



14-06

March 11, 2014

Geppetto's Workshop

One of the necessary developments in today's world of instant journalism is the so-called *fact checker*. Fact checkers are a response to the habit of some organizations, politicians and pundits to spin the factual record in ways that are disingenuous, or worse yet, outright deceitful. In response, fact checkers unravel the spin and one newspaper, the *Washington Post*, even goes so far as to award Pinocchios for misrepresentations, with the highest level of dishonesty awarded four Pinocchios.



As we all know by now, DPA has published multiple Pinocchio-worthy communications, with some truly notable whoppers:

"You will be assessed to pay for the *Brady* lawsuit."

"The FBI is investigating ALPA for criminal hacking."

"DPA's counsel was responsible for favorable treatment of United Captains in the hearings before the Eischen panel."

"We will have enough members to file with the NMB by the end of the year."

"ALPA Leaders Decide to Raise Dues on Members by October 2012."

"ALPA Safety and Security Lacks Relevance."

The list of hollow promises, missed deadlines and gross misrepresentations goes on and on. Let's take a closer look at the *latest* claim by DPA: that the ALPA president received more than a million dollars in compensation and a 48 percent pay increase in 2012, and see how it fares on the Pinocchio scale.

For many years ALPA has provided its presidents with a supplemental pension or annuity, for which they are eligible after they turn 55 or leave office, whichever is later. This annuity is calculated as five percent of presidential compensation (reduced for any 401k payments received) for each year of service with a cap of sixty percent). The annuity is paid out in monthly installments over his remaining life.

This program was reaffirmed by the 2010 Board of Directors, and is a recognition of the fact that ALPA presidents are not eligible for their company's retirement plan or benefits while working for ALPA and that the ALPA presidency is a 365 day a year job with no hours of service restrictions. The supplemental annuity is reflected in IRS Form 990s filed by ALPA in two different parts of the schedule. First, because it is a non-profit entity, ALPA must report the projected cost of purchasing that portion of the annuity which is vested as deferred compensation. Second, ALPA must also report the taxable value of that part of the annuity vested by the end of the tax year - even if it is not paid - as taxable income for the president. That is reported as "Other Compensation" along with the other living expenses - primarily rent and per diem - granted to officers who work, but do not live in Washington D.C. Standard benefits such as health care, disability and life insurance are reported in a separate column as non-taxable benefits.

In 2012, based on IRS requirements, ALPA reported and the president paid taxes on that portion of the supplemental annuity which had vested for the first two years of his term. Specifically, he was required to pay tax on the full imputed *lifetime* value of the annuity, even though the president will not become eligible to receive *any* benefit until he leaves office and then *only as a monthly benefit* paid over his remaining life. It cannot be taken as a lump sum. The difference in "other compensation" between 2011 and 2012 in the Form 990 is solely a reflection of the requirement to report and pay taxes on the imputed lifetime value of these future benefits, not due to any additional benefits actually received in that year. ALPA also had to report the estimated cost to the Association of purchasing these same benefits in the Deferred Compensation part of the schedule even though it had not actually purchased the annuity, and would not have to do so until the president left office.

Therefore, the DPA's treatment of the president's 2012 compensation is misleading in multiple ways. The president did not receive \$1.2 million dollars in compensation in 2012. He did not receive a 48 percent pay increase or any additional income over 2011. "Other compensation" and "Deferred Compensation" - two sections of the Form 990 which are filled out for different reasons—do not accurately reflect compensation when added together because they report the imputed lifetime value of the exact same annuity, first as a taxable benefit and then as a cost to the Association. Again, to be perfectly clear, not one cent was received by the president relating to the BOD approved supplemental annuity that vested in 2012. All of this is illustrated in the chart below:

Actual PAY went down year over year

Did you know...? 2015 will be the 3rd reduction of the Presidential compensation since 2010 and will reduce his base pay from 100 to 95 hours per month based on member input

Deferred compensation reflects the cost to ALPA of purchasing an annuity in the future

Other compensation reflects the value at retirement for tax purposes. In other words he is paying taxes on the future value of the account not the actual return. It is not pay or compensation but an estimated future value for IRS purposes only. This would be like you paying tax today on the future value of your 401K at retirement!

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees							
(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Donald L. Meak	370,286	0	195,174	268,972	28,004	662,436	0

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees							
(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
	(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
Donald L. Meak	347,099	0	742,468	158,411	30,870	1,278,848	244,472


- Actual pay earnings for 2012 \$347,099
- Actual tax paid out of pocket is on imputed lifetime value of vested benefits even though he did not receive such benefits. Column also includes grossed up living expenses
- Annuity is based on 5% of earnings per year and is capped


Any idea what column E means? Neither does the DPA...


LIE! ~~1 Year INCREASE: 48%~~

So let's recap DPA's latest installment of yellow journalism:


1. The President was paid \$1.278 million in compensation in 2012.

FALSE  The President was paid less in 2012 than 2011 and the purported increase in compensation relates to future pension benefits payable only after he leaves office and only over his life expectancy.
2. The President received a 48 percent increase in compensation in 2012.

FALSE  The President received no additional compensation in 2012. He simply paid taxes on vested future compensation.
3. You can add the "other compensation" and "deferred compensation" sections of the Form 990 to derive an accurate account of total compensation.

FALSE  "Other compensation" and "deferred compensation" both include the same supplemental pension benefits, one as a taxable benefit and the other as a cost. Adding them together in this way double counts the benefit and, you will note, that while the Form 990 gives a total of the columns it does not describe the total as "total compensation".

4. The President has been the beneficiary of a hidden deal arranged behind the back of the members.

FALSE  The President's salary, benefits, and supplemental retirement plan are set based on resolutions explained, discussed, and approved in the open and on the record by the delegates to the ALPA Board of Directors.

The ALPA president is well paid, *and should be*, considering the importance and magnitude of the position in today's environment. The president's compensation is set at the BOD in line with the compensation of his counterparts at other unions, including independent airline unions. The insinuation being made by DPA that the president is the beneficiary of some hidden back door arrangement is utterly ridiculous. In fact, he is paid precisely per resolutions examined and passed by the Board of Directors. Further, there are a number of ALPA represented line pilots, including several at Delta, whose income *exceeds* the actual income paid to the president.

The DPA has never achieved a single benefit for a Delta pilot, never saved a single job, and never spent a minute protecting our profession. However, the DPA does have a proven track record of being consistently good at one thing, unfailingly achieving the highest possible grade for dissembling.

Four Pinocchios.