

News Release



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Labor Department Grants Exemption For Northwest Airlines Pension Contribution

WASHINGTON—The U. S. Department of Labor’s Employee Benefits Security Administration (EBSA) today announced that it has granted an exemption to allow Northwest Airlines, Inc. to contribute stock of a regional airline affiliate in lieu of cash to its three defined benefit pension plans. The exemption will be published in the Aug. 19, 2003, *Federal Register*.

Northwest Airlines, Inc., headquartered in Eagan, Minn., sponsors the three plans for 72,854 employees nationwide. The exemption allows Northwest to make in-kind contributions to its plans of stock of Pinnacle Airlines Corporation, a regional Northwest affiliate.

The Employee Retirement Income Security Act (ERISA) generally prohibits in-kind contributions except under certain statutory exceptions or if the Labor Department grants an exemption that protects the interests of workers and retirees covered by the plan. The department has used its exemption authority to grant relief for similar types of transactions in the past.

The Labor Department proposed the Northwest exemption on Jan. 17, 2003. Since then, the department held two days of public hearings and reviewed public comments before revising and ultimately granting the exemption. Based on the input of interested parties and the adoption of additional protections, the department found that the transactions would be in the interest and protective of the pension plans’ workers and retirees.

An independent fiduciary has been retained by the pension plans to establish the fair market value of the Pinnacle stock and to determine that the stock is a prudent investment for the plans. The plans will receive financial protections and governance rights as negotiated by the independent fiduciary on their behalf.

The proposed exemption would permit: 1) in-kind contribution of shares of Pinnacle Airlines stock to Northwest’s defined benefit plans; 2) holding of the stock by the plans; 3) the sale of the stock by the plans to Northwest; 4) the acquisition and exercise by the plans of a put option granted by Northwest; and 5) the guaranty to the plans by Northwest Airlines Corporation of Northwest’s obligation to honor the put option.

Copies of the individual exemption will be available on EBSA’s Web site at www.dol.gov/ebsa.

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