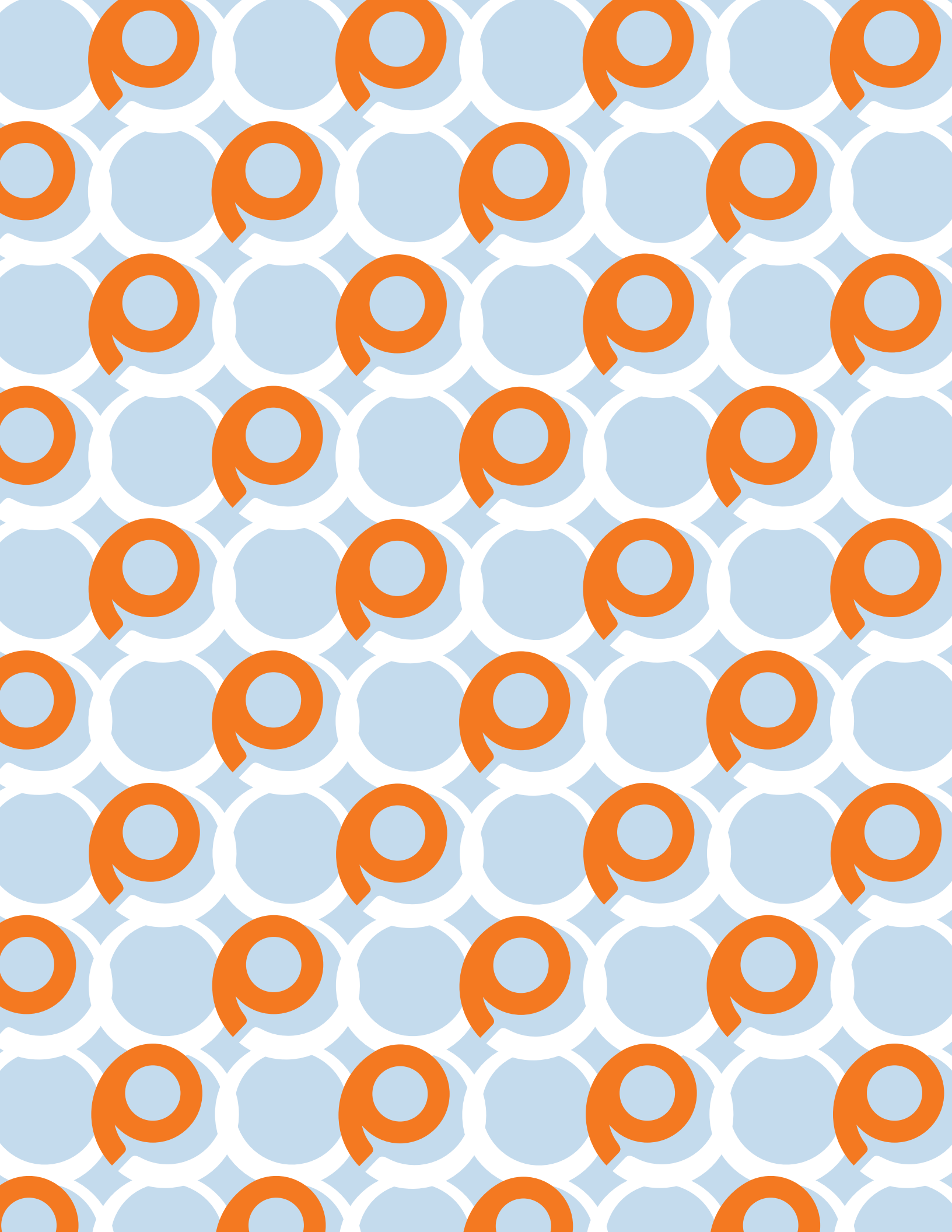




09

BENEFITS GUIDEBOOK  
FULL-TIME ASSOCIATES



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## PURPOSE

This Benefits Guidebook is an easy way to learn about the benefits Payless offers to our full-time Associates. This guide provides an overview of benefit offerings, including eligibility, plan highlights, contact information and benefit costs. In addition to this guide, you can access benefits information at [www.mypayless.com](http://www.mypayless.com) or by calling the carrier or administrator with specific questions. Helpful contact information is listed in the back of this book.

*Note: This benefits guidebook highlights only parts of the Company's benefit programs and is not meant to provide a comprehensive review of your benefits. In the event that something in this benefits guidebook inadvertently conflicts with the text of the legal plan documents by error, misstatement, omission or otherwise, the legal documents must govern. Refer to the Summary Plan Descriptions for your plans for more information.*

Distribution Date: November 1, 2008

## 2009 NEW HIRE BENEFITS CHECKLIST

Enrollment Required    No Enrollment Required

### IMMEDIATE BENEFITS

- ✓ Business Travel Accident
  - Designate beneficiary
- ✓ Employee Assistance Program (EAP)
- ✓ Personal/Community Service Days
- ✓ Associate Discount

### ENROLL WITHIN FIRST 31 DAYS

- Medical
  1. Starbridge (Sickness/accident, dental/vision)
    - Coverage is effective the first pay period following hire date
  2. Medical plans
    - Coverage is effective the first pay period after two months of employment
- Vision  
(Coverage is effective the first pay period after two months of employment)
- Dental  
(Coverage is effective the first pay period after two months of employment)
- Long-Term Disability  
(Coverage is effective the first pay period following hire date)
- Optional Life Insurance  
(Coverage is effective the first pay period following hire date)
  - Spouse Life Insurance
  - Dependent Life Insurance

### TWO MONTHS OF EMPLOYMENT

- ✓ 401(k) Profit Sharing Plan
- ✓ Sick Leave accrual begins

### SIX MONTHS OF EMPLOYMENT (ENROLL DURING FIFTH MONTH OF EMPLOYMENT)

- Stores Short-Term Disability
- ✓ Company Paid Life Insurance
  - Designate beneficiary
- Medical  
(for Associates who didn't elect for coverage to begin at two months of employment)
- Vision  
(for Associates who didn't elect for coverage to begin at two months of employment)
- Dental  
(for Associates who didn't elect for coverage to begin at two months of employment)
- Flexible Spending Accounts (FSA)
  1. Health Care FSA
  2. Dependent Care FSA
- ✓ Vacation Accrual begins
- Collective Brands Employee Stock Purchase Plan
- ✓ Adoption Assistance (application required)
- ✓ Tuition Assistance (application required)

## 2009 ANNUAL ENROLLMENT BENEFITS CHECKLIST

Enrollment period: November 1 - 21, 2008 • Coverage Effective: January 1, 2009

It is important to review your current benefit elections each year during Annual Enrollment to determine if benefit changes/additions are necessary.

- |                                  |   |   |   |
|----------------------------------|---|---|---|
| <input type="checkbox"/> Medical | <input type="checkbox"/> Flexible Spending Accounts (FSA) | <input type="checkbox"/> Optional Life Insurance      | <input type="checkbox"/> Update Beneficiaries |
| <input type="checkbox"/> Dental  | 1. Health Care FSA  | 1. Spouse Life Insurance                              | 1. Business Travel Accident                   |
| <input type="checkbox"/> Vision  | 2. Dependent Care FSA                                     | 2. Dependent Life Insurance                           | 2. Company Paid Life Insurance                |
|                                  |   | <input type="checkbox"/> Long-Term Disability         | 3. Optional Life Insurance                    |
|                                  |   | <input type="checkbox"/> Stores Short-Term Disability |   |

Visit [www.mypayless.com](http://www.mypayless.com) for additional benefits information.

# MAKING OR CHANGING YOUR BENEFIT ELECTIONS

You can make all benefit elections and changes by logging on to My Info. Instructions for accessing My Info are available in the “Logging On & Enrolling” section to the right and on the benefits website at [www.mypayless.com](http://www.mypayless.com). Always confirm your elections/changes by reviewing your benefits summary the following day. Directions are provided in the “Review Your Elections” section below. Benefit elections or changes may only be made during one of the following events.

## NEW HIRES

If you are a newly hired Associate, refer to the “2009 New Hire Benefits Checklist” for a summary of the benefits available to you which require enrollment within 31 days from your hire date.

During your fifth month of employment you will have an opportunity to elect benefits for coverage effective after your sixth month of employment. Refer to the “2009 New Hire Benefits Checklist” for a complete list of the benefits that you can elect at this time. You will have 31 days during your fifth month of employment to make benefit elections.

## REHIRES

If the Company rehires you within 31 days of your separation, your previous benefit elections will be automatically reinstated (assumes re-hired into same job status). If it has been more than 31 days since your separation from the Company, you will follow the new hire enrollment rules.

## QUALIFIED FAMILY STATUS CHANGE

Certain events may allow you to make changes to your benefit elections outside of the Annual Enrollment period. These events are referred to as Qualified Family Status Changes. Examples of a Qualified Family Status Change include: marriage, divorce, birth or adoption of a child and loss of spouse’s coverage. In all cases, you will have 30 days from the date of the qualifying event to make changes to your benefit elections. Changes made are effective the date of the qualifying event.

Changes to your elections can be made by following these steps:

- Log in to My Info and create a Family Status Change consistent with your situation. Specifically, select Marital Status Change, Birth/Adoption, or Family Coverage Change.
- The following day, log in to My Info to make changes to your benefit elections. See “Logging On & Enrolling.”
- The day after you make your elections, log in to My Info to check your Benefit Summary. See “Reviewing Your Elections.”

## ANNUAL ENROLLMENT

The Company’s Annual Enrollment period is November 1 - 21. Elections and changes made during Annual Enrollment are effective the following January 1.

## LOGGING ON & ENROLLING

My Info may be accessed through the Company intranet, the Stores backoffice PC or through [www.mypayless.com](http://www.mypayless.com). Once you access My Info, you’ll be prompted to enter your User ID and password. Your 7-digit User ID number can be found on your pay stub (or by calling the Customer Support Center at 1-800-426-1141). You must type an uppercase “E” before the User ID number.

If you have never used My Info, or never changed your password, your password is the first four letters of your last name (uppercase) followed by the last four digits of your Social Security number.

Once you’ve logged on, click on My Info on the menu in the upper left-hand corner to enroll.

To add or change benefits:

- Select “Benefits”
- Select “Benefits Enrollment” for New Hire, Rehire or Annual Enrollment events.
- Make your elections or changes
- Click “Submit” when finished

Note: Your elections will not take effect and will not be available for your review until you finalize your enrollment by clicking the “Submit” button when enrolling.

## REVIEWING YOUR ELECTIONS

Once you have submitted your benefit elections, you should review them the next day.

To review your elections:

- Access My Info following the directions under Logging On & Enrolling
- Select “Benefits”
- Select “Benefits Summary”
- Change the “As of” date to a date in the future when your elections will be effective  
*Examples:*
  - For a new hire, change the date to three months in the future
  - For an Annual Enrollment election, change the date to January 1 of the coming year
- Click the “Go” button

The “Benefits Summary” page will change to display a summary of all benefit elections once they are effective. This will show your submitted choices so you can verify that your enrollment was successful.

# ELIGIBILITY

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## ELIGIBLE ASSOCIATES

You are eligible for Payless ShoeSource health and welfare benefits if you are a regular, full-time Associate scheduled to work at least 32 hours per week.

## ELIGIBLE DEPENDENTS

If you are eligible for Payless ShoeSource health and welfare benefits, you also have the option to elect coverage for your eligible dependents under a number of the benefit plans described in this guide. As outlined below, the definition of an "eligible dependent" differs among plans.

### Medical, Dental and Vision plans

Eligible dependents for medical, dental and vision plans include:

- Your legal spouse
- Your unmarried Domestic Partner (same gender or opposite gender) (excluding Starbridge and TakeCare)
- Your unmarried children younger than age 19
- Your unmarried children ages 19 to 23 who are full-time students and dependent upon you for support (proof of student status required)
- Your unmarried dependent children of any age who are incapable of self-support because of a mental or physical handicap

### Dependent Life Insurance

Eligible dependents for life insurance include:

- Your legal spouse
- Your unmarried children younger than age 19
- Your unmarried children ages 19 to 23 who are full-time students and dependent upon you for support (proof of student status required)
- Your unmarried dependent children of any age who are incapable of self-support because of a mental or physical handicap

### Domestic Partners

Associates may cover, under most medical, dental and vision plan options offered by Payless, same gender or opposite gender partners with whom they reside and have a committed, long-term relationship of mutual support, and for whom they have assumed long-term financial responsibility or have mutual financial responsibility. To enroll in Domestic Partner benefits, you and your partner must complete the online Payless' Declaration Statement of Domestic Partnership. To learn more about Domestic Partner benefits at Payless, please contact the Customer Support Center or go to the Benefits website at [www.mypayless.com](http://www.mypayless.com).

## BENEFIT TAXATION FOR HEALTH AND WELFARE PLANS

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### BEFORE-TAX PLANS

Most of the healthcare plans offered to full-time Associates are before-tax plans. This means payroll deductions for these plans are tax-free. Because of this tax benefit, there are some IRS restrictions placed on your elections that you should consider before enrolling. Specifically, you will not be allowed to change or cancel coverage under a before-tax plan unless it is during the Company's Annual Enrollment period or if you have a Qualified Family Status Change.

Before-tax plans include all medical, dental, vision and Flexible Spending Account plans offered to full-time Associates.

### AFTER-TAX PLANS

Several plans offered by Payless are after-tax plans. Because payroll deductions for these plans are not tax free, Associates may cancel their participation in these plans at any time. Enrollment in these plans, however, is only available during the Annual Enrollment period or if you have a Qualified Family Status Change.

After-tax plans include the Optional Life, Spouse Life, Dependent Life and Long-term Disability plans, as well as Short-Term Disability for Store Associates.

### DOMESTIC PARTNERS

Federal law requires that the cost of Domestic Partner coverage be deducted from pay on an after-tax basis. The cost for the Associate's coverage continues on a before-tax basis. In addition, the value of the Payless contribution for coverage of a Domestic Partner is taxable income to the Associate.

# MEDICAL PLANS

## ABOUT YOUR OPTIONS

Payless offers most full-time Associates a choice of two different medical plans, a plan with co-pays and a lower cost plan. Coverage options vary by geographic location. The plans available to you can be viewed on the Benefits website at [www.mypayless.com](http://www.mypayless.com).

## WHEN COVERAGE BEGINS

### Medical (excluding Hawaii):

Your coverage begins on the first day of the pay period after two months of employment, provided you enrolled within 31 days of your hire date. Your coverage begins on the first day of the pay period after six months of employment, provided you enrolled during your fifth month of employment. Company contributions will begin after six months of employment.

### Starbridge Choices (excluding Hawaii):

Your coverage begins on the first day of the pay period following your hire date, provided you enrolled within 31 days of your hire date. Starbridge coverage is effective during your first six months of employment. You will pay the full cost of coverage.

### Hawaii:

Your coverage begins on the first day of the pay period after four weeks of employment, provided you enrolled within 31 days of your hire date. The Company will contribute to the cost of coverage. Hawaii medical coverage is offered and costs are deducted in accordance with Hawaii state law.

Primary Medical Plans for Full-time Associates	
Plans	Eligibility by geographic location
United 350	For Associates who reside in the United States with the exceptions of Kansas, Puerto Rico, Virgin Islands, Hawaii, Guam and Saipan
Cigna 350	For Associates who reside in Kansas
Select 350	For Associates who reside outside of the provider network area
SafeNet	For Associates who reside in the United States with the exceptions of Puerto Rico, Virgin Islands, Hawaii, Alaska, Guam and Saipan
Starbridge Choices	For newly hired Associates who reside in the United States with the exceptions of the Virgin Islands, Hawaii, Guam and Saipan

Additional Plans based on Geographic Location	
State of Residence	Medical Plan/Carrier
California	Northern California Kaiser HMO Southern California Kaiser HMO
Hawaii	HMSA HMO (Medical/Dental) HMSA CompMed (Medical/Dental)
Puerto Rico & Virgin Islands	Triple-S (Medical/Dental)
Guam and Saipan	TakeCare

## UNITED 350 AND CIGNA 350

The United 350 and Cigna 350 medical plans provide the same level of coverage through different claims administrators. The plan available to you depends on your geographic location. Go to the “Primary Medical Plans for Full-time Associates” chart on page 7 to see which plans are available to you.

The United 350 and Cigna 350 plans have co-pays, an annual deductible and coinsurance. The plans allow you to use health care providers of your choice, but the cost for services will be lower by using network providers. The United 350 and Cigna 350 medical plans include prescription drug coverage administered by Medco. See the “Prescription Drug Coverage” section on page 10.

### Plan Networks:

United 350    United HealthCare ChoicePlus network

Cigna 350    Cigna Open Access Plus network

Plan Highlights		
Plan Benefit	In-network (Patient Responsibility)	Out-of-network (Patient Responsibility)
Office Visit Co-pays	\$20 primary care physician \$35 specialist	40% coinsurance
Annual Deductible	\$350 individual \$1,050 family maximum	\$1,000 individual \$3,000 family maximum
Annual Out-of-Pocket Maximum	\$2,500 individual \$5,000 family	\$5,000 individual \$10,000 family
Coinsurance	20%	40%
Inpatient Hospital	\$100 co-pay plus 20% coinsurance	40% coinsurance
Urgent Care	\$50 co-pay	\$50 co-pay
Emergency Room	\$100 co-pay	\$100 co-pay
Mental Health - Outpatient	\$35 co-pay	40% coinsurance
Mental Health - Inpatient	\$100 co-pay plus 20% coinsurance	40% coinsurance
Prescription Drugs	See “Prescription Drug Coverage” on page 10	
Lifetime Maximum Benefit	\$2,000,000 per covered person	\$2,000,000 per covered person

## SELECT 350

If you reside outside of a provider network area, you will have the option of the Select 350 plan or the United 350 plan (see plan highlights on page 8). The Select 350 plan allows you to use health care providers of your choice, and has annual deductibles and coinsurance. United HealthCare administers both the Select 350 and United 350 plans. The Select 350 medical plan includes prescription drug coverage administered by Medco. See the "Prescription Drug Coverage" section on page 10.

Plan Highlights	
Plan Benefit	Patient Responsibility
Annual Deductible	\$350 individual \$1,050 family maximum
Annual Out-of-Pocket Maximum	\$2,500 individual \$5,000 family
Coinsurance	20%
Prescription Drugs	See "Prescription Drug Coverage" on page 10
Lifetime Maximum Benefit	\$2,000,000 per covered person

## SAFENET

The SafeNet medical plan is a lower cost plan with an annual deductible and coinsurance. The plan allows for you to use health care providers of your choice, but the cost for services will be lower by using network providers. Network providers are part of the United HealthCare ChoicePlus network. The SafeNet medical plan includes prescription drug coverage administered by Medco. See the "Prescription Drug Coverage" section on page 10.

Plan Highlights		
Plan Benefit	In-network (Patient Responsibility)	Out-of-network (Patient Responsibility)
Annual Deductible	\$1,000 individual \$3,000 family maximum	\$2,000 individual \$4,000 family maximum
Annual Out-of-Pocket Maximum	\$3,000 individual \$6,000 family	\$5,000 individual \$10,000 family
Coinsurance	20%	40%
Prescription Drugs	See "Prescription Drug Coverage" on page 10	
Lifetime Maximum Benefit	\$2,000,000 per covered person	\$2,000,000 per covered person

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## MEDCO (PRESCRIPTION DRUG COVERAGE)

The Medco prescription drug plan is included in the United 350, Cigna 350, Select 350 and SafeNet medical plans. The plan allows you to purchase your medications at a retail pharmacy (30 day supply) or through the mail-order program (90 day supply). To locate a pharmacy in the Medco pharmacy network go to [www.medco.com](http://www.medco.com) or contact Medco.

Plan Highlights			
Purchase Type	Generic Drugs	Formulary Brand Drugs	Non-Formulary Brand Drugs
Retail Co-pays (30 day supply)	\$10	\$25	\$40
Mail Order Co-pays (90 day supply)	\$20	\$50	\$80

## STARBRIDGE CHOICES

Starbridge Choices is a sickness and accident plan offered to full-time Associates during their first six months of employment unless otherwise prohibited by law. Starbridge Choices offers three medical benefit levels from which to choose, along with a dental/vision option. To learn more about the Starbridge options, go to the Benefits website at [www.mypayless.com](http://www.mypayless.com) or call the Customer Support Center.

## ADDITIONAL PLANS BASED ON GEOGRAPHIC LOCATION

Payless offers the following plans based on geographic location: Northern California Kaiser, Southern California Kaiser, HMSA HMO (Medical/Dental), HMSA CompMed (Medical/Dental), Triple-S (Medical/Dental) and TakeCare. Go to the "Additional Plans based on Geographic Location" chart on page 7 to see which plan is available to you. To learn more about these plans, ask your Manager for a packet or contact the appropriate carrier to have one mailed to you.

# DENTAL PLANS

## ABOUT YOUR OPTIONS

Payless offers most full-time U.S. Associates the Delta Dental plan. Coverage options vary by geographic location. The plan available to you can be viewed in My Info.

## WHEN COVERAGE BEGINS

### Dental (excluding Hawaii):

Your coverage begins on the first day of the pay period after two months of employment, provided you enrolled within 31 days of your hire date. Your coverage begins on the first day of the pay period after six months of employment, provided you enrolled during your fifth month of employment. Company contributions will begin after six months of employment.

### Starbridge Dental/Vision (excluding Hawaii):

Your coverage begins on the first day of the pay period following your hire date, provided you enrolled within 31 days of your hire date. Starbridge coverage is effective during your first six months of employment. You will pay the full cost of coverage.

### Hawaii, Puerto Rico and Virgin Islands:

In Hawaii, Puerto Rico and the Virgin Islands, medical and dental benefits are combined. To learn more about the dental benefits, ask your Manager for a packet or contact the appropriate carrier to have one mailed to you.

Dental Plans for Full-time Associates	
Plans	Eligibility by geographic location
Delta Dental	For Associates who reside in the United States with the exceptions of Puerto Rico, Virgin Islands, Hawaii, Guam and Saipan
Starbridge Dental/Vision	For Associates who reside in the United States with the exceptions of the Virgin Islands, Hawaii, Guam and Saipan

Plans based on Geographic Location	
State of Residence	Dental Plan/Carrier
Hawaii	The HMSA HMO and CompMed plans are a medical/dental package
Puerto Rico and Virgin Islands	The Triple-S plan is a medical/dental package
Guam and Saipan	TakeCare dental option

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## DELTA DENTAL

The Delta Dental plan helps protect the oral health of you and your covered dependents. You will receive the deepest discount by using a dentist in the Delta Dental PPO network. If you cannot find a dentist in that network, you still will save money by using a dentist in the Delta Dental Premier network. The plan allows you to use dentists of your choice, but the cost for services will be lower by using network providers.

Plan Highlights	
Plan Benefit	Patient Responsibility
Annual Deductible	\$50 individual \$150 family maximum
Calendar Year Maximum Benefit	\$1,500 per covered person
Preventive Care (2 times per year)	100% covered, no deductible
Basic Expenses Fillings, extractions, root canals, periodontal treatment for gum disease and oral surgery	20% after deductible
Major Expenses Inlays, onlays, crowns, bridges, dentures	50% after deductible
Orthodontia (For eligible dependent children)	\$50 orthodontia deductible 50% after orthodontia deductible \$1,000 lifetime maximum benefit

## STARBRIDGE DENTAL/VISION

Payless offers a limited dental/vision benefit plan through Starbridge to full-time Associates during their first six months of employment. To learn more about the Starbridge options, go to the Benefits website at [www.mypayless.com](http://www.mypayless.com) or call the Customer Support Center.

## TAKECARE DENTAL

Payless offers a dental plan to residents of Guam and Saipan. To learn more about this dental plan, ask your Manager for a packet or contact the carrier to have one mailed to you.

# VISION PLANS

## ABOUT YOUR OPTIONS

The vision plan is offered to most full-time U.S. Associates through the EyeMed Vision Care plan.

## WHEN COVERAGE BEGINS

### Vision (excluding Guam and Saipan):

- Your coverage begins on the first day of the pay period after two months of employment, provided you enrolled within 31 days of your hire date. Your coverage begins on the first day of the pay period after six months of employment, provided you enrolled during your fifth month of employment. You will pay the full cost of coverage.

### Starbridge Dental/Vision (excluding Hawaii):

Your coverage begins on the first day of the pay period following your hire date, provided you enrolled within 31 days of your hire date. Starbridge coverage is effective during your first six months of employment. You will pay the full cost of coverage.

## EYEMED VISION CARE

The vision plan provides coverage for an annual eye exam and vision hardware expenses, including lenses, frames and contacts. You must use an EyeMed network provider to receive in-network benefits through this program. EyeMed network providers include LensCrafters, Sears, Target and others.

Plan Highlights		
Plan Benefit	In-network (Patient Responsibility)	Out-of-network
Eye Exam (once every 12 months)	\$10 co-pay	You will be reimbursed up to \$20 for an eyeglasses exam or up to \$40 for a contacts exam
Eyeglass Lenses (once every 12 months) Single Bifocal Trifocal Lenticular	\$25 co-pay	You will be reimbursed:  Up to \$5 Up to \$20 Up to \$25 Up to \$40
Frames (once every 24 months)	Any amount over \$150	You will be reimbursed up to \$60
Contact Lenses (in lieu of lenses and frames)	\$25 co-pay and any amount over \$150	You will be reimbursed up to \$75

# FLEXIBLE SPENDING ACCOUNTS (FSA)

## ABOUT YOUR OPTIONS

Flexible Spending Accounts give you the opportunity to pay for eligible health care and dependent care expenses on a tax-free basis. Payless offers both a Health Care FSA and a Dependent Care FSA; you may participate in one or both of these plans. United HealthCare administers the Payless FSA plans.

## WHEN PLAN PARTICIPATION BEGINS

Your plan participation begins on the first day of the pay period after six months of employment, provided you enrolled during your fifth month of employment.

### HEALTH CARE FSA

You may contribute \$100 to \$3,000 per plan year to pay for any eligible health care expenses you or your eligible dependents (i.e. spouse and dependents) incur during the plan year. Examples of eligible health-related expenses are co-pays, coinsurance, over-the-counter medications (e.g. cough syrup, pain relievers, bandages), vision and dental expenses. A list of eligible expenses can be found online at the My Benefits website under "Flexible Spending" ([www.mypayless.com](http://www.mypayless.com)).

### DEPENDENT CARE FSA

You may contribute \$100 to \$5,000 per plan year to pay for eligible day care expenses for a qualified dependent.

**Your 2009 FSA contribution can be used to reimburse expenses incurred from January 1, 2009 (or the date you entered the plan, if later) through March 15, 2010. All 2009 claims must be filed by April 30, 2010. Any unused money will be forfeited.**

#### Important Annual Enrollment Note:

Even if you are currently enrolled in an FSA, you must re-enroll each year during Annual Enrollment and designate how much you wish to contribute to your Health Care and/or Dependent Care FSA account.

## Potential Savings\*

**Example:** A single Associate with \$25,000 annual earnings and an annual Health Care FSA contribution of \$500 could save approximately \$137.

	With FSA	Without FSA
Annual Earnings	\$25,000	\$25,000
2009 Health Care FSA contribution	(\$500)	\$0
2009 adjusted gross income	\$24,500	\$25,000
2009 estimated income taxes	(\$5,467)	(\$5,604)
Health care expenses	(\$500)	(\$500)
Reimbursement from Health Care FSA	\$500	\$0
"Spendable" income	\$19,033	\$18,895
Annual Savings	\$137	

\* Your tax savings may vary based on your tax bracket and income.

# LIFE INSURANCE

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## ABOUT YOUR OPTIONS

The Payless life insurance plans include Accidental Death & Dismemberment (AD&D) insurance. The plans provide financial protection for you or your family if you are injured or die while covered by the plan. The Payless life insurance plans are offered through The Hartford. Payless provides Company Paid Life Insurance and offers Optional Life Insurance for you and your eligible dependents.

## ELIGIBILITY

Life and AD&D Insurance	
Plans	Eligibility
Company Paid Life and AD&D Insurance	Provided to full-time Associates after six months of employment
Optional Life and AD&D Insurance	Available to full-time Associates upon hire. To elect coverage, you must enroll within 31 days of your hire date.
Spouse and Dependent Life Insurance	Available to full-time Associates upon hire. In order to elect Spouse and Dependent Life Insurance, you must participate in the Optional Life Insurance plan. To elect coverage, you must enroll within 31 days of your hire date.

## COMPANY PAID LIFE AND AD&D INSURANCE

Payless provides, at no cost to you, Company Paid Life Insurance in an amount equal to one times your annual covered pay, as defined by the plan.

## OPTIONAL LIFE AND AD&D INSURANCE

In addition to Company Paid Life Insurance, you can elect coverage equal to the following amounts:

- 1 times annual covered pay
- 2 times annual covered pay
- 3 times annual covered pay
- 4 times annual covered pay

## COVERAGE LIMITS

The maximum insurance coverage is \$1,000,000 for Company Paid Life and Optional Life combined.

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## DEPENDENT LIFE INSURANCE

In order to elect Dependent Life Insurance, you must participate in the Optional Life Insurance plan. See the definition of an eligible dependent on page 5.

You can elect Dependent Life coverage equal to the following amounts	
Dependent	Amount
Spouse	\$5,000
Spouse	\$10,000
Spouse	\$25,000
Child(ren)	\$2,500
Child(ren)	\$5,000

## EVIDENCE OF INSURABILITY

Some life insurance elections require you to complete an Evidence of Insurability (EOI) form. This form contains a series of health related questions. When applicable, a form will be mailed to you to complete and return to The Hartford. The Hartford will determine approval or denial for life insurance coverage. If approved, your coverage will be effective the first day of the pay period following approval.

There is no Evidence of Insurability required for Company Paid Life Insurance. There is no Evidence of Insurability required for Optional Life and Dependent Life Insurance if you elect coverage within your first 31 days of eligibility.

During 2009 Annual Enrollment only, no EOI will be required for any life plan. EOI will be required for all other life elections.

## BENEFICIARY DESIGNATIONS

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Adding and updating your beneficiary information is an important step in managing your overall benefits package. A beneficiary is an individual who will receive payment from an insurance plan in the event of your death. If you have not designated a beneficiary, the plans will pay the benefits according to a predetermined hierarchy. Beneficiaries may be designated for the Company Paid Life, Optional Life and Business Travel Accident (BTA) plans. Beneficiary information can be reviewed and updated at any time by following the steps below.

*If you are enrolling in benefits:*

- Click the "Edit" button next to the plan type (Company Paid Life, Optional Life, BTA) to review or update your current beneficiary information
- Click the "Add" button next to the plan type (Company Paid Life, Optional Life, BTA) and complete the beneficiary information pages
- Click "Save" to finalize your changes

*If you are reviewing beneficiary information outside of an enrollment period:*

- Log on to My Info
- Click on "My Info" on menu at upper left
- Select "Benefits"
- Select "Life Insurance Beneficiaries" link under "Dependents and Beneficiaries" section
- Select the plan type you wish to review/update (Company-Paid Life, Optional Life, BTA)
- Click the "Add/Update" button
- If the beneficiary already exists, update the percentage totals and click "Save"
- If the beneficiary is not listed, click "Add a New Beneficiary"
- On the Enrollment/Beneficiary Summary page, click on the "Add a dependent or beneficiary" link
- Complete the beneficiary information page and click "Save"
- Click "Return to Dependents/Beneficiary Summary" link
- Select "Previous Page"
- Change Primary/Contingency Allocations and select "Update Totals"
- Select "Save"

If you are a participant in the 401(k) Profit Sharing Plan and/or the Employee Stock Purchase Plan, beneficiary designations can be made directly with the Plan Administrator. You can update your 401(k) Profit Sharing Plan information at [www.wachovia.com/myretireplan](http://www.wachovia.com/myretireplan) or call 1-888-544-SHOE (7463). To update your Employee Stock Purchase Plan beneficiary information, go to [www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com) or call 1-800-544-9354.

# DISABILITY INSURANCE

## ABOUT YOUR OPTIONS

Disability insurance protects your income in the event that you become sick or injured and are unable to work. Payless offers two disability programs, Long-term Disability (LTD) and Short-term Disability (STD). The Payless disability plans are offered through The Hartford.

## ELIGIBILITY

Disability Insurance	
Plans	Eligibility
Long-term Disability (LTD)	Available to full-time Associates upon hire. To elect coverage, you must enroll within 31 days of your hire date.
Stores Short-term Disability (STD)	Available to full-time Associates with six months of employment. To elect coverage, you must enroll during your fifth month of employment.
Non-Stores Short-term Disability (STD)	Provided to full-time Associates with six months of employment

## LONG-TERM DISABILITY (LTD)

LTD coverage provides financial security after 90 days of continuous disability if you are unable to work because of an injury or illness. The Associate pays the full cost of the LTD premium.

### STORE MANAGERS AND ALL FULL-TIME HOURLY ASSOCIATES (STORES/CORPORATE/DC)

Plan Highlights	
Benefit	60% of covered pay
Maximum Annual Covered Pay	Up to \$60,000
Maximum Monthly Benefit Payable	Up to \$3,000
Elimination Period before LTD begins	90 days

### ALL SALARIED EXEMPT ASSOCIATES (EXCEPT STORE MANAGERS)

Plan Highlights	
Benefit	60% of covered pay
Maximum Annual Covered Pay	Up to \$400,000
Maximum Monthly Benefit Payable	Up to \$20,000
Elimination Period before LTD begins	90 days

Note: Because this benefit is Associate paid, these payments are not taxable.

## STORES SHORT-TERM DISABILITY (STD)

STD coverage may provide financial coverage for up to 11 weeks if you are unable to work because of an injury or illness. The Associate pays the full cost of the Stores STD premium.

Plan Highlights	
Benefit	60% of covered pay
Maximum Weekly Benefit	\$750
Elimination Period before STD begins	14 calendar days
Length of Benefit	Up to 11 weeks

Note: Because this benefit is Associate paid, these disability payments are not taxable.

## NON-STORES SHORT-TERM DISABILITY (STD)

STD coverage may provide financial coverage for up to 11 weeks if you are unable to work because of an injury or illness. The Company pays the full cost of the non-Stores STD.

Plan Highlights	
Benefit	60% of covered pay
Elimination Period before STD begins	14 calendar days
Length of Benefit	Up to 11 weeks

Note: Because this benefit is Company paid, these disability payments are taxable.

## EVIDENCE OF INSURABILITY

Some disability insurance elections require you to complete an Evidence of Insurability (EOI) form. This form contains a series of health related questions. When applicable, a form will be mailed to you to complete and return to The Hartford. The Hartford will determine approval or denial for disability insurance coverage. If approved, your coverage will be effective the first day of the pay period following approval.

There is no evidence of insurability required for Non-Stores Short-term Disability. There is no evidence of insurability required for Stores Short-term Disability and Long-term Disability if you elect coverage within your first 31 days of eligibility.

During 2009 Annual Enrollment only, no EOI will be required for any disability plans. EOI will be required for all other disability elections.

# SAVINGS AND STOCK PLANS

## ABOUT YOUR OPTIONS

Payless offers Associates a 401(k) Profit Sharing Plan and an Employee Stock Purchase Plan.

### 401(k) PROFIT SHARING PLAN

The 401(k) plan is a powerful tool designed to help you build a firm financial foundation and improve your path toward long-term financial wellness. This 401(k) plan provides you with the education, information, investment options and services necessary for results. Wachovia administers the 401(k) plan.

Plan Highlights	
Names of Plans	Payless ShoeSource, Inc. 401(k) Profit Sharing Plan Payless ShoeSource, Inc. Profit Sharing Plan for Puerto Rico Associates*
Eligibility	Full-time Associates are eligible to make contributions after two months of employment, provided they are at least 21 years old.
Automatic Enrollment	Once you reach eligibility, you will automatically be enrolled in the plan with a contribution of 3% of your pay on a pre-tax basis. You may elect to increase your contribution or opt-out of the plan. An enrollment packet will be mailed to you with instructions.
Associate Contributions	You may choose to contribute 1% to 75% of your pay on a pre-tax or after-tax basis. Your combined pre-tax and after-tax contributions cannot exceed 75%. For Highly Compensated Associates, the maximum contribution rate is 5% on a pre-tax basis and 1% on an after-tax basis.
Company Match	The Company contribution (match) will be 2.5% of net profits on the first 5% of contributions you make to the plan. Full-time Associates are eligible for the Company match after six months of employment and must be employed on the last day of the plan year.
Vesting	The contributions you make are always 100% vested. The Company match contributions will begin to vest after two years and will be fully vested after five years.
Investment Options	The plan offers a wide choice of investment options. To learn more about these options, contact Wachovia or go to <a href="http://www.mypayless.com">www.mypayless.com</a> .

\*The Puerto Rico plan will vary; please refer to the Summary Plan Description.

### EMPLOYEE STOCK PURCHASE PLAN

The Collective Brands Inc. Employee Stock Purchase Plan allows you to purchase Collective Brands stock at a discount of 5% through convenient payroll deductions. Fidelity Investments administers the plan.

**Eligibility:** Available to full-time Associates after six months of employment.

Plan Highlights	
Associate Contributions	The contribution amounts per pay period are limited to: <ul style="list-style-type: none"> <li>• A minimum purchase amount of \$5 per week (\$10 per biweekly pay period)</li> <li>• A maximum purchase amount of \$480 per week (\$960 per biweekly pay period)</li> </ul>
Discount Percentage	5%

You can enroll and manage your account via the Fidelity website or by contacting Fidelity by phone.

# TIME OFF WITH PAY

## ABOUT YOUR OPTIONS

Everyone needs time away from work now and then. Sometimes, it's just to get away and relax. At other times it may be to recover from an illness or injury, or to take care of personal matters. With that in mind, the Company provides eligible Associates with Vacation, Sick Leave and Personal/Community Service Days.

## ELIGIBILITY

**Vacation** - Full-time Associates begin accruing Vacation time on the first of the month after six months of employment.

**Sick Leave** - Full-time Associates begin accruing Sick Leave on the first of the month after two months of employment.

**Personal/Community Service Days** - Full-time Associates receive a Personal/Community Service Days grant upon hire.

## VACATION

The following table does not apply to Associates in Puerto Rico. Please consult with your Manager for further information. The amount of Vacation you earn each year is based on the following schedule:

Stores Vacation Schedule		
If you have worked for Payless for . . .	Your hourly vacation accrual will be . . .	Your maximum annual vacation benefit will be . . .
6 months - 1 year	0.01923 hours	Prorated
1 year - 4 years	0.03846 hours	2 weeks
5 years - 9 years	0.05769 hours	3 weeks
10 years or more	0.07692 hours	4 weeks

**Note:** Vacation benefits for Training Supervisors, Senior Store Managers, Store Managers, Store Manager Trainees, College Manager Trainees and Managers in Holding are based on 45 hours per week.

**Note:** Vacation benefits for Full-time Sales Associates, Full-time Greeters, Assistant Store Managers and Senior Assistant Store Managers are based on the number of hours worked each week.

**Note:** Associates in Stores covered by a bargaining agreement should refer to the agreement for Vacation accrual.

Non-Stores Vacation Schedule		
If you have worked for Payless for . . .	Your monthly vacation accrual will be . . .	Your maximum annual vacation benefit will be . . .
6 months - 1 year	6.67 hours	Prorated
1 year - 4 years	6.67 hours	2 weeks
5 years - 9 years	10.00 hours	3 weeks
10 years or more	13.33 hours	4 weeks

## SICK LEAVE

Sick leave is available for use when you or an immediate family member, who is a member of your household, is ill or injured. Some city, county, states, or bargaining agreements may require different accrual schedules or guidelines of usage for sick leave. Please consult your Manager for further information.

**Store Managers** include Group Leaders, Training Supervisors, Senior Store Managers, Store Managers, Store Manager Trainees and Managers in Holding

**Store Associates** include Full-time Sales Associates, Full-time Greeters, Assistant Store Managers and Senior Assistant Store Managers

Stores Sick Leave Schedule			
If you have worked for Payless for . . .	Your monthly sick leave accrual will be . . .		Your maximum annual sick leave benefit will be . . .
	Store Managers	Store Associates	
2 months - 1 year	2.25 hours	2 hours	3 days
1 year or more	4.5 hours	4 hours	6 days

**Note:** Maximum Sick Leave accrual for Store Managers is 324 hours and for Store Associates is 288 hours.

Non-Stores Sick Leave Schedule		
If you have worked for Payless for . . .	Your monthly sick leave accrual will be . . .	Your maximum annual sick leave benefit will be . . .
2 months - 1 year	4 hours	4.5 days
1 year or more	4 hours	6 days

**Note:** Maximum Sick Leave accrual is 288 hours.

### PERSONAL/COMMUNITY SERVICE DAYS

Personal/Community Service Days are designed to use to visit the doctor or dentist, to take part in a child’s school-related activity, to participate in a voluntary or community service program, or just to take the day off. Unused Personal/Community Service Days, at the end of each calendar year, are converted to Sick Leave and added to benefit Sick Leave hours (provided maximum Sick Leave accrual has not been reached). Personal Days do not apply for Associates in Puerto Rico.

Stores Personal/Community Service Days Schedule			
If you are hired in . . .	Your benefit in the calendar year you are hired will be . . .	Your benefit the next January 1 will be . . .	Your benefit every January 1 thereafter will be . . .
January - April	3 days	4 days	8 days
May - August	2 days	4 days	8 days
September - December	1 day	4 days	8 days

**Note:** Associates in Stores covered by a bargaining agreement should refer to the agreement.

Non-Stores Personal/Community Service Days Schedule			
If you are hired in . . .	Your benefit in the calendar year you are hired will be . . .	Your benefit the next January 1 will be . . .	Your benefit every January 1 thereafter will be . . .
January - April	4 days	4 days	7 days
May - August	3 days	4 days	7 days
September - December	2 days	4 days	7 days

# ADOPTION ASSISTANCE

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## ABOUT THE PLAN

Payless provides the Adoption Assistance plan to eligible full-time Associates to aid in the reimbursement for qualified adoption expenses. Payless ShoeSource administers this plan.

## ELIGIBILITY

Available to full-time Associates after six months of employment.

## PLAN HIGHLIGHTS

The Adoption Assistance plan provides reimbursement for up to \$2,000 of eligible adoption expenses per adopted child. To apply for the plan, you must complete an application and submit it to the HR Benefits Department. The application can be found on the Benefits website at [www.mypayless.com](http://www.mypayless.com).

# TUITION ASSISTANCE

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## ABOUT THE PLAN

The Tuition Assistance Program helps Associates develop skills that enhance their career opportunities by providing financial assistance for a college degree from an accredited institution. Payless ShoeSource administers this plan.

## ELIGIBILITY

Available to full-time Associates after six months of employment.



Payless provides tuition assistance for courses leading toward a bona fide degree at an accredited institution according to the following schedule:

Associate Level	Maximum Reimbursement	Undergraduate Degree – Must be related to the Business?	Graduate Degree – Must be related to the Business?
Store Associate – Full-time	\$1,000	No	Yes
Store Manager/ Group Leader/TS	\$3,000	No	Yes
Corporate & Field- Full-time	\$3,000	Yes	Yes

**Note:** Approval by your immediate Supervisor and the HR Benefits Team is required prior to the first day of class. To apply for this plan you must complete an application and submit it to the HR Benefits Team. The application can be found on the Benefits website at [www.mypayless.com](http://www.mypayless.com).

## EMPLOYEE ASSISTANCE PLAN (EAP)

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### ABOUT THE PLAN

The Employee Assistance Plan (EAP) provides confidential assistance on a wide range of issues, such as family and parenting, marital and personal relationships, alcohol and drug dependencies, grief and stress. The plan is provided at no cost to you. Services are available to you, your spouse, partner and other members of your household. This plan is administered by ComPsych.

### ELIGIBILITY

Available to full-time Associates upon hire.

### STORES PLAN HIGHLIGHTS

This plan offers unlimited confidential telephonic counseling services 24 hours a day by calling 1-866-553-1848 or on the Internet at [www.guidanceresources.com](http://www.guidanceresources.com) and registering using the Web ID P783G2.

### NON-STORES PLAN HIGHLIGHTS

This plan offers up to three face-to-face visits with a counselor, in addition to unlimited confidential telephonic assistance 24 hours a day. To access these services, call 1-888-327-4774 or visit [www.guidanceresources.com](http://www.guidanceresources.com) on the Internet and register using the Web ID HJ6961H.

## BUSINESS TRAVEL ACCIDENT

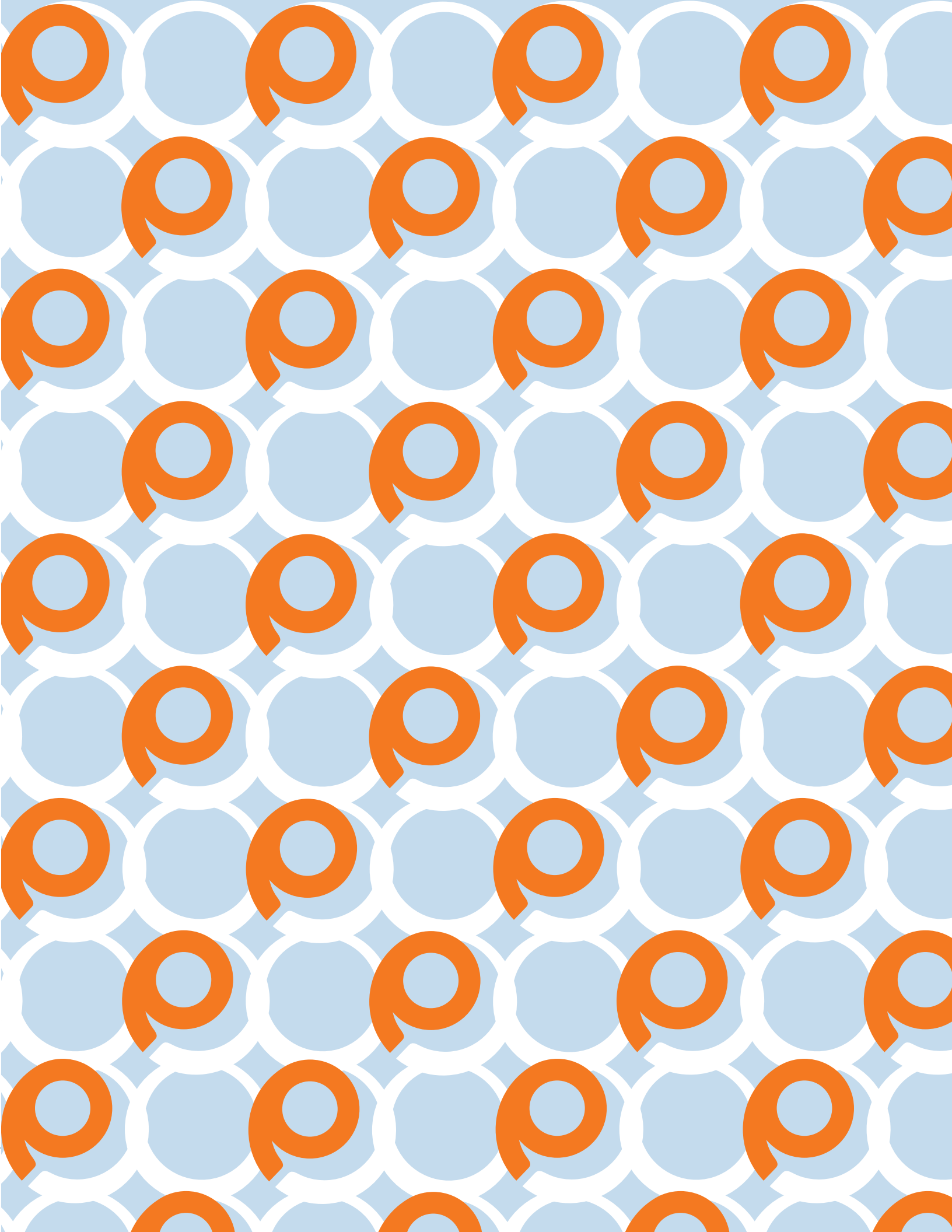
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All Full-time Associates receive Business Travel Accident insurance coverage upon date of hire. To learn more about this coverage, go to [www.mypayless.com](http://www.mypayless.com) or call the Customer Support Center.

## CONTACTS

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CARRIER	WEBSITE/E-MAIL	PHONE NUMBER	GROUP NUMBER
Cigna HealthCare	<a href="http://www.cigna.com">www.cigna.com</a>	1-800-244-6224	3180304
Cigna Health Information Line		1-800-564-8982	
ComPsych (Stores)	<a href="http://www.guidanceresources.com">www.guidanceresources.com</a>	1-866-553-1848	P783G2
ComPsych (Non-Stores)	<a href="http://www.guidanceresources.com">www.guidanceresources.com</a>	1-888-327-4774	HJ6961H
Customer Support Center		1-800-426-1141	
Delta Dental	<a href="http://www.deltadental.com">www.deltadental.com</a>	1-800-234-3375	01000
EyeMed Vision Care	<a href="http://www.eyemedvisioncare.com">www.eyemedvisioncare.com</a>	1-866-723-0514	
Fidelity Investments (ESPP)	<a href="http://www.netbenefits.fidelity.com">www.netbenefits.fidelity.com</a>	1-800-544-9354	
HIPAA – Privacy Officer	<a href="mailto:privacy_officer@payless.com">privacy_officer@payless.com</a>	1-888-231-9426	
HIPAA – Benefits Resolution Group	<a href="mailto:HIPAA@payless.com">HIPAA@payless.com</a>	1-888-231-9426	
HMSA		1-808-948-6111	
Kaiser		1-800-464-4000	
Medco (Prescription Drugs)	<a href="http://www.medco.com">www.medco.com</a>	1-800-711-0917	PAYLESS
Starbridge	<a href="http://www.starbridgechoices.com">www.starbridgechoices.com</a>	1-877-209-7098	1629
TakeCare		1-671-647-3526	
The Hartford (Disability)	<a href="http://www.thehartfordatwork.com">www.thehartfordatwork.com</a>	1-800-445-9057	395166
The Hartford (Life Insurance)	<a href="http://www.thehartfordatwork.com">www.thehartfordatwork.com</a>	1-888-563-1124	395166
Triple-S	<a href="http://www.ssspr.com">www.ssspr.com</a>	1-787-749-4777	
United HealthCare (Medical)	<a href="http://www.uhc.com">www.uhc.com</a>	1-800-842-2094	GA-137260
United HealthCare Health Information Line		1-866-780-9854	
United HealthCare (Flexible Spending Accounts)	<a href="http://www.uhc.com">www.uhc.com</a>	1-877-311-7849	706825
Wachovia (401(k))	<a href="http://www.wachovia.com/myretireplan">www.wachovia.com/myretireplan</a>	1-888-544-7463	



[www.mypayless.com](http://www.mypayless.com)

Payless ShoeSource Worldwide Inc.  
3231 SE Sixth Avenue, Topeka, KS 66607

