**PREMIUM ONLY PLAN**

**SUMMARY**

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**INTRODUCTION**

 Expense account living. It's a thought that brings visions of the good life to many of us. That's exactly what a Premium Only Plan can mean to eligible employees. Benefits are a form of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ compensation that is, for the most part, tax-free or tax-deferred. A Premium Only Plan provides you the flexibility and opportunity to purchase the kinds of benefit protection that are most meaningful to your individual lifestyle.

 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Premium Only Plan combines the best of those two ideas. You can use your flexible account dollars to purchase tax-free benefit coverages so your compensation can go further. You can use your flexible account dollars to purchase health, disability, or life insurance plans. You can choose to receive your flexible account dollars as added cash in your pocket so you can increase your ability to meet other needs. All of these mean flexibility. It’s up to you how you spend those dollars, so you can choose just the kinds of protection that are most meaningful to you today, and you can change your insurance coverages in the years ahead as your needs change. Now that's the good life.

This booklet describes the Plan in plain language. It's a summary of the official legal documents that govern the operation of the Plan. If you have any questions about the material in this booklet, or if you would like to review the official legal documents, please contact the Personnel Department. If there are any questions about how the Plan operates, they will be resolved solely in accordance with the official legal documents.

**THE PLAN IN BRIEF**

Eligibility

 You are automatically a Participant in the Plan when you are a full-time employee of the Company working more than one thousand hours a year and then as of the first of the month after meeting these requirements.

How the Plan Works

 Each year (the Plan Year being February 1 to January 31 of each year) the Company may authorize a specific amount of money you may use to pay for life, disability and health insurance premiums, or you may take the Company-specified amount paid to you in cash, which would be taxable to you as long as you elect cash prior to the beginning of the Plan Year.

 At the beginning of the Plan Year you must decide what insurance coverage you want and designate a part of your account balance to pay your share of the premiums for that insurance coverage.

Taxes

 Under current law, you avoid paying taxes on most Flexible Dollars that are used for health care insurance (medical and disability) and group term life insurance. The nice part is that using the Company-specified dollars is a perfect way to purchase part of those coverages you truly need.

Definition of Terms

 In reading through this booklet, you will need to understand some terms that govern how this Plan works. The following are definitions of some of those important terms.

 Committee. An administrative committee appointed by the Company to handle the general administration of the Plan. Decisions about how the Plan operates are made by this Committee in accordance with the official Plan documents and with uniform rules which the Plan documents authorize the Committee to establish.

 Company. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and any affiliated Company that adopts the Plan according to the legal documents under which this Plan is established.

 Covered Dependent. (1) A spouse who is legally married to the Participant and not separated from him under a court decree of legal separation, or (2) an unmarried child of the Participant who is primarily dependent upon the Participant or the Participant's spouse for support and maintenance and is either under age 19 and residing with the Participant or the Participant's spouse, or under age 26 and a full-time student at a recognized educational institution.

 Flexible Dollars. The amount of Company-specified dollars designated each year as Flexible Dollars to be used by Company employees.

 Plan Year. The Plan is administered on a fiscal year basis, beginning each February 1 and ending each January 31. The first Plan Year begins \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**ELIGIBILITY AND ENROLLMENT**

 If you are a full-time employee of the Company working one thousand hours or more per year, you are eligible to participate in the Plan. You are automatically a Participant on the first of the month after you meet the eligibility requirements.

 You remain a Participant until you no longer meet the eligibility requirements. However, if you are disabled, you remain a Participant until the end of the Plan Year in which your disability began. You are disabled if you are unable to do your work because of a physical or mental disability which is expected to be permanent.

 While no enrollment is necessary, you will want to complete a beneficiary designation form as soon as possible to tell the plan administrator who should receive the amounts of unpaid benefits should you die while a Participant in the Plan. Beneficiary designation forms are available from your Personnel Representative at the Personnel Office.

**HOW THE PLAN WORKS**

The Amount in Your Account

 Each year the Company will designate how much you will be able to spend from your flexible account. We call that amount your Flexible Dollars. The amount or percentage announced each year will be the same for all employees that year. Salary is your annualized rate of pay, not including any bonuses, fringe benefits or other special compensation.

How You May Spend Your Flexible Dollars

 You decide how to spend your Flexible Dollars. There are a number of choices available:

 - Premiums for medical or accident insurance; or

 - Premiums for group term life; or

 - Cash

 Those you receive in cash are taxable. Generally, all others are tax-free.

 You must designate the coverage you wish under the insurance plans before the beginning of the Plan Year in order to be able to use your Flexible Dollars to pay for those plans.

 However, if you become a Participant during the year, you may enroll in the insurance plans on the date of participation.

Premium for Health Care Coverage

 Each year when you have the opportunity to sign up for medical or other insurance, you will be informed of the premium rates that apply. The amounts of insurance and kinds of coverage you elect will determine your total premium which the Company will pay on your behalf from the Flexible Benefits account.

Group Term Life and Accident Insurance

 When you elect your coverage under the Company's group Term Life Insurance Plan, you have the Company pay premiums for that coverage with Flexible Dollars.

Long-Term Disability

 When you elect coverage, and if you ever become disabled, your long-term disability benefits will be based on your gross salary before deposits to the Plan. In addition, the disability benefits you claim will be taxable to you since you are paying the premiums for such coverage with pre-tax dollars.

**OTHER FACTS YOU SHOULD KNOW**

Change in Circumstances

 If you have a change in your family status due to your spouse losing or gaining employment, addition or deletion of a Covered Dependent, divorce or marriage, you may change your contributions to the plan during the Plan Year. For further information, please contact the Flexible Benefit Plan Committee.

Less FICA

 Because you are enjoying the benefits of pre-tax savings on your flexible spending account, you will be paying less FICA for your future Social Security retirement. Your eventual benefit under Social Security will be reduced slightly at retirement. Your Personnel Department can let you know how taxes might affect you individually. Most employees see only a very slight reduction in benefits.

Workers Compensation

 If you ever become disabled, your benefits under workers compensation will be based on your taxable salary, not your gross salary before your deposits to the Plan.

Other Benefits

 Your other benefits—salary increases, vacations, retirement plans, disability, and life insurance coverages—will all be calculated on your base gross salary before any deposits to the flexible spending account.

Flexibility

 Although the Company is comfortable with the regulations allowing your flexible benefits plan, management might have to alter the design of the Plan from time to time to conform with new laws or to add new coverage. The Company counts on your understanding in this and hopes you will realize that discrepancies between this summary plan description and the legal plan document will be decided in favor of the legal documents.