

# SUMMARY PLAN DESCRIPTION FOR YOUR P.O.P. PLAN

The Company has established a Premium Only Plan (P.O.P. Plan) within the meaning of Section 125 of the Internal Revenue Code of 1986. The P.O.P. Plan has been established so that participants will not have to include as taxable income the amount of compensation they use to pay for their premium contributions to eligible insurance plans offered by the Company. This Summary Plan Description (SPD) describes the benefits, terms and conditions of the P.O.P. Plan as it applies to all employees of the Company on and after the effective date.

This SPD is intended only as a summary of the P.O.P. Plan and is not meant to interpret, extend or change the P.O.P. Plan in any way. We suggest that you read the SPD carefully so you understand the P.O.P. Plan's operation and benefit to you. The provisions of the P.O.P. Plan can be determined by also reading the plan document itself. *In the event of any perceived inconsistencies between this SPD and the actual provisions of the plan document, the plan document will govern.*

## 1. Plan Identification

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Name of Plan: Professional Staffing Group Inc Premium Only Plan

Plan Effective Date: 2 / 1 / 02

Plan Year: Feb. 1, 2004-Jan. 31, 2005

Plan Identification Number: 513

Type of Plan: **Cafeteria Plan**

Plan Sponsor/Administrator:

Professional Staffing Group

Company Name  
89 Devonshire Street

Address  
Boston, MA 02109

City, State, Zip  
617-250-1000

Telephone Number

Employer Tax Identification Number:  
04 332 3627

Agent for Service of Legal Process:

Name

Address

City, State, Zip

**2. What insurance premiums can be paid pre-tax through the P.O.P. Plan?**

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The Company-sponsored insurance premiums that can be paid on a pre-tax basis through the P.O.P. Plan are:

- Health insurance
- Dental insurance
- Disability insurance
- Group term life insurance
- Vision insurance
- Other (Specify) \_\_\_\_\_
- Other (Specify) \_\_\_\_\_
- Other (Specify) \_\_\_\_\_

Please contact the Plan Administrator for more information regarding the insurance premiums that can be paid through your P.O.P. Plan.

**3. How does the P.O.P. Plan work?**

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As a participant in the P.O.P. Plan, you can make your insurance premium contributions on a pre-tax basis, instead of after-tax. To do this, your regular group insurance contribution is deducted from your gross income for each payroll period and the company pays your insurance premiums with this money. Your new gross income is your income less the pre-tax contributions to the insurance plans. By deducting the premium contributions before calculating your Federal income, State income (in most states), and Social Security taxes, your taxable income is lower and your taxes are lower.

**4. Who is a participant in the P.O.P. Plan?**

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All employees who meet the eligibility requirements of the P.O.P. Plan can participate as of the effective date of the plan. Newly hired employees can participate in the P.O.P. Plan on the first day of the month following completion of their eligibility requirements. Please contact the Plan Administrator for more information regarding the eligibility requirements for the P.O.P. Plan.

**5. How do I make my election for the P.O.P. Plan?**

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To participate in the P.O.P. Plan, you must make your election on the enrollment form during the enrollment period and return it to your Plan Administrator before the plan effective date. The company will make the appropriate adjustments to your pay, beginning with the first pay date after the plan effective date or your eligibility date. If you do not wish to participate, you must sign the "Declination" option on the form and return it to the Plan Administrator. Remember, if you choose to decline participation, you will receive no pre-tax benefits. Please contact your Plan Administrator if you have any questions about the election process.

## 6. Can I change my election for the P.O.P. Plan?

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The election decision you make for the P.O.P. Plan will be binding for the full Plan Year. You may change this election **only** under the following circumstances:

- A) You may change your election prior to the beginning of each new Plan Year. The election you make will be binding for the full Plan Year. If you fail to change your participation election prior to the beginning of each new Plan Year, your prior election will carry forward for the next Plan Year.
- B) **Status Changes.** You may change your election during the Plan Year if you experience a status change event **and** the requested election change is consistent with that event. Events that constitute a status change event include:
- **Legal marital status** - Events that change your legal marital status, including marriage, death of spouse, divorce, legal separation or annulment
  - **Number of dependents** - Events that change your number of dependents including birth, adoption, death or placement for adoption
  - **Employment status** - Events that change your employment status or your spouse's or dependent's employment status including termination or commencement of employment; strike or lockout; commencement or return from unpaid leave of absence or change of work-site
  - **Dependent satisfies or ceases to satisfy the requirements for unmarried dependents** - Events that cause your dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, student status, or any similar circumstance as provided in the accident or health plan under which the employee receives coverage
  - **Residence** - A change in the place of residence of you, your spouse or dependent that affects your eligibility for coverage

**Consistency Rule.** The election change is consistent with the status change only if the election change is on account of and corresponds with a status change that affects your eligibility for coverage under your employer's plan.

- C) **Special Events.** You may change your election during the Plan Year if you experience one of the following special events:
- 1) **Judgement, Decree or Order.** If there is a judgement, decree or order resulting from a divorce, legal separation annulment or change in legal custody that requires a change in accident or health coverage for your child or foster child, you may make an election change to add or drop coverage as ordered.
  - 2) **Medicare or Medicaid.** You may make an election change to cancel accident or health coverage for yourself, your spouse or dependent, if you, your spouse or dependent is enrolled in an accident or health plan of the employer and becomes entitled to coverage under Part A or Part B of Medicare or Medicaid.
  - 3) **HIPAA Special Enrollment.** You may also revoke or modify your election during a current Plan Year if the revocation or modification is on account of the special enrollment rights of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).
  - 4) **COBRA Qualifying Event.** If you, your spouse or dependent becomes eligible for continuation coverage under the employer's group health plan, you may elect to increase payments under the employer's cafeteria plan in order to pay for the continuation coverage.

**D) Cost Changes.** If there is an increase or decrease in the cost of your benefit plan, your employer may automatically change your premium election to cover the change in cost. If the cost change is a significant increase, you may be allowed to either make a new election for the higher cost or revoke your election, but you must elect similar coverage if available. If the cost change is a significant decrease, you may be allowed to commence participation for the option with a decrease in cost.

**E) Coverage Changes:**

- Significant Curtailment of Coverage that is not a loss of coverage. If coverage is significantly curtailed without loss of coverage, you may revoke his election under the plan that is being curtailed, but must make a new election for similar coverage under a new benefit package option.
- Significant Curtailment of Coverage with a loss of coverage. If coverage is significantly curtailed with a loss of coverage, you may revoke coverage under the plan being curtailed and make a new election for similar coverage under a new benefit package option, if available.
- Addition or improvement of benefit package option providing similar coverage. If during a period of coverage a benefit plan adds a new coverage option or significantly improves a benefit option, you may be allowed to elect the new option or improved benefit option prospectively on a pretax basis and change your election with respect to the other benefit option providing similar coverage.
- Cover change of another employer plan. You may change your election if the change is on account of and consistent with a change in another employer's plan and (i) the change is permitted under the cafeteria plan of the other employer or (ii) the periods of coverage under the plan are different from the periods of coverage under the plan of the other employer.

**Family and Medical Leave Act (FMLA).** If your company is subject to the requirements of FMLA, this legislation entitles employees who take leave to retain any health benefits which are in effect before the date on which the leave begins. If you take a leave under FMLA, your employer must permit you to continue health coverage under the P.O.P. Plan during the period of the leave. Of course, you are required to pay any applicable premium due for coverage extended during the leave if you were paying the premium prior to the leave. If the leave is paid, pre-tax premiums deducted before taxes can continue during the leave. If the leave is unpaid, there are several options available for payment of your premiums. Please see your Plan Administrator for more information regarding FMLA and the P.O.P. Plan.

**7. Can the Company modify my election under the P.O.P. Plan?**

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If the amount of your required premium contribution(s) increases or decreases, the Company will automatically increase or decrease the amount of your pre-tax premium contribution(s). The P.O.P. Plan is also required to meet certain nondiscrimination provisions as outlined by the Internal Revenue Code. The Company can modify the amount of any pre-tax premium contribution(s) of company shareholders, officers, and other highly compensated or key employees by the amount necessary to allow the Plan to satisfy the nondiscrimination requirements.

**8. Are the premium amounts paid through the P.O.P. Plan reported on my W-2 at the end of the year?**

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The premium amounts that are paid through the P.O.P. Plan are not considered taxable wages by the IRS or by most states. As a result, "Wages, tips and other compensation" reported for

Federal and State income taxes (except New Jersey), and FICA on your W-2 will be gross income less any premiums paid through the P.O.P. Plan.

**9. What happens if I terminate employment?**

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If you terminate employment, your participation in the P.O.P. Plan will automatically terminate. Your pre-tax premium payment will continue through your last payroll period. Termination of participation in the P.O.P. Plan will not affect any rights you may have to continue in the insurance plans.

**10. Are there other ways that my participation in the P.O.P. Plan can be terminated?**

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If you no longer meet the eligibility provisions of the P.O.P. Plan or if the Company terminates the plan, your participation will be terminated.

**11. Does the P.O.P. Plan change my insurance programs?**

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Making an election under the P.O.P. Plan will not affect the types and amounts of insurance benefits available to you, the requirements for participating in the insurance plans, or any other terms and conditions of coverage or benefits under the insurance plans. The purpose of this P.O.P. Plan is to give you the opportunity to make your premium contributions for those benefits on a pre-tax basis.

**12. Does the P.O.P. Plan affect how I make insurance claims?**

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The P.O.P. Plan does not affect how you make benefit claims under the company-sponsored insurance plans. You should submit claims in accordance with the procedures described in those plans. No insurance benefits are paid from the P.O.P. Plan.

**13. How does the P.O.P. Plan affect my Social Security benefit?**

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An election to make pre-tax premium contributions through the P.O.P. Plan reduces your gross taxable income and may affect your Social Security benefit by reducing the total taxable income used to calculate your Social Security benefit. In most instances, the current tax savings under the P.O.P. Plan will outweigh the slight impact on future Social Security benefits.

**14. Who pays the P.O.P. Plan expenses?**

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The Company pays all the administrative expenses associated with the P.O.P. Plan. The P.O.P. Plan is designed solely to benefit employees by offering a choice of benefits.

**15. Can the Company terminate or amend the P.O.P. Plan?**

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The P.O.P. Plan can be amended or terminated, in whole or in part, at any time by the Company.

## **16. How can I make an appeal under the P.O.P. Plan?**

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If you, as a participant in the P.O.P. Plan, believe you are entitled to a benefit under the P.O.P. Plan that is different from the amount that has been paid, you may file an appeal with the Plan Administrator. The appeal must be made in writing to the Plan Administrator and must contain the following information:

- The reason(s) for making the appeal
- The facts supporting the appeal
- The amount appealed
- The name and address of the person filing the appeal

The Plan Administrator will generally make a decision within 60 days after receiving the appeal and must mail a copy of the decision to the claimant promptly. The decision will give specific reasons and references to the P.O.P. Plan provisions which support the Plan Administrator's decision.

## **17. What are my rights as a P.O.P. Plan participant?**

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As a P.O.P. Plan participant you may:

- Examine all P.O.P. Plan documents and any annual reports to the IRS in the Plan Administrator's office during business hours, without charges
- Obtain copies of all the P.O.P. Plan documents and other information upon written request to the Plan Administrator. The Administrator may make a reasonable charge for the copies.

The people who operate the plan (the Plan Administrator) must do so prudently and in your best interests. This is consistent with the concern for your welfare that resulted in the establishment of this P.O.P. Plan.

You have specific rights under the P.O.P. Plan. No one, including your employer and the P.O.P. Plan Administrator, may fire or discriminate against you because you choose to exercise those rights. In addition, no one can prevent you in any way from exercising those rights.

Although it is the intention of the Company to operate the P.O.P. Plan with your interests as its primary concern, in the event that you feel your rights are infringed, there are steps you can take to enforce your rights. Also, if your claim for a benefit is denied in whole or in part, the Plan Administrator must provide you with a written explanation of the reason for the denial. You then have the right to have the Plan Administrator review and reconsider the claim.

If you feel that a P.O.P. Plan Administrator is misusing the P.O.P. Plan's money or if you are discriminated against for asserting your rights under the P.O.P. Plan, you may file suit in court. If you do so, it will be up to the court to decide who will pay court costs and legal fees. If you are successful, the court may order the person named in the suit to pay these costs and fees. If you lose, of course, the court may order you to pay these costs and fees if it finds that your claim is frivolous.

The Plan Administrator is available to answer any questions you have concerning the P.O.P. Plan and your rights.