

Understanding the Variable Benefit

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The D&S Plan specifies a variable benefit feature on one-half of the benefit. This variable feature may be significant for eligible survivors of normally retired pilots because the initial variable index is based upon the pilot's date of retirement. There can be a sizable increase in that variable index between the date of retirement and the date of death.

How is the variable benefit calculated? When benefit payments (Survivor Benefits or Long Term Disability Benefits) commence, the variable benefit is converted to benefit units. The variable benefit (one half of the benefit) is divided by the benefit unit value on that date to determine the number of benefit units.

For example, 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

The variable benefit portion is divided by the variable benefit index value on the date of the pilot's death. In this case the variable index was \$21.66. When \$2,250 is divided by \$21.66, the result is 103.88 variable benefit units.

If this pilot died in May 2024 when the variable unit value was \$38.12, the variable portion of the benefit would be determined as follows:

$$103.88 \text{ benefit units} \times \$38.12 = \$3,960 \text{ (the figures are rounded)}$$

The survivor benefit would now total \$6,210. That amount could go up or down in future years, but it could never be less than \$4,500.

For disabled pilots the number of variable benefit units is determined by dividing one half of the disability benefit by the variable benefit unit index value on the date that the pilot begins to receive long term disability benefits.

The variable portion of D&S Plan benefits may increase or decrease each year on April 1st depending upon the investment performance of the assets in the D&S Trust in the previous calendar year.

The formula for determining the magnitude of variable increases 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 benefit unit value. Historical values of the variable unit values are listed on the DDPSA website at www.ddpsa.org.