

CHANGES FOR 2004

In the next two weeks you'll be receiving important information to help you make your benefit choices for 2004. This bulletin describes the upcoming changes we are making to *FlexSolutions* that will take effect on January 1, 2004.

Health Care Benefit Changes

For the **Dental** program, we are introducing an annual maximum benefit of \$2,000 per covered person. Each January 1, a new \$2,000 maximum will apply for services you or your covered family members incur, even if you reached the maximum benefit amount in the prior year.

Medical plan changes are largely focused on prescription drug or office visit copays. The following table outlines the benefit changes for the Hawaii and Mainland medical plans.

Plan Feature	Current	Effective January 1, 2004
Hawaii		
Health Plan Hawaii Plus and HealthLink office visit copay	\$8 per visit	\$10 per visit
All HMSA Plans prescription drug copays—Retail Up to a 30-day supply	\$5 generic \$10 brand name	\$10 generic \$20 brand name
All HMSA Plans prescription drug copays—Mail order Up to a 90-day supply	\$5 generic \$15 brand name	\$10 generic \$40 brand name
Kaiser Hawaii prescription drug copay—Retail Up to a 30-day supply	\$5 generic or brand name	\$10 generic or brand name
Kaiser Hawaii prescription drug copay—Mail order Up to a 90-day supply	\$10 generic or brand name	\$20 generic or brand name
Kaiser annual out-of-pocket maximum ¹	\$1,000 per individual \$3,000 per family	\$1,500 per individual \$4,500 per family
Mainland		
CIGNA prescription drug copays—Retail Up to a 30-day supply	\$5 generic \$10 brand name	\$10 generic \$20 brand name
CIGNA prescription drug copays—Mail order Up to a 90-day supply	\$5 generic \$10 brand name	\$10 generic \$40 brand name
Kaiser California prescription drug copay—Retail and Mail order Up to a 100-day supply	\$5 generic or brand name	\$10 generic or brand name

¹ The out-of-pocket maximum is the most you pay for covered charges during the calendar year before the plan pays 100% for the remainder of the year.

Employee Contributions For 2004

For 2004, employee contributions will increase on an aggregate basis to 12% of the health care premium cost. The Company has designed the contribution structure to reflect varying salary levels as well as the cost of health care coverage in your area. As a result, the increase in contributions will be less for some and slightly more for others.

Premium costs will also depend on which dependents, if any, you choose to cover. For example, employee only coverage is less expensive than family coverage. If you have dependents with other coverage available to them, you should compare A&B's health care benefits and costs with the other plan to see which plan meets your needs at the cost you can afford.

Another thing to keep in mind is that *FlexSolutions* provides you with FS Credits, or benefit dollars, to help pay for your benefit elections. At the end of October, you'll receive a personalized 2004 Enrollment Worksheet in your Open Enrollment packet. This worksheet will show your FS Credit allotment, your current benefit elections, and the price tags for each option. You will also see your FS Credits for each benefit when you enroll online at www.flexab.com.

Your health care premium costs will depend on:

- ✘ Your salary
- ✘ Your location
- ✘ Who you cover
- ✘ The coverage option you choose
- ✘ How you use your FS Credits

Background On Health Care Inflation

The rising cost of health care was explored in the last three issues of the company newsletter. An aging population, new medical technologies, and the increased demand for brand name prescription drugs are all primary drivers behind health care inflation.

Like other employers, A&B's medical and dental costs have continued to creep upward for the last four consecutive years. In that time, A&B has paid for over 90% of the health care "premium" costs, and absorbed nearly 100% of the annual premium increases.

A benefits team was formed in 2002 to explore ways to control these costs without sacrificing quality of care and choice. A&B employees currently pay approximately 7% to 9% of the premium costs. The national average for employee cost-sharing is approximately 20%. The team recognized that over time, the aggregate employee cost sharing at A&B needs to be more in line with the national average and agreed that a three-year strategy would minimize the impact on individuals and families.

At the end of October, you'll receive your Open Enrollment packet that contains a benefits guide, medical comparison charts, and personalized 2004 Enrollment Worksheet. Review the material carefully when comparing A&B's program to another plan such as your spouse's employer's plan.



Remember that any amounts you contribute to the cost of your health care benefits are made on a pre-tax basis, which means that amount is not subject to income or other payroll taxes. To minimize your 2004 out-of-pocket health care expenses, consider enrolling in the Health Care Reimbursement Account.

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