As former NW pilots received an initial increase in pay rates to bring them to the Delta hourly rates on CBAID, a former NW pilot is slightly above this average while a pre-merger DL pilot is slightly below.

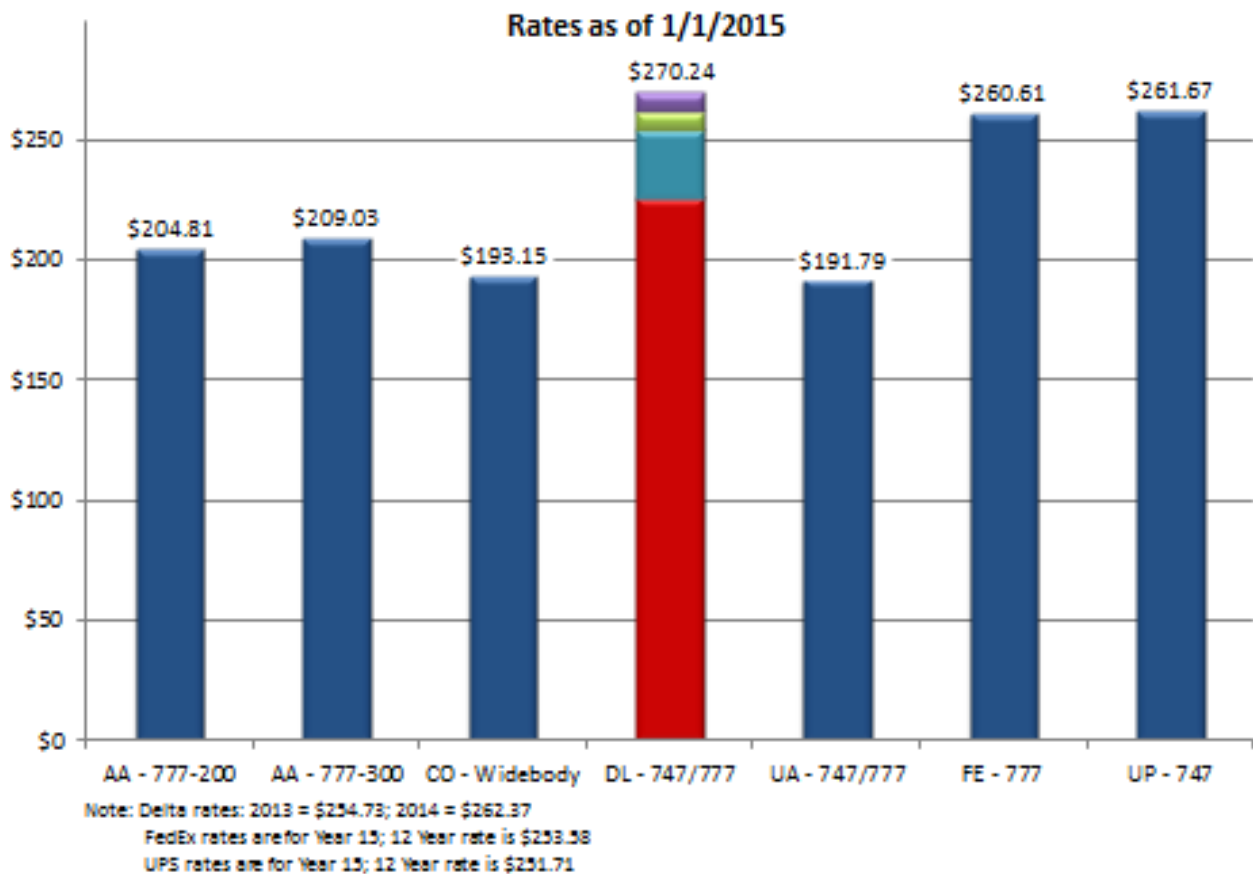


Airline	2008	2009	2010	2011	2012	2013	2014	2015	End State
America West	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
AMR	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Continental	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Delta	5.3%	10.6%	16.1%	21.9%	31.8%	43.0%	48.7%	53.2%	53.2%
Southwest	2.0%	2.0%	5.1%	7.2%	7.2%	7.2%	7.2%	7.2%	7.2%
United	2.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
US Airways	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

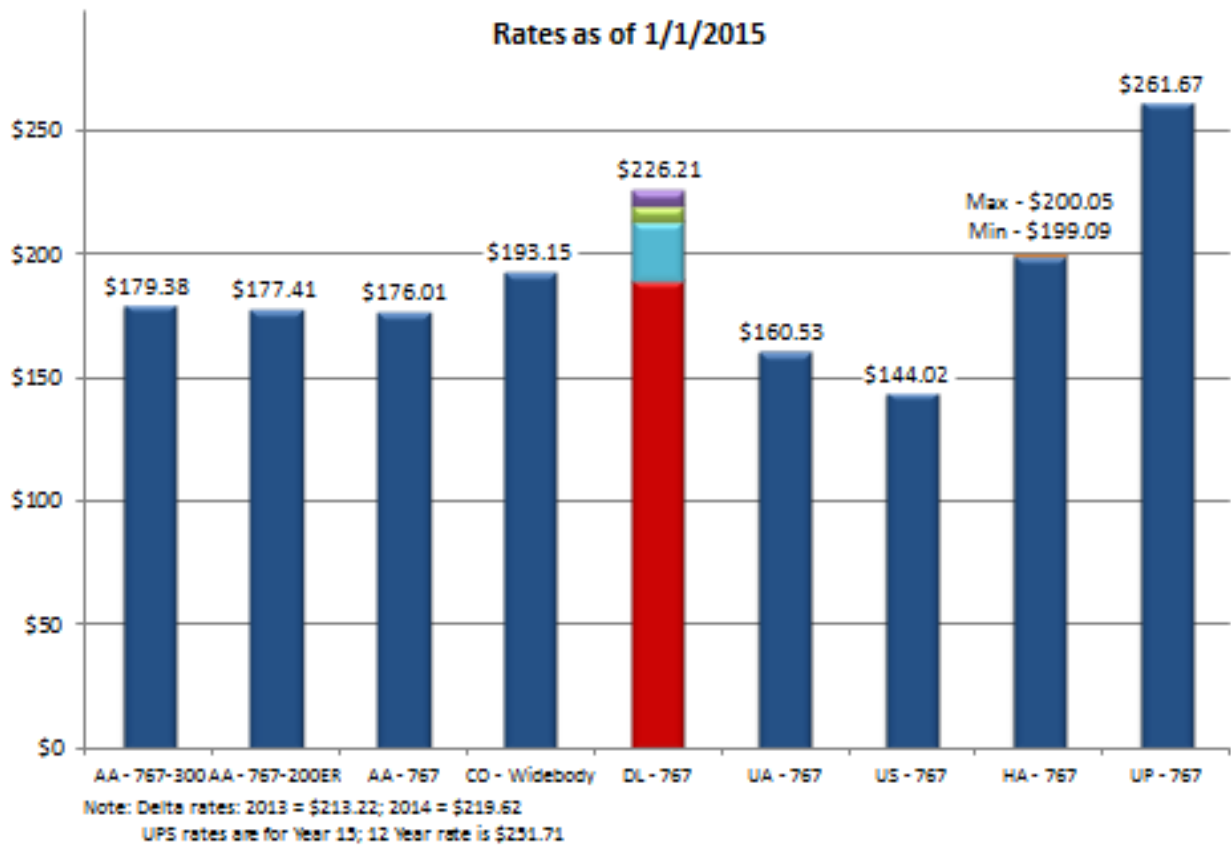
### Pay Rates

The following charts show a comparison of pay rates on various aircraft between the current PWA, the end point of this TA, and the other carriers from the *Delta Pilots' Contract Comparison* published last year. Note that UPS has one rate for all aircraft.

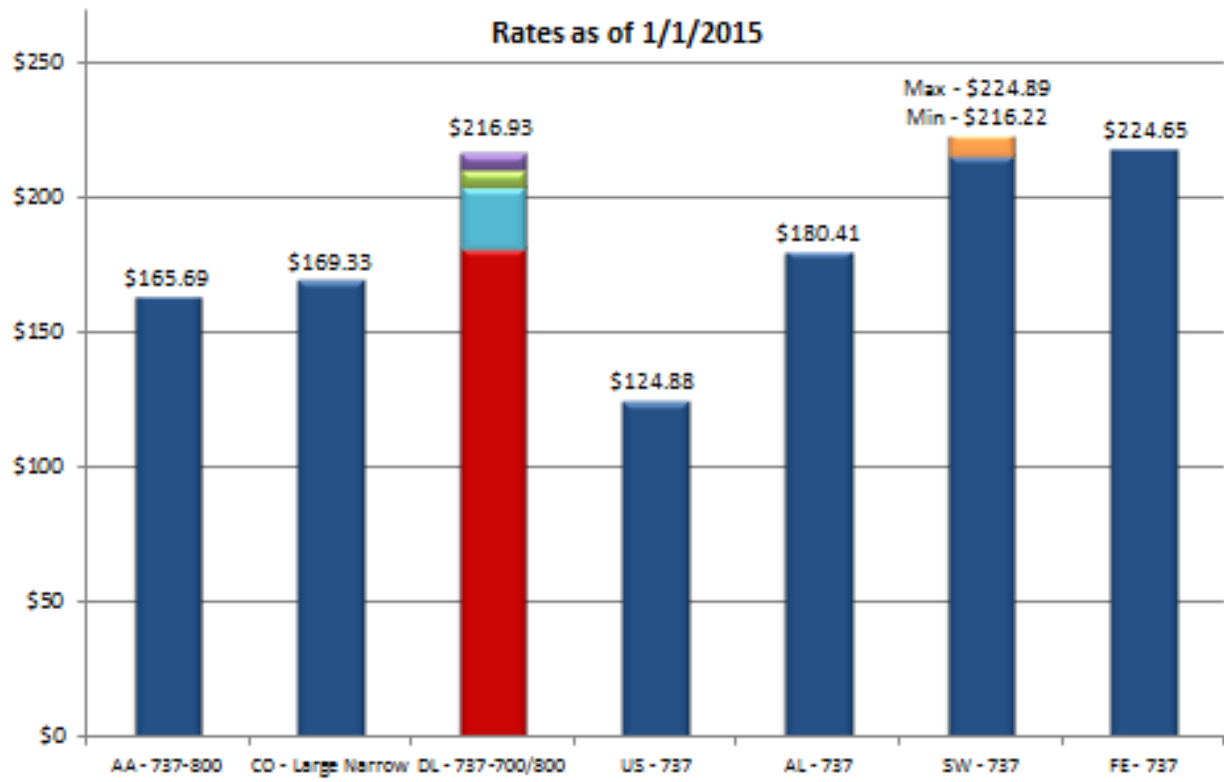
### 12 Year Captain Rate – B747/777



## 12 Year Captain Rate – B767

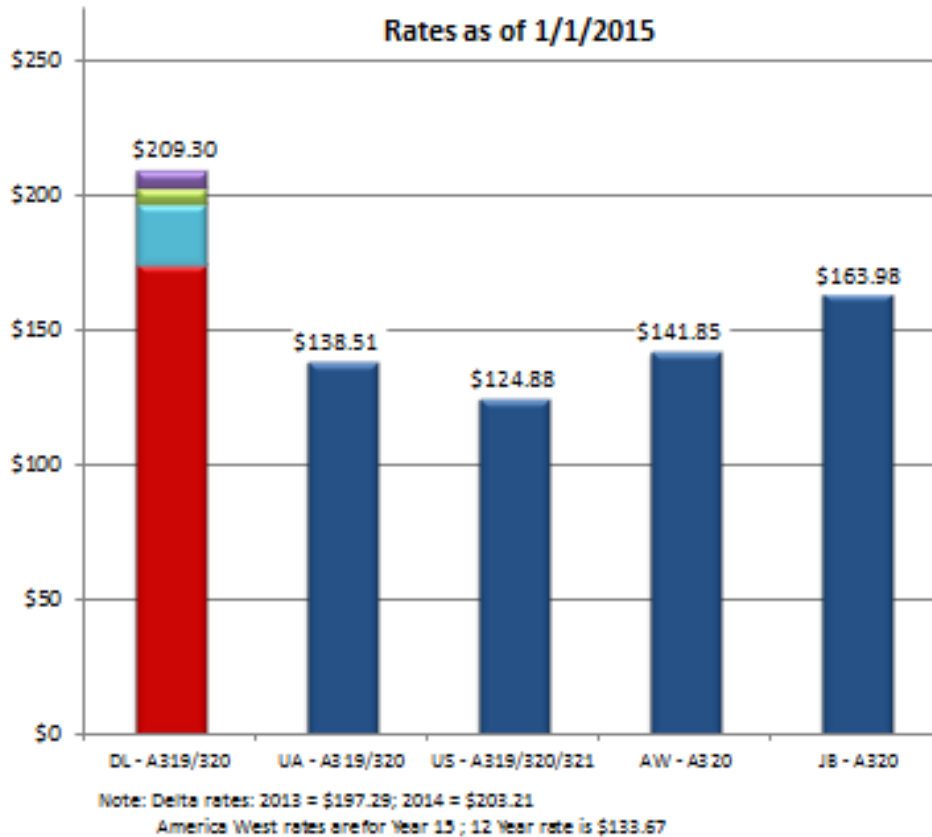


## 12 Year Captain Rate – B737-700/800



Note: Delta rates: 2013 = \$204.47; 2014 = \$210.61  
 FedEx rates are for Year 15; 12 Year rate is \$217.59

## 12 Year Captain Rate – A319/320/321



### Leading the Industry: What about Southwest?

The goal of the MEC in these negotiations was to bring you an agreement that leads the industry. We believe that there are many areas of the agreement that do just that. But let's specifically address Southwest parity by the amendable date of the TA. Compensation is not just about pay rates, and certainly the next most significant component of our overall compensation is our Defined Contribution amount.

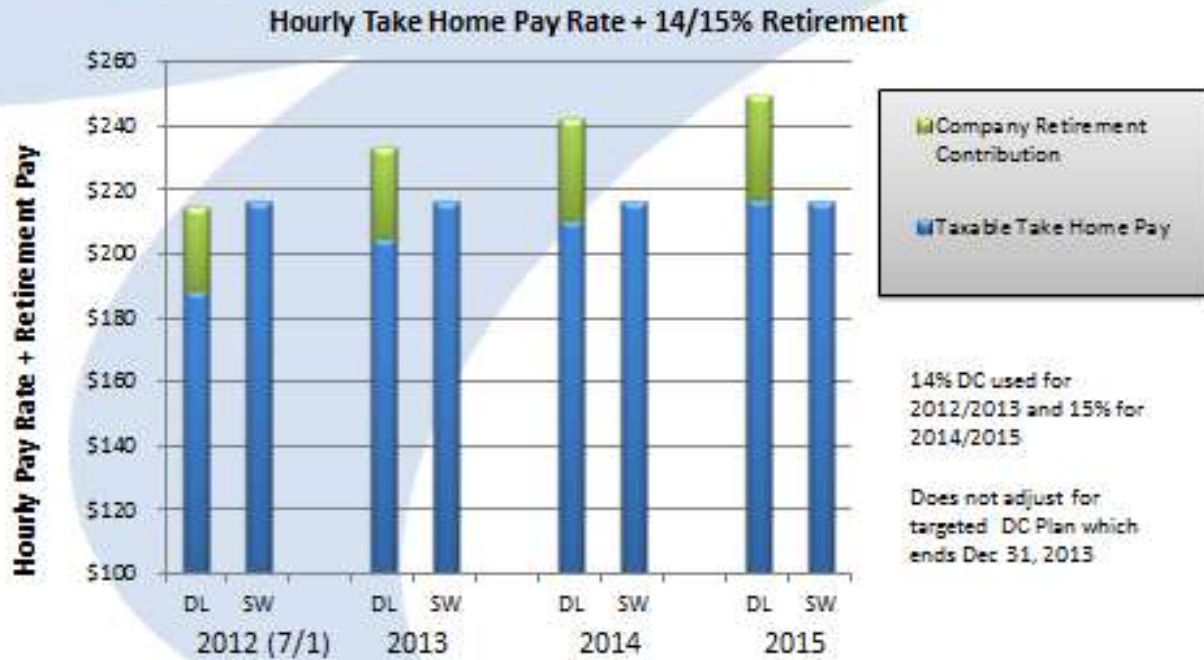
Retirement programs differ among various airlines and produce different amounts of additional compensation above the hourly pay rates. A Delta pilot receives a 14% retirement contribution from the Company without any contribution from the pilot. The TA will increase that amount to 15% on January 1, 2014.

Southwest pilots have a matching program in which a pilot must contribute a portion of his pay in order to receive any contribution from his company. In order to equal the 14% retirement contribution at Delta, a Southwest pilot must contribute 7% of his pay in order to get a 7% match from Southwest. When the Delta DC contribution increases to 15%, it will require a 7.5% contribution from the Southwest pilot to receive 15% in his retirement account.

The following chart shows a compensation (pay + DC) comparison between a 12-year B-737 Captain at Delta and at Southwest, assuming that the Southwest pilot contributes nothing to his 401(k) and receives no corresponding match from Southwest.

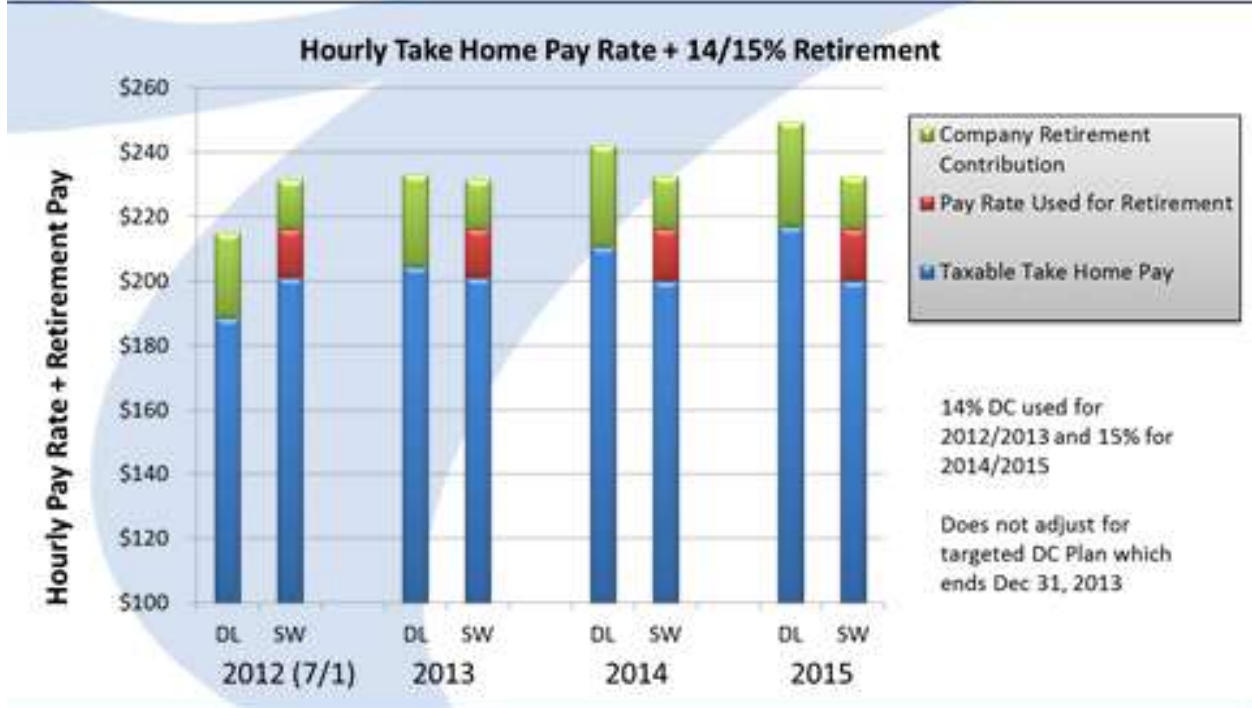


# Hourly Pay with No SWA Retirement Contributions



The next chart shows the same comparison, but assumes that the Southwest pilot contributes 7% to his 401(k) for the first two years and increase that to 7.5% in 2014 to match the Delta pilot's increased DC benefit.

# Hourly Pay with SWA Retirement Contributions



When considering both pay rate and Company contributions to both pilots' retirement accounts, Delta 737 pilots will reach compensation parity with their Southwest counterparts on January 1, 2013 and actual pay parity (without DC) on January 1, 2015. It is also useful to note that approximately 55% of our seniority list flies aircraft with hourly pay rate higher than that of any Southwest pilot. The B-737 pay rates at Southwest Airlines reflect the highest possible pay to, and career expectation of, their pilots.

## Other Compensation

### International Pay

- Captain: Increased from \$6.00 to \$6.50
- First Officer: Increased from \$4.00 to \$4.50

### Per Diem

- Increased \$0.10 on 1/1/13
  - \$2.10 Domestic/\$2.60 International
- Increased \$0.10 on 1/1/14
  - \$2.20 Domestic/\$2.70 International

## Vacation Pay

- Increased from 3:00/day to 3:15/day – an 8% increase
- This results in an increased vacation bank, as shown in the chart below:

Years of Continuous Employment Completed before April 1 <sup>st</sup> of Vacation Year	Earned Vacation	Vacation Bank Hours
1 - 5	2 weeks	45:30
6 - 11	3 weeks	68:15
12 - 18	4 weeks	91:00
19 or more	5 weeks	113:45

## CQ Training Pay

- Increased from 3:15/day to 3:45/day – a 15% increase
- This includes all types of miscellaneous training, such as recency, In Command, etc.

## Distributed Training Pay

- Increased from 1 minute pay for 3 minutes run time to 1 minute pay for 2 minutes run time – a 50% increase

## Conclusion

Although we were not able to achieve the pay rates that we originally sought, this increase of over 20% total compensation over 2½ years represents real and significant value to the Delta pilots during a period of time that we could otherwise have been engaged in more long-term traditional Section 6 negotiations. National Mediation Board Chairman Linda Puchala recently briefed the MEC that the average time spent in mediation is 29 months. If this TA is ratified, we will be exchanging openers for our *next* contract instead.

Please take the time to read the entire series of *Notepads* that will be provided to you in the days and weeks ahead, share the material with your families, attend one of the road shows, and ask as many questions as you need to ask.

The Delta Pilot Network call center will be manned throughout the pilot ratification process and DPN volunteers will have direct access to members of the Negotiating Committee to provide answers to all your questions in a timely manner.

Your Negotiating Committee believes that this is a significant agreement for the Delta pilots and our families. As such, we strongly endorse this agreement and recommend that when the voting window opens, **you vote in favor of ratifying C2012.**

Delta MEC Negotiating Committee

Parri Olmstead, Matt Coons, Heiko Kallenbach, and Dan Vician