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Kodak Pension Plan Talking Points

Following is a response to questions from employees concerning Kodak pension plans. This document is intended to provide background to help you answer questions you may get from employees. Please use this document for your reference only and do not copy or distribute.

Pension Summary

- The Kodak Retirement Income Plan (KRIP), Kodak's primary U.S. pension plan, is fully funded. In other words, as of December 31, 2010, the fair market value of the plan's assets was greater than the plan's liabilities.

- The assumptions for investment return are reasonable and have been provided by external expert advisors.

- The company has not missed a benefit payment and has the financial wherewithal to make future payments as they come due.

- OPEB (Other Post-Employment Benefits) are pay as you go. They are paid as the benefits are provided and are funded out of the company's operating cash. This has not changed.

Key Messages:

- The key fact about Kodak's pension is that the company has the resources and the ability to meet all of its benefit obligations as they come due.

- Kodak has a $2.6 billion global benefits liability:
  - About half of it is directly attributable to underfunded pension plans. The Kodak Retirement Income Plan in the U.S. is fully funded as of December 31, 2010.

  - Nearly all of this underfunding is associated with our pension plan in the UK. Company management has done extensive work with the trustees of the U.K. pension to put in place a plan to return this pension plan to full funding status over a reasonable period of time that is consistent with the company's financial plans.

  - The remainder of the $2.6 billion is attributable to benefit plans that, by their nature, are not funded and have never been funded. Instead, they are paid for as services are provided and are funded out of the company's operating cash. These are primarily comprised of our retiree health care benefits in the U.S.

- Kodak's pension assets are held in a trust that is separate from the company's assets and are administered by highly qualified trustees. All of our pension plans are managed and funded in accordance with local regulatory requirements.

- The vast majority of our benefit obligations and debt are due over extended periods of time. Kodak has met all of its benefit plan and debt obligations and our operating plan certainly accounts for meeting future obligations.

- Regarding pension investment returns, we manage the pensions and the expected investment returns over a long-term time horizon. The methodologies used to determine discount rates and rates of return undergo regular review, and are based on the recommendations of outside consultants with deep expertise on these matters. They are in full compliance with the accounting rules in place for pensions.

- Kodak is in a solid financial position, with $1.6 billion in cash at the end of the 2010 and a manageable debt level. We have the right strategy, the right resources and the ability to meet our benefit obligations as they come due.

Q&A:

Following are answers to questions related to the status of the Kodak Retirement Income Plan (KRIP) and the recently-mailed 2010 Annual Funding Notice.

General

1. **Is Kodak using realistic assumptions to determine rate of return and the discount rate for long-term liabilities?**

   Our assumptions (discount and return assumptions) are based on market data and recommendations developed by industry expert advisors. Kodak is in full compliance with all the rules in place for pension accounting and we have consistently applied the same methodology.

2. **Given the current economic environment, it would appear our expected rate of return is unrealistic. How will we achieve that performance?**

   Our expected long-term rate of return on assets for our major U.S. defined benefit pension plan is based on a study that was performed by independent industry experts. Keep in mind that it is a long-term rate of return, not something that we expect to achieve each and every year but instead an average over time. In this case, we define “long-term” to be at least five years and over that time period, we feel that our return assumptions are realistic.

   For example, the compound annual growth rate of the S&P 500 over the past 20 years is almost 9% -- but the S&P 500 was down 37% in 2008, up 26% in 2009, and up 14% in 2010. That’s why we emphasize long term. We review our assumptions annually, conduct a new asset liability study at least once every three years and adjust our expected investment return based on the outcome of that study.

3. **Assumptions for discount rate are more than double the current Treasury rate. Is that out of line?**

   We believe our assumptions are realistic. While it is true that we are at a historic low point for interest rates, keep in mind that these are long-term liabilities that can span over 30 years or more. It is not correct to compare rates at a single point in time to liabilities that are paid out over a long period of time. Our expectation is that, like they’ve done in the past, interest rates will rise over that time. We set our discount rate on a high credit quality benchmark and time-weight it to the duration of the plan liabilities consistent with the requirements for setting this rate.

4. **<u>If the assumptions are wrong, do we have the ability to meet our benefit obligations as they become due?</u>**

   Yes. The methodology and assumptions underlying our pension plans have been tested rigorously with independent experts in these matters. Over time, we expect our investment strategy to continue to deliver investment returns reflected in our expected return on assets assumption.

5. **<u>Does Kodak's obligation to underfunded non-U.S. pension plans in any way impact the US pension plan?</u>**

   Creditors, including non-U.S. pension plans or employees, do not have access to KRIP assets.

6. **<u>If Kodak goes bankrupt can the U.S. pension plan be turned over to the Pension Benefit Guaranty Corporation (PBGC)?</u>**

   The PBGC generally steps in only when a plan is significantly underfunded and the sponsoring employer cannot make additional contributions to the plan. Since KRIP is fully funded, even if Kodak goes bankrupt, it is unlikely the PBGC would take over the plan.

7. **<u>If Kodak has a change in ownership, can the buyer turn over Kodak's U.S. pension plan to the PBGC?</u>**

   A sponsoring employer cannot simply turn its pension plan over to the PBGC. Generally the plan must be significantly underfunded and the employer financially unable to make contributions. Since KRIP is fully funded, even if Kodak gets bought out, it is unlikely the PBGC would take over the plan.

8. **<u>Has the payment of Special Termination Plan (STP) benefits affected the funding levels of KRIP?</u>**

   The payment of Special Termination Plan benefits from KRIP has had a negligible impact on funding levels.

2010 Annual KRIP Funding Notice

1. **<u>Why do the 2010 Annual Funding Notice figures in the chart on page 3 show KRIP’s Funding Target Attainment Percentage (FTAP) as 96.57% while the Fair Market Value of Assets section of the Notice shows KRIP’s assets exceeding its liabilities by over $160 million?</u>**

   Federal law requires companies to use different rules and effective dates when calculating the FTAP and Fair Market Value of Assets. KRIP’s FTAP was calculated, as required, as of the beginning of the plan year (January 1, 2010), and therefore does not reflect any changes in assets or liabilities which occurred throughout 2010. Another example causing a difference between the values in the table and the “Fair Market Value of Assets” section is the treatment of KRIP’s “Carryover Balance”.

The “Carryover Balance” (also known as the “Credit Balance”) represents voluntary company contributions made to KRIP in the past that exceeded the required contribution at the time, resulting in a credit that can be taken against required contributions in the future. The table’s valuation methodology subtracts the Carryover Balance from the “Total Plan Assets” when calculating its funding percentage even though the Balance represents funds currently available for benefit payments. The “Fair Market Value of Assets” section includes the Credit Balance in its asset total.

The FTAP figures in the chart are used to determine Kodak’s required contributions into KRIP under ERISA which, among other things, governs the amount of cash contributions which must be made to a pension plan. ERISA rules permit companies to use a certain amount of averaging in determining a plan’s assets and liabilities. This averaging does not, over the long-term, affect the amount required to be contributed to the plan, however, it can moderate year-to-year volatility in the required contribution and result in a difference between FTAP and the Fair Market Value of a plan’s assets. The Fair Market Value of Assets figures in the Notice reflect KRIP’s funded status on a market basis as of the end of the plan year (December 31, 2010). As noted in this section of the Notice, market values tend to show a clearer picture of a plan’s funded status as of a given point in time.

2. <u>Will Kodak be required to make additional near-term cash contributions to KRIP?</u>

ERISA requires Kodak to perform annual actuarial valuations of KRIP and to make required contributions based on these valuations. Kodak retains the services of a qualified external actuary, licensed by the federal government, to perform these calculations. KRIP’s actuary has certified that Kodak is not required under ERISA to make any cash contributions to KRIP for the 2010 plan year. Furthermore, under most economic scenarios, actuarial projections show that Kodak will not be required to make cash contributions to KRIP through 2014.

3: <u>How does KRIP’s FTAP of 96.57% compare to that of other pension plans?</u>

According to a study done by one of the world’s largest independent actuarial and consulting firms of 100 US companies with the largest pension plans, the FTAP in 2010 of about 70% of the plans was less than 90% and the FTAP of about 20% of the plans was between 90 and 105%. According to this index the average funding ratio index was 84.1%.

The responses above are subject to applicable law, and the terms of the applicable plans, which govern in the event of any inconsistencies and are subject to change at any time.

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