



09

BENEFITS GUIDEBOOK
PART-TIME ASSOCIATES

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PURPOSE

This Benefits Brochure is an easy way to learn about the benefits Payless offers to our part-time Associates. This brochure provides an overview of benefit offerings, including eligibility, plan highlights, contact information and benefit costs. In addition to this brochure, you can access benefits information at www.mypayless.com or by calling the carrier or administrator with specific questions. Helpful contact information is listed in the back of this brochure.

Note: This brochure 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 enrollment brochure 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)
- Associate Discount

ENROLL WITHIN FIRST 31 DAYS

- Medical (Starbridge - Sickness/accident)
 - Coverage is effective the first pay period following hire date
- Dental/Vision (Starbridge)
 - Coverage is effective the first pay period following hire date

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

- Company Paid Life Insurance
 - Designate beneficiary
- Flexible Spending Account (FSA)
 - Dependent Care
- Collective Brands Employee Stock Purchase Plan
- Tuition Assistance (application required)

ONE YEAR OF EMPLOYMENT

- 401(k) Profit Sharing Plan

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)
- Dependent Care | <input checked="" type="checkbox"/> Update Beneficiaries
1. Business Travel Accident
2. Company Paid Life Insurance |
| <input type="checkbox"/> Dental/Vision | | |

Visit 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 benefit website at 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 the 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. 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

ELIGIBLE ASSOCIATES

You are eligible for certain Payless ShoeSource benefits if you are a regular, part-time Associate.

ELIGIBLE DEPENDENTS

If you are eligible for Payless ShoeSource benefits, you also have the option to elect coverage for your eligible dependents. Outlined below is the definition of an "eligible dependent."

Eligible dependents for the Starbridge Medical and Dental/Vision plans 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

BENEFIT TAXATION

BEFORE-TAX PLANS

Payroll deductions to a before-tax plan 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 participation under a before-tax plan unless it is during the Company's Annual Enrollment period or if you have a Qualified Family Status Change.

Contributions to the Dependent Care Flexible Spending Account plan are before-tax.

AFTER-TAX PLANS

The medical and dental/vision plans offered to part-time Associates are on an after-tax basis. 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.

MEDICAL PLANS

ABOUT YOUR OPTIONS

Payless offers most part-time Associates a medical plan option. Coverage options vary by geographic location. The plan available to you can be viewed on the Benefits website at www.mypayless.com.

WHEN COVERAGE BEGINS

Medical (excluding the Virgin Islands, Hawaii, Guam and Saipan):

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.

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.

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.

STARBRIDGE CHOICES

Starbridge Choices is a sickness and accident plan offered to part-time Associates upon hire 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 or call the Customer Support Center.

Medical Plan for Part-time Associates	
Plans	Eligibility by geographic location
Starbridge Choices	For Associates who reside in the United States with the exceptions of the Virgin Islands, Hawaii, Guam and Saipan

PLANS BASED ON GEOGRAPHIC LOCATION

Payless offers the following plans based on geographic location: HMSA HMO (Medical/Dental), HMSA CompMed (Medical/Dental) and TakeCare. To learn more about these plans, ask your Manager for a packet or contact the appropriate carrier to have one mailed to you.

Plans based on Geographic Location	
State of Residence	Medical Plan/Carrier
Hawaii	HMSA HMO (Medical/Dental) HMSA CompMed (Medical/Dental)
Guam and Saipan	TakeCare medical option

DENTAL/VISION COVERAGE

ABOUT YOUR OPTIONS

Payless offers most part-time Associates a dental/vision plan option. Coverage options vary by geographic location. The plan available to you can be viewed in on the Benefits website at www.mypayless.com.

WHEN COVERAGE BEGINS

Dental/Vision (excluding the Virgin Islands, Hawaii, Guam and Saipan):

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.

Hawaii:

In Hawaii, 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.

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.

STARBRIDGE DENTAL/VISION

Payless offers a limited dental/vision benefit plan through Starbridge to part-time Associates upon hire unless otherwise prohibited by law. To learn more about the Starbridge options, go to the Benefits website at www.mypayless.com or call the Customer Support Center.

Dental Plans for Part-time Associates	
Plans	Eligibility by geographic location
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

Payless offers the following plans based on geographic location: HMSA HMO (Medical/Dental), HMSA CompMed (Medical/Dental) and TakeCare. To learn more about these plans, ask your Manager for a packet or contact the appropriate carrier to have one mailed to you.

Plans based on Geographic Location	
State of Residence	Dental Plan/Carrier
Hawaii	The HMSA HMO and CompMed plans are a medical/dental package
Guam and Saipan	TakeCare dental option

FLEXIBLE SPENDING ACCOUNTS (FSA)

ABOUT YOUR OPTIONS

A Flexible Spending Account gives you the opportunity to pay for eligible dependent care expenses on a tax-free basis. United HealthCare administers the Payless FSA plan.

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.

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 Dependent Care FSA account.

Potential Savings*

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

	With FSA	Without FSA
Annual Earnings	\$25,000	\$25,000
2009 Dependent Care FSA contribution	(\$500)	\$0
2009 adjusted gross income	\$24,500	\$25,000
2009 estimated income taxes	(\$5,467)	(\$5,604)
Dependent Care expenses	(\$500)	(\$500)
Reimbursement from Dependent 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

ABOUT YOUR OPTIONS

The Payless life insurance plan includes 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 plan is offered through The Hartford. Payless provides Company Paid Life Insurance for you.

ELIGIBILITY

Provided to part-time Associates after 6 months of employment.

COMPANY PAID LIFE AND AD&D INSURANCE

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

BENEFICIARY DESIGNATIONS

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 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 or BTA) to review or update your current beneficiary information
- Click the "Add" button next to the plan type (Company Paid Life or 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 or 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

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	Part-time Associates are eligible to make contributions after one year 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%.
Company Match	The Company contribution (match) will be 2.5% of net profits on the first 5% of contributions you make to the plan. Part-time Associates are eligible for the Company match after one year 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 www.mypayless.com .

*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 part-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"> • A minimum purchase amount of \$5 per week (\$10 per biweekly pay period) • A maximum purchase amount of \$480 per week (\$960 per biweekly pay period)
Discount Percentage	5%

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

TUITION ASSISTANCE

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 part-time Associates after six months of employment.

Plan Highlights

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?
Part-time Associates	\$500	No	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.

EMPLOYEE ASSISTANCE PLAN (EAP)

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 part-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 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 on the Internet and register using the Web ID HJ6961H.

BUSINESS TRAVEL ACCIDENT

All part-time Associates receive Business Travel Accident (BTA) insurance coverage upon date of hire. To learn more about this coverage, go to the Benefits website at www.mypayless.com or call the Customer Support Center.

CONTACTS

CARRIER	WEBSITE/E-MAIL	PHONE NUMBER	GROUP NUMBER
ComPsych (Stores)	www.guidanceresources.com	1-866-553-1848	P783G2
ComPsych (Non-Stores)	www.guidanceresources.com	1-888-327-4774	HJ6961H
Customer Support Center		1-800-426-1141	
Fidelity Investments (ESPP)	www.netbenefits.fidelity.com	1-800-544-9354	
HIPAA – Privacy Officer	privacy_officer@payless.com	1-888-231-9426	
HIPAA – Benefits Resolution Group	HIPAA@payless.com	1-888-231-9426	
HMSA		1-808-948-6111	
Starbridge	www.starbridgechoices.com	1-877-209-7098	1629
TakeCare		1-671-647-3526	
The Hartford (Life Insurance)	www.thehartfordatwork.com	1-888-563-1124	395166
United HealthCare (Flexible Spending Accounts)	www.uhc.com	1-877-311-7849	706825
Wachovia (401(k))	www.wachovia.com/myretireplan	1-888-544-7463	

www.mypayless.com

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