TAKE 2

The Newsletter of the Screen Actors Guild – Producers Pension and Health Plans

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INSIDE TAKE 2

Important Pension and Health Plan Changes Effective January 1, 2003

The Trustees of the Screen Actors Guild – Producers Pension and Health Plans are committed to addressing the needs of Plan participants by providing, in a prudent and fiscally responsible manner, comprehensive pension and health benefit programs.

Dear Participant:

Approximately one year ago, the Trustees of the Screen Actors Guild – Producers Pension and Health Plans announced changes designed to restore the financial well-being of the Health Plan. Last year's increases to the eligibility requirements and other changes were intended to eliminate the deficit. Unfortunately, while last year's changes were a step in the right direction, it is now clear that additional changes are required to preserve the financial integrity of the Plan.

All health plans today are being affected by double-digit increases in medical costs, coupled with a weak economy, and the continuing impact of 9/11. In addition, your Plan continues to be affected by disappointing income. The combination of rising expenses and flat income has resulted in a growing deficit in your Plan.

In order to reverse the dramatic decline in the Plan's capital assets resulting from the deficit and acting in the best interests of Plan participants, we have adopted additional changes that will go into effect on January 1, 2003. Further increases in eligibility will be phased in over the next five years.

The changes address three areas: a Health Plan premium, eligibility, and benefit levels. By introducing a premium and making adjustments to eligibility and benefit levels, we are able to preserve an excellent package of benefits for as many participants as possible while improving the financial health of the Plan.

The changes to the Health Plan are described in detail on the following pages. Here is an overview:

- **Health Plan Premium.** Beginning in 2003 and for the next four years, *earned eligible* participants will pay a monthly premium: $50 for Plan I and $65 for Plan II.
- **Eligibility.** Eligibility requirements will be increased more rapidly than previously announced. The earnings and/or days required for eligibility will increase on January 1 and July 1, 2003 and annually on January 1 thereafter through 2008.
- **Benefit Levels.** Changes in coverage levels, deductibles and allowable expenses will go into effect on January 1, 2003.

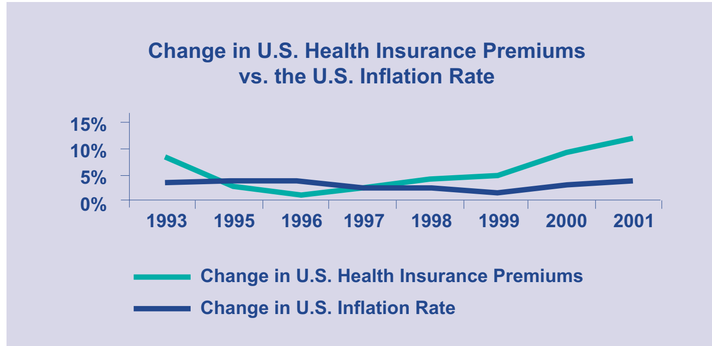
We have spent many months analyzing the issues, studying alternatives and consulting with experts. Although we have taken all steps we believe are necessary to deal with the Plan's financial problems, we will continue to monitor the situation and make adjustments as needed.

If these additional changes were not made now, the Plan would be in jeopardy of depleting its assets within two years. However, with these changes the Plan will be able to continue to provide you and your family with high quality healthcare benefits.

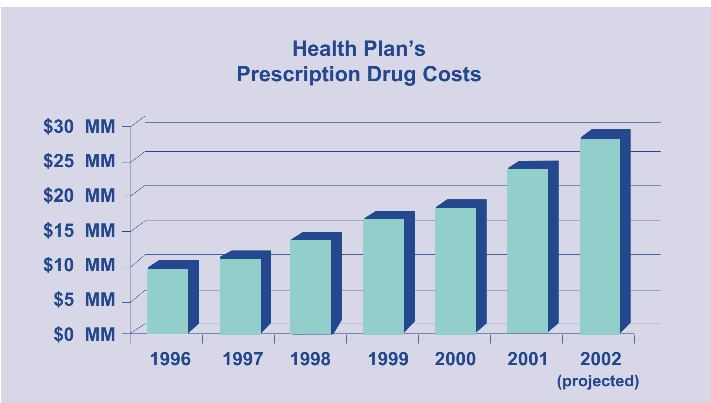
Sincerely,
The Trustees of the Screen Actors Guild – Producers Pension and Health Plans

Understanding Today's Health Care Environment

The Screen Actors Guild – Producers Health Plan's financial situation is certainly not unique. Across the country, corporations, unions, public employers and individuals are struggling with the issue of escalating health care costs. In April of this year, CalPERS, the nation's second-largest purchaser of health insurance, announced a 25% health premium increase. "It was a stark acknowledgment that even a powerful buyer like CalPERS… was helpless in the face of spiraling healthcare costs." *Los Angeles Times, April 17, 2002.*



The fact that costs are rising while the economy continues to experience hard times makes the situation even more difficult. Many people are being asked to pay more for coverage even though their income is flat. Our local, state and national governments are addressing the issue of health care affordability and access, but in the meantime plan sponsors must deal with the financial impact these issues have on their plans.



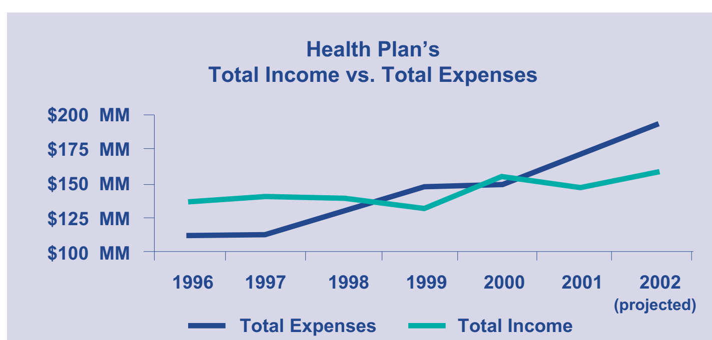
While overall health care inflation is a problem for our Plan, one of the most significant contributors to that inflation has been rapidly increasing prescription drug expenses. In just the last 5 years, prescription drug costs have increased 142%.

While we do not have control over the economy or the health care industry, we were able to weigh various alternatives before implementing the changes. We studied today's health care environment to determine what would work best now and into the foreseeable future.

Why Are More Changes Necessary Now?

The basic issue is one of bringing financial balance to the Plan. Expenses are more than income because claim volume and the fees charged by healthcare providers continue to grow while income to the Plan is flat. Although the dollar amounts are larger when discussing the Health Plan, the basic issue is the same one you face when balancing your checkbook. If you have more money going out than you have coming in, something has to change.

We made changes last year that we believed would address the Plan's deficit. Unfortunately, additional changes are now necessary due to larger than expected expenses and lower than expected income.



As Plan costs have increased, the average cost to cover each participant has also increased. The average cost of coverage per participant in 2001 was $5,690 for Plan I and $2,990 for Plan II. Based on the negotiated rate at which Producers contribute to the Plan (8.25% for most participants), a Plan I participant must earn $69,000 and a Plan II participant $36,200 before Plan contributions equal Plan costs. Many participants never earn up to these break-even points, although they enjoy the full benefits of the Plan.

Health Plan Premium

From January 1, 2003 through December 31, 2006, earned eligible participants will pay a premium.

- The monthly premium for Plan I is $50.
- The monthly premium for Plan II is $65.

The premium covers both you and your eligible dependents.

If you do not pay the required premium, your coverage will be terminated and you will not be eligible to participate until you next requalify.

The premium is paid quarterly in advance.

This means you will pay $150 quarterly for Plan I or $195 quarterly for Plan II.

You will receive information in the mail about how to pay your premium.

Changes in Health Plan Eligibility Requirements

Minimum Health Plan Eligibility Requirements		
For Earned Eligibility Commencing . . .	**Plan I**	**Plan II**
January 1, 2003 or April 1, 2003	$20,000	$9,000 or 61 days of employment
July 1, 2003 or October 1, 2003	$23,000	$11,000 or 65 days of employment
The 1st of any calendar quarter in 2004	$26,000	$13,000 or 70 days of employment
The 1st of any calendar quarter in 2005	$27,300	$13,650 or 74 days of employment
The 1st of any calendar quarter in 2006	$28,670	$14,330 or 78 days of employment
The 1st of any calendar quarter in 2007	$30,100	$15,050 or 82 days of employment
The 1st of any calendar quarter in 2008	$31,600	$15,800 or 86 days of employment

Calendar quarters start on January 1st, April 1st, July 1st, and October 1st.

Elimination of Dependent Student Eligibility

Currently, dependent children are covered until they reach age 25 if they meet the definition of a full-time student. Starting January 1, children who are full-time students age 19 or over will cease to be eligible.

If you currently have children age 19 to 25 who are covered, be aware that their coverage will end on December 31, 2002.

Elimination of Senior Performers Medicare Part B Partial Premium Reimbursement

Effective January 1, 2003, the Plan is discontinuing the partial premium reimbursement for Medicare Part B. The participant will now be responsible to pay the full cost of their Medicare Part B premium.

As the number of senior performers increases, the cost to the Plan for the Medicare Part B partial premium reimbursement has also climbed. Given the many other financial challenges facing the Plan, this benefit can no longer be supported. This benefit currently costs the Plan in excess of $2 million a year.

Changes to Plan I as of January 1, 2003

	Provision Effective January 1, 2003	*Other Changes/Remarks*
Major Medical		
Calendar Year Deductible	**Network Provider:** $250 per individual/$500 per family **Non-Network Provider:** $500 per individual/$1,000 per family	This will no longer be prorated for first-time eligibles.
Therapy Benefits		
• Physical, Occupational, Speech/Voice, or Vision Therapy	You will be limited to 12 visits* per quarter.	* These therapies cannot exceed 12 visits per quarter in combination.
• Chiropractic or Acupuncture	You will be limited to 8 visits* per quarter.	
• Extended Therapy	You will be limited to 48 visits per year.	
• Exams	The Plan will pay benefits for one initial exam—not monthly exams—per type of therapy.	
Infertility Benefits	No longer covered	
Coordination of Benefits Reserve	The Plan will continue to coordinate benefits with other plans. The Benefits Reserve will no longer be provided.	Refers to the special reserve used to pay for non-reimbursable expenses set up for participants who were primary with another plan.
Hospital		
Calendar Year Deductible	**Network Provider:** $250 per individual/$500 per family **Non-Network Provider:** $500 per individual/$1,000 per family	This remains separate from the major medical deductible.
Hospital Services and Supplies	If you use a **non-network** hospital, the Plan will pay 90% of covered expenses after the deductible.	Your out-of-pocket maximum (after the deductible) will be $1,000 per individual/$2,000 per family.
Coordination of Benefits Reserve	The Plan will continue to coordinate benefits with other plans. The Benefits Reserve will no longer be provided.	Refers to the special reserve used to pay for non-reimbursable expenses set up for participants who were primary with another plan.
Prescription Drug		
Calendar Year Deductible	$100 per individual/$200 per family	This will be a combined deductible for retail and mail order.
Retail at PAID Pharmacy	**You will pay *the greater* of the two co-payments shown:** • Generic: $10 or 20% (no change) • Brand-name when no generic exists: $20 or 25% • Brand-name when generic exists: $20 or 25% + difference in price between generic and brand-name	• The Plan will no longer vary the co-payments according to whether your physician writes, "Dispense as Written" ("DAW"). • The limit of $35 per prescription on your out-of-pocket expenses for drugs purchased at a retail pharmacy will be eliminated.
Home Delivery Pharmacy Service (Mail Order)	**You will pay *the greater* of the two co-payments shown:** • Generic: $10 or 15% • Brand-name when no generic exists: $20 or 20% • Brand-name when generic exists: $20 or 20% + difference in price between generic and brand-name	The new limit on your out-of-pocket expenses for mail order drugs is $75 per prescription (after the deductible).
Dental		
Orthodontia	No longer covered	
Disability		
Supplementary Disability	No longer provided	

Changes to Plan II and Lower Cost Self-Pay Option as of January 1, 2003

	Provision Effective January 1, 2003	Other Changes/Remarks
Major Medical		
Calendar Year Deductible	**Network Provider:** $500 per individual/$1,000 per family **Non-Network Provider:** $750 per individual/$1,500 per family	This will no longer be prorated for first-time eligibles.
Major Medical Services and Supplies	You will pay a co-payment of $25 for an office visit to a network provider.	No change for non-network payable at 70% after deductible.
Therapy Benefits		
• Physical, Occupational, Speech/Voice, or Vision Therapy	You will be limited to 12 visits* per quarter.	* These therapies cannot exceed 12 visits per quarter in combination.
• Chiropractic or Acupuncture	You will be limited to 8 visits* per quarter.	
• Extended Therapy	You will be limited to 48 visits per year.	
• Exams	The Plan will pay benefits for one initial exam—not monthly exams—per type of therapy.	
Infertility Benefits	No longer covered	
Coordination of Benefits Reserve	The Plan will continue to coordinate benefits with other plans. The Benefits Reserve will no longer be provided.	Refers to the special reserve used to pay for non-reimbursable expenses set up for participants who were primary with another plan.
Hospital		
Calendar Year Deductible	**Network Provider:** $500 per individual/$1,000 per family **Non-Network Provider:** $750 per individual/$1,500 per family	This remains separate from the major medical deductible.
Hospital Services and Supplies	**Outside of California:** If you use a non-network hospital, the Plan will pay 80% of covered expenses after the deductible. **Non-Network in California:** No coverage	There is no out-of-pocket maximum.
Emergency Room	You will pay a co-payment of $200 (waived if admitted.)	
Coordination of Benefits Reserve	The Plan will continue to coordinate benefits with other plans. The Benefits Reserve will no longer be provided.	Refers to the special reserve used to pay for non-reimbursable expenses set up for participants who were primary with another plan.
Prescription Drug		
Calendar Year Deductible	$100 per individual/$200 per family	This will be a combined deductible for retail and mail order.
Retail at PAID Pharmacy	**You will pay *the greater* of the two co-payments shown:** • Generic: $10 or 20% *(no change)* • Brand-name when no generic exists: $20 or 25% • Brand-name when generic exists: $20 or 25% + difference in price between generic and brand-name	• The Plan will no longer vary the co-payments according to whether your physician writes, "Dispense as Written" ("DAW"). • The limit of $35 per prescription on your out-of-pocket expenses for drugs purchased at a retail pharmacy will be eliminated.
Home Delivery Pharmacy Service (Mail Order)	**You will pay *the greater* of the two co-payments shown:** • Generic: $10 or 15% • Brand-name when no generic exists: $20 or 20% • Brand-name when generic exists: $20 or 20% + difference in price between generic and brand-name	The new limit on your out-of-pocket expenses for mail order drugs is $75 per prescription (after the deductible).
Vision		
Access Plan through VSP	No longer provided	
Disability		
Supplementary Disability	No longer provided	

Effective

January 1, 2003

The requirement for one Pension Credit is $15,000 in covered earnings or 70 days of employment.

Pension Plan Changes Effective January 1, 2003

In light of the stock market's performance over the past three years and the negative news about some corporate pension plans, you should know that the Screen Actors Guild – Producers Pension Plan is safe and secure.

The Plan is dedicated to ensuring long-term security. The funds are managed by 16 outside investment firms, and the assets are diversified to spread the risk.

The Plan's consulting actuary reviews the funding status of the Plan on an ongoing basis. The benefits for all current pensioners and all participants currently vested are 100% funded. Benefits for those not currently vested are funded in excess of the requirements of the federal government.

While the Plan's investment strategy is sound and its benefits are well-funded, the Plan has felt the impact of recent market losses. In addition, contribution income has been relatively flat. In order to provide additional security and ensure the continued financial soundness of the Plan, the Trustees have made the following changes to the minimum eligibility requirements, effective January 1, 2003:

- The minimum annual earnings required to earn a Pension Credit is increased from $10,000 to $15,000.
- The minimum days of employment required to earn an Alternative Pension Credit is increased from 60 to 70 days.
- The current grandfather provisions which allow certain participants to earn Pension Credit at $5,000 or $7,500 are eliminated. This means that starting with calendar year 2003, all participants will be required to earn $15,000 or work 70 days in order to earn credit under the Pension Plan.

These changes do not affect the benefits of pensioners who are currently receiving a pension. However, if a pensioner age 65 or older returns to work after January 1, 2003, he or she must meet the new requirements to receive an increased benefit. Any increase is subject to the Plan's maximum benefit.

For More Information

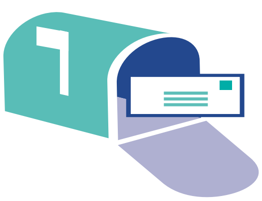
Later this year, you will receive a notice from the Plan that includes information and instructions specific to your situation. Earned eligible participants with coverage continuing into 2003, will receive instructions on how and when to submit their premium payments. If you've recently moved, please be sure to update your address. It is critical that the Plan be able to provide you with timely information.

For more information, the Web site address is **www.sagph.org** or contact Participant Services at one of the phone numbers listed below.

In the Los Angeles area:

(818) 954-9400

Outside the Los Angeles area:
(800) 777-4013



Moving???

When you move, you must notify the Pension and Health Plan Office so that you will continue to receive information about your eligibility and benefits.

You can change your address with the Plan Office three different ways:

- **Call the Plan Office**
- **File a Change of Address Card**
- **Write or FAX a letter to the Plan Office**

The Screen Actors Guild is a separate entity from the Pension and Health Plans and requires a separate notice for change of address.

PENSION AND HEALTH PLAN DIRECTORY

Burbank Plan Office: (818) 954-9400
From outside the Los Angeles area: (800) 777-4013
Fax: (818) 953-9880
New E-mail address: psd@sagph.org
Web site: www.sagph.org

IF YOU NEED:	ASK FOR:
Benefit and Eligibility Information	Participant Services
Pension Plan Information	Pension Department, Ext. 2020
Information on Medical Claims	Participant Services
Information on Dental Claims	
Delta Dental – Member Services	(800) 846-7418
– Directories	(800) 846-7418
Information on Prescription Drugs	
Medco Health	(800) 903-4728
Prescription Pre-Authorizations	(800) 753-2851
NEW YORK Plan Office 275 Madison Ave. #1819, New York, NY 10016	(212) 599-6010
SOUTHEASTERN Plan Office 7300 North Kendall Drive #620, Miami, FL 33156	(305) 670-9795