A BLOW TO YOUR BENEFITS

An accounting-rule change has firms slashing retiree health plans

Two years before the fact, Skip Dolliver had his first months of retirement all mapped out: A new Chevy Blazer, house trailer hooked behind, stood at the ready. As soon as he turned 55, Dolliver would leave Varian Associates, the Beverly, Mass., defense contractor where he'd worked for 35 years, and meander cross-country with his wife, Joyce.

That was before last June, when Varian told its 7,600 employees that as of Jan. 1, 1992, they would have to shoulder the entire cost of their health coverage once they retired. For Dolliver, that would have translated into about $4,000 annually until he could qualify for Medicare at age 65. Under Varian's old rules, he would have paid only 30 percent of that amount. "Our dreams are now on hold," he says. "It looks like I'll have to work at least until I'm 62."

Like Dolliver, millions of Americans may find their retirement plans derailed by a massive revamping of retiree health benefits now underway. Exploding health-care costs are mainly to blame, but the changes have been hastened by an obscure new accounting rule. By 1993, large companies must begin including the cost of all promised future retiree health benefits as a long-term liability on their balance sheets. (Small companies get until 1995.) To date, retiree health benefits could be reported on a yearly pay-as-you-go basis. Companies are scrambling to soften the blow to their bottom lines by scaling back retiree coverage and shifting costs to the individual.

Capping contributions. About half of the *Fortune* 500 companies have already rejiggered their plans or will do so over the next year. In general, current retirees of the corporate behemoths won't be touched nor, at many companies, will people retiring in the next year or two feel much of a squeeze. Most companies either are capping the amount they will contribute to health insurance premiums, which traditionally they have paid in full, or are setting up special trusts to pay for retiree health costs. Current employees who want coverage in retirement must contribute to these trusts; employers contribute, too. Many firms are also putting a lid on how much lifetime coverage retirees can expect. American Airlines, for example, now limits lifetime coverage to $50,000 and requires employees to contribute between $10 and $100 a month, depending on their age, to an account for medical expenses. IBM's new plan will limit the company contribution to premiums at $7,000 a year for retirees under age 65 and $3,000 for those 65 and over. Although this is more than ample for now—coverage for retirees under age 65 averages $3,500 a year to-

THE VELTRIS

IBM's recent decision to limit contributions to future retirees' health-insurance premiums could hit Dom Veltri where it hurts. When he retires in 20 years or so, he might face yearly expenses of thousands of dollars beyond IBM's new $7,000-a-year cap. Veltri says he'll now start saving for future medical expenses—above the $7,000 he already socks away yearly in a 401(k). "But first I have college tuitions to get through," says the father of Danny, 6, and Ricky, 4. Another precaution he may take is to buy nursing-home insurance.