

## Understanding the Variable Benefit

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The D&S Plan specifies a variable benefit feature on one-half of the benefit when it is initially calculated. This variable feature may be significant for eligible survivors of normally retired pilots because the initial calculation is based upon the pilot's date of retirement. There can be a sizable increase in that variable benefit between the pilot's event date (date of retirement) and the date of the pilot's death. Some of that increase can be reduced in future years, but the survivor benefit can never be less than the initial calculation which is based upon 30% of the pilot's final average earnings (adjusted for Delta service of less than 25 years and for retirement before age 60).

The formula for determining variable increases (or decreases) uses a 5-year weighted average of actual investment performance minus 6.5%. The investment performance in the most recent calendar year is counted 5 times; the yield in the previous year, 4 times; the yield 2 years previously, 3 times; the yield 3 years previously, 2 times; and the yield 4 years previously, 1 time. The sum of this calculation is divided by 15 to produce a weighted average of the investment performance. The weighted average of investment performance is reduced by 6.5% to produce the annual change in the variable benefit. Historical values of the variable unit values are listed on the DDPSA website at [www.ddpsa.org](http://www.ddpsa.org) .

Details of how the variable benefit is converted to variable benefit units upon the initial calculation and then back to the dollar amount of the variable is explained in another article entitled Understanding Variable Benefit Unit Calculations.

Here is an example of how variable benefit increases enhance the benefits of survivors.

If a pilot retired in January 1996 at age 60, with more than 25 years of Delta service and with final average earnings of \$15,000 a month, the initial calculation of his eligible surviving spouse monthly income survivor benefit from the D&S Plan would be \$4,500. This benefit is divided into two portions:

- \$2,250 fixed benefit
- \$2,250 variable benefit

If that pilot died in May 2024, the variable benefit would have increased to \$3,960 and the survivor would receive \$6,210 per month in total survivor benefits. The variable benefit could increase in future years, or it could decrease and reduce the benefit. However, the survivor benefit would never be less than \$4,500.

For disabled pilots, the variable benefit is initially determined on the date that the pilot becomes long term disabled. Changes in the variable benefit continue until the date that the pilot dies. The pilot's eligible surviving spouse is entitled to one-half of the pilot's long term disability benefit (before that benefit is reduced by retirement income offsets). The payment to the survivor is comprised of one half of the pilot's fixed long term disability benefit and one half of the pilot's variable long term disability benefit. As in the case with survivors of normally retired pilots, the survivor of a disabled pilot receives the variable increases that have occurred since the pilot's event date (the date that the pilot became long term disabled). Likewise, the variable benefit can increase or decrease in future years, but it can never be less than 50% of the long-term disability benefit established at the time that the pilot became long term disabled.

The variable portion of D&S Plan benefits may increase or decrease each year on April 1<sup>st</sup> depending upon the investment performance of D&S Plan invested assets in the previous calendar year. When the D&S Trust became diminished in recent years, Delta reserved approximately \$20 million of D&S Plan assets for investment purposes to determine changes to the variable benefit.