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## Retiree Imbalance Underlies Filing

By [DANA MATTIOLI](#)

Here's one way of understanding Eastman Kodak Co.'s problems: The company has twice as many retirees drawing benefits in the U.S. as it has active employees world-wide.

Now, it hopes to scale back what it owes retirees during its stay in bankruptcy court. That leaves thousands of its former employees in danger of becoming the next group of Americans to see their promised retirements benefits—mainly health care—disappear.



Associated Press

Bob Volpe, head of a Kodak retiree group, is worried about benefit cuts.

Kodak has been whittling away at those benefits for years and says it wants to accelerate the process in Chapter 11 proceedings, which give companies latitude to escape burdensome obligations. The company said in a filing Thursday that it is liable for \$1.3 billion in U.S. retirement benefits such as health care, along with \$1.2 billion in non-U.S. pensions, mainly in Britain.

The U.S. liabilities accounted for the single largest drain on the company's cash in 2011, consuming \$119 million, Kodak said. In a memo to employees Thursday, Chief Executive Antonio Perez said the company aims to use Chapter 11 to "fairly resolve

our legacy costs."

That could mean smaller payments to former workers like 62-year-old Robert Webster, who was a Kodak electrician from 1967 to 2005. Mr. Webster retired in 2005 and is worried about losing the health-care benefits he and his wife receive. He does small electrical jobs from time to time, but said he isn't sure they would pay enough to cover the couple's medical costs.

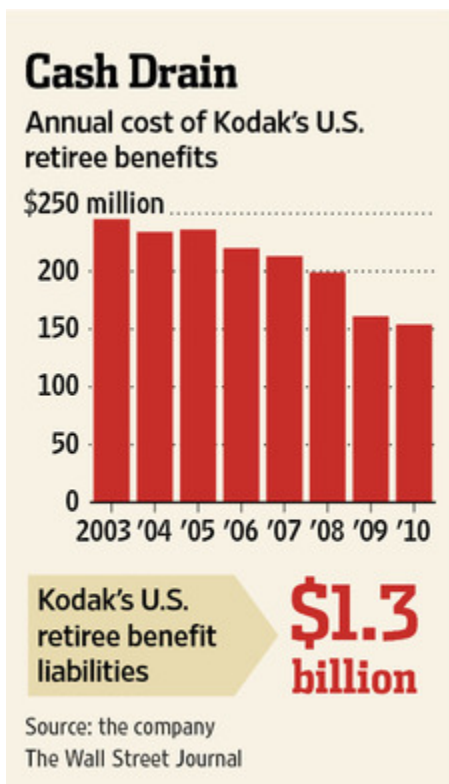
"At this stage in my life, I'd probably take a gamble and see how long I could go without health care," he said.

A spokesman for Kodak declined to comment.

It isn't uncommon for companies to try to shed retiree benefits in bankruptcy court. Retirees of Bethlehem Steel Corp. and automotive supplier [Delphi Corp.](#) had their benefits cut.

Kodak's hefty obligations to its retirees have long limited the company's strategic options. The company saw the writing on the wall under the leadership of George Fisher, a former Motorola

executive.



In the 1990s, Mr. Fisher and his executive team met with a number of companies, including [Procter & Gamble Co.](#), [Hewlett-Packard Co.](#) and even Gillette, in hopes of selling Kodak, said Terry Faulkner, who at the time was the company's vice president for strategic initiatives. Even then, he recalls, potential buyers were deterred by the size of Kodak's pension and health-care obligations, as well as the erosion of its film business.

In the U.S. alone, Kodak has more than 36,000 retirees who get a pension and/or health-care benefits, said Bob Volpe, president of the Association of Eastman Kodak Retirees, which is based the company's hometown of Rochester, N.Y. By contrast, Kodak said Thursday it now has about 17,000 active employees.

Mr. Volpe said he is most concerned that Kodak will petition the bankruptcy court to eliminate retirees' health-care benefits. According to the bankruptcy filing, those benefits account for the bulk of its obligations to U.S. retirees.

The loss of health-care benefits, says Mr. Volpe, would be an especially big blow to Rochester, where 25,000 of its U.S. retirees still live. Mr. Volpe worries some retirees, particularly those with no income stream who are too young to collect Medicare, will choose to go without health care.

Some pension payments also could be affected. Most of Kodak's pensions are self-funded, meaning the company doesn't have to contribute much to them. As a result, retirees who get the standard amount should be able to continue collecting their pensions, Mr. Volpe said. But Kodak supplements the pensions of employees who made more than a certain salary, and these added payments could be at risk.

Mr. Faulkner, the former Kodak executive, said he expects to lose \$40,000 a year in unqualified pension benefits from Kodak. "It's significant, and 'll have to cut back on excess spending," said the 73-year-old, who worked at Kodak for 37 years and retired in 1998. He and his wife, who is also retired, rely on Social Security and benefits from Kodak, he said.

"I tried to explain for years to my wife that this would happen at some point," said Mr. Faulkner. "In the end, I got benefits longer than I expected."

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