



Kodak retirees fear for benefits

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About 25 Eastman Kodak retirees who are worried about a possible Kodak bankruptcy gathered Tuesday for an informational meeting at Brighton Securities in Brighton. / JEFFREY BLACKWELL staff photographer

For many Eastman Kodak Co. retirees, the company's [financial](#) trouble is shaking the very foundation on which they built their careers, lives and nest eggs.

There are about 25,000 Kodak [retirees](#) in the Rochester area. They toiled in the factories making film for the world, or worked as the numerous accountants, salespeople, managers, executives, scientists and clerks who supported the once-massive operation started by George Eastman in 1881.

But after decades of downsizing, reorganizations and a sliding stock price, there is a serious possibility the company that created the "Kodak moment" and the little "yellow box" will have to seek protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code, which enables a company to keep operating while its finances are restructured.

The company has been mum on the issue since declaring more than three months ago that it wasn't planning to go into Chapter 11.

While retirees have reason to be worried about their health care, their pensions should be safe, according to several financial experts.

"I think frankly that the emotions run anywhere from anger to sadness," said Bob Volpe, a [retiree](#) and president of EKRA, an association of Kodak retirees. "This is not unlike watching people going through the cycle of loss. People are going through that cycle and feeling badly. The community and the employees are losing a friend or a relative, somebody that most of us admired."

Kodak is working to sell 1,100 digital imaging patents to raise as much as \$3 billion in cash to restock its dwindling reserves. Such a sale, if it comes soon enough, would probably enable the company to avoid bankruptcy.

And on Tuesday, CEO Antonio M. Perez announced a reorganization that structures the company into Commercial and Consumer segments in a move to simplify operations, cut costs and improve cash flow.

Kodak also is involved in a major patent infringement dispute with Apple Inc. and Research In Motion Ltd. If that case ultimately favors Kodak, the company could gain as much as \$1 billion from licensing royalties, further filling its coffers.

There is a lot of news for retirees to digest, but many do not like what they hear. Analysts say many of the moves Kodak is making show the company is preparing for a bankruptcy filing, which in the hearts of some retirees was unthinkable until recently.

"Kodak is doing what it needs to do to prepare itself to survive and we are doing what we need to do help our retirees prepare," Volpe said.

EKRA has been besieged by phone calls, emails and letters as retiree angst grows.

Brighton Securities, a [brokerage](#) and financial services firm in Brighton, opened a hot line for retirees with questions, held three meetings last week, plans two more this week and has fielded queries on Facebook and Twitter.

George Conboy, president of the firm, said the phone lines have been swamped, the meetings filled and the flow of online questions steady. He said you can see, hear and feel the tension in the retiree community.

"After looking at some of the information that was out there, we perceived a large need for information. People are hungry for information because they are scared," Conboy said. "We went from the big yellow box taking care of everything to the thought that there might not be anybody taking care of anything."

Big expense

David Young, 78, of Brighton worked for Kodak for 27 years before retiring in 1989. He was an industrial photographer in the training department and edited one of Kodak's publications. "I'm mostly concerned about health care," he said. "The older I get, the more maintenance I require."

Retirees are a big expense for the company. Kodak as of Sept. 30 had total pension and post-retirement liabilities — such as health care coverage — of \$2.55 billion. It has estimated it would spend \$118 million in 2011 on pension plan contributions.

That amount is set to rise. The company has committed to spending upward of \$50 million a year through 2014 — and then at least \$90 million a year through 2022 — to fill a financial hole in its United Kingdom pension plan.

If the company files for bankruptcy, it likely would seek to slash its spending on retirees as part of the reorganization process.

Retiree health benefits "tend to be an easy target. ... People say that's a drain on the company," said Ingrid Palermo, a bankruptcy attorney with the law firm Bond Schoeneck & King.

But the bankruptcy code doesn't allow debtors to just wipe out such coverage, Palermo said. Instead, the company typically has to negotiate new terms with a retiree committee or demonstrate to the court that the change in benefits is necessary to the company's reorganization.

Pensions, meanwhile, are relatively safe in a bankruptcy filing as long as they are fully funded plans, said Van Conway, CEO of Conway McKenzie, a Detroit-based restructuring and business turnaround advisory firm. But companies going through bankruptcy often seek court approval to not fill any gap in pension [funding](#), Conway said.

The good news is that Kodak's U.S. pension plan is fully funded.

So the greater risk and another cost-saving target for companies in bankruptcy is health care coverage for retirees, a benefit that many large companies aren't even offering active employees any longer.

In 1988, about 66 percent of large companies offered health insurance into retirement. By 2006 that had fallen to about 33 percent, according to the Center for Retirement Research at Boston College.

Retirees' concerns "should be about health care because that probably will go away and that is going to blow a much bigger hole in most people's budget than any concern about pensions," Conway said.

"So from a personal financial standpoint, it makes sense to review your expenses and start to line up where you are going to be if that health care no longer exists. My full expectation is if you are receiving a pension now or have a 401(k) there, that money will still be available for you in the same way it is right now."

Lacking a plan

EKRA is conducting a survey of its members to see what concerns retirees have and what information they need. Volpe said the numbers are alarming. He said about 90 percent of the group's members have health insurance through Kodak. Eighty percent said they don't have a clear plan for health insurance if they lost company coverage.

"This is also telling and alarming to the community in that we're concerned that people under 65, about 85 percent, said that the impact would be bad to catastrophic for them," said Volpe. "And when we asked them about what they thought their alternatives would be, an alarming 20 percent said they would go uninsured, 30 percent said they would cut other costs, 21 percent said they would get a job."

Young, the retiree from Brighton, said he doesn't know what he will do. He would be in a better position than a retiree under the age of 65 because of his eligibility for Medicare. But that doesn't leave him feeling any less confused.

"I'm pretty ignorant about money so I have not done any looking," he said. "Not sure what is out there."

Bruno Pietrantoni, 79, of Greece worked for Kodak for 27 years before his retirement in 1991. He was one of about 25 people who attended an information meeting at Brighton Securities last week looking for answers.

"I'm most concerned about my pension and health care," he said. "My health is all right now. But I may lose the health care. Then what?"

Volpe said he hopes more people will join EKRA and become involved and informed about the developments at Kodak and about their options if a bankruptcy filing is made and benefits subsequently lost. He said the organization is working on programs to help people find alternative health care coverage and is hoping to have a seat at the table in any bankruptcy negotiations.

"That is our worst nightmare and that's what we are going to be prepared for," Volpe said. "People, unfortunately, only respond when there is a burning platform. Well, bankruptcy is that burning platform for our members."

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