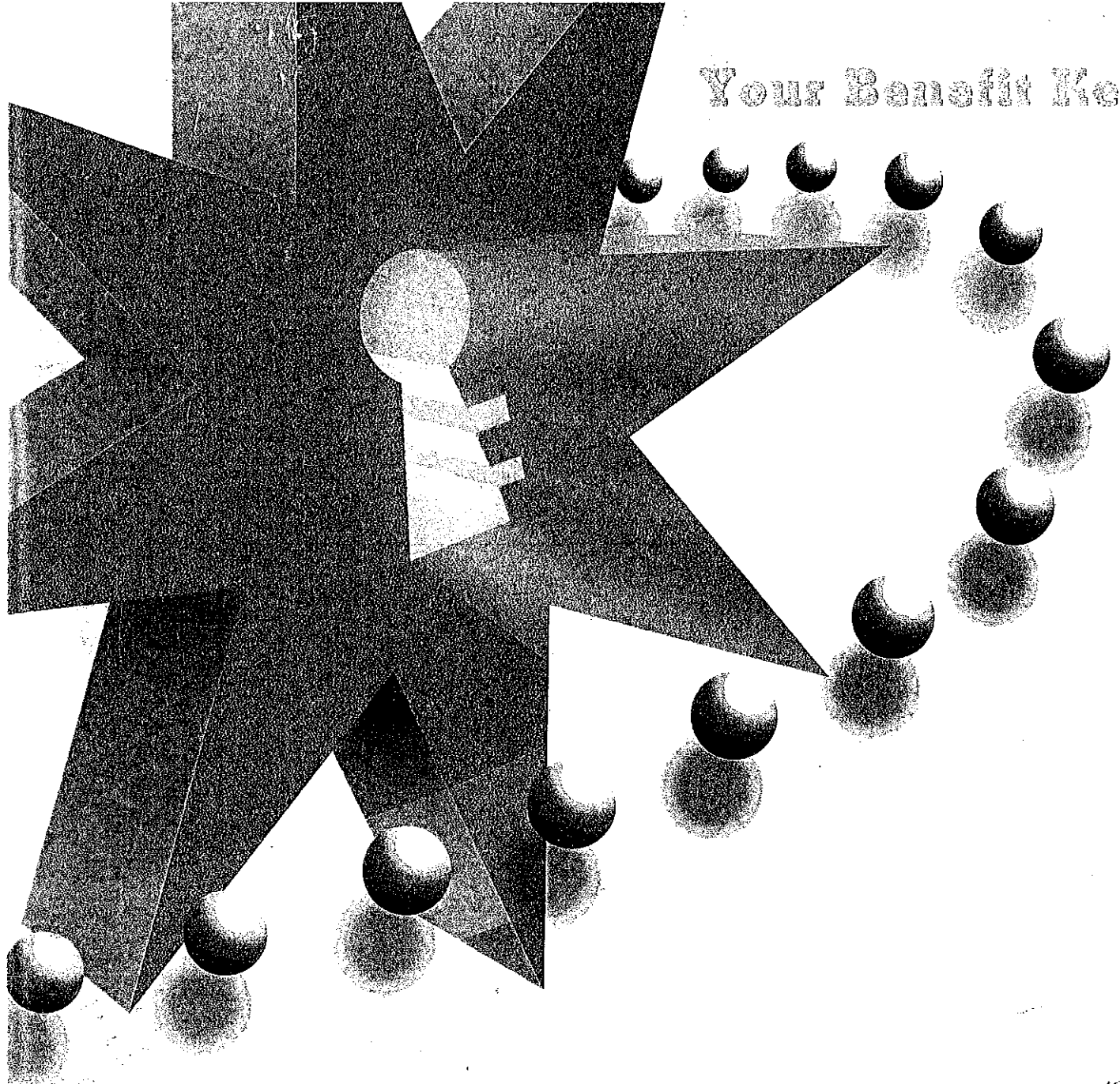


Your Benefit Keys

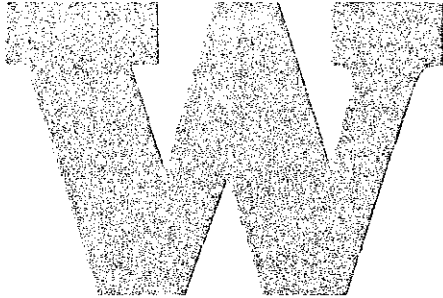


Everyone must complete the enrollment process!

# Enrollment Guide

# 2003

# Enrollment Guide



WELCOME TO YOUR BENEFITS ENROLLMENT GUIDE FOR 2003. DURING THE ENROLLMENT PROCESS, YOU WILL MAKE SELECTIONS FOR THE COMING YEAR FOR MEDICAL, DENTAL, VISION, SUPPLEMENTAL EMPLOYEE TERM LIFE INSURANCE,

DEPENDENT TERM LIFE INSURANCE AND OPTIONAL ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) COVERAGE, LONG TERM CARE AS WELL AS TAX-FREE REIMBURSEMENT ACCOUNTS.

\* EACH FALL, YOU HAVE THE OPPORTUNITY TO REVIEW YOUR SELECTIONS AND MAKE ADJUSTMENTS IN YOUR COVERAGE TO MEET YOUR NEEDS FOR THE FOLLOWING YEAR. YOU DECIDE WHAT'S BEST FOR YOU AND YOUR FAMILY BASED ON PERSONAL CIRCUMSTANCES AND NEEDS.

\* THIS FALL, EVERYONE MUST COMPLETE THE ENROLLMENT PROCESS BY DECEMBER 10, 2002. FOR NEW HIRES, YOU MUST RETURN A PAPER ENROLLMENT FORM WITHIN 31 DAYS OF YOUR ELIGIBILITY DATE.

YOUR ENROLLMENT GUIDE IS YOUR KEY TO UNLOCKING INFORMATION ABOUT YOUR BENEFITS AND CHANGES TO THE PLANS FOR 2003. IT'S FILLED WITH CHARTS TO MAKE IT EASY FOR YOU TO DETERMINE THE BENEFIT PROGRAM THAT'S RIGHT FOR YOU.

# Enrollment Guide

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# Enrollment Guide



## Read our Enrollment Guide

This enrollment guide summarizes the key benefits available to you in each category:

- \* Medical coverage (including a cash payment for employees who opt out).
- \* Dental coverage.
- \* Vision coverage.
- \* Basic employee term life insurance (no election needed).
- \* Supplemental employee term life insurance.
- \* Dependent term life insurance.
- \* Basic accidental death and dismemberment (AD&D) benefits (no election needed).
- \* Optional accidental death and dismemberment (AD&D) benefits.
- \* Disability coverage (no election needed; full-time employees only).
- \* Reimbursement accounts.

You'll want to carefully consider all your options and their costs before you make any final decisions. You pay for some of your benefit coverages through payroll deductions. Other benefits are completely paid for by the company.

Everyone must complete the enrollment process by December 10, 2002. **If you do not complete the enrollment process by the deadline, you will receive only basic life, accidental death and dismemberment, business travel accident and, for full-time employees, disability coverage.**

This means that effective January 1, 2003, all of your other current coverages will end and you will be enrolled for:

- \* No medical coverage, and you will forfeit the cash payment.
- \* No dental or vision coverage.
- \* No supplemental employee term life, dependent term life or optional AD&D coverage.
- \* No tax-free reimbursement accounts.

# Enrollment Guide

If you're a newly hired employee and you do not return an enrollment form within 31 days after your eligibility date, you will have only basic life, basic AD&D and business travel accident coverage. Default coverage for full-time salaried employees also includes eligibility for disability benefits. If you do not complete the enrollment process by the deadline, you will not be eligible to receive the cash payment that comes with the No Coverage election for medical.

## **YOUR CHOICES ARE BINDING FOR 2003**

The choices you make during the enrollment period are binding for 2003. You will not have another opportunity to enroll, cancel or change your options or your dependent coverage choices until the next annual enrollment in the fall of 2003 (with changes effective January 1, 2004), unless you have a qualifying change in family status.

## **ANY QUESTIONS?**

The steps you must take during the enrollment period are spelled out under *What You Must Do to Enroll* on page 40.

If you have questions concerning your 2003 enrollment, you may contact the Peabody Benefits Call Center by calling 1-800-633-9005 or sending an e-mail to [benefits@peabodyenergy.com](mailto:benefits@peabodyenergy.com).



## Enrollment Guide

# What's Changing in 2003

For the most part, your benefit package for 2003 will look very familiar. There are, however, a few changes that you will need to be aware of as you prepare to make your benefit elections for the next year.

Here are the highlights of those changes:

1. This fall, most of you will once again enroll for benefits using the online enrollment system, which can be found on My HR Profile on the Peabody intranet. For those with access to the company LAN (local area computer network) from your work location, you must complete enrollment using this easy-to-use system. Please refer to the online enrollment instructions, provided separately, for more information.

New hires and those employees without access to the company LAN (local area computer network) will need to complete a traditional paper enrollment form also included in your enrollment kit.

2. Under the company medical plan (Option 250, Option 500 and Option 1000), you will continue to have an annual deductible per person before the plan pays benefits. Starting in 2003, however, the annual family maximum deductible will no longer apply (currently two times the individual amount). This means the individual deductible amount will apply separately for each covered person. See page 11 for details.
3. The three company medical plan options will continue to cap your out-of-pocket expenses each year to help protect you financially against an expensive illness or injury. Starting in 2003, this out-of-pocket limit will increase, with adjustments each year thereafter to reflect Peabody's projected health care cost inflation. The family out-of-pocket maximum will remain in place at two times the individual limit. See page 11 for more information.
4. The prescription drug program copayments for brand-name drugs will be increasing and there will be some adjustments to the minimum copayments. You will continue to receive the most generous coverage when you and your doctor choose generic drugs. After 2003, the copayments for prescription drugs will be adjusted to reflect Peabody's projected drug trend inflation. See the revised prescription drug information on page 12.
5. To encourage the use of the most cost-effective drugs, the plan will soon divide brand-name drugs into two categories as shown on page 12. These are: 1) *Preferred brand-name drugs*: These are the most cost-effective brand-name (non-generic) medications. Choosing drugs from this category when a generic is not available will result in more generous benefits. 2) *Non-preferred brand-name drugs*: These are brand-names that generally have more cost-effective alternatives.

## Enrollment Guide

If you and your doctor choose a non-preferred medication, you will pay the higher non-preferred amount as shown in the chart on page 12. **Please note, however, that this new coverage category will not be implemented until sometime after January 1, 2003.** You will be notified when the new "Non-preferred brand-name" category is effective, and you will receive a list of preferred brand-name medications at that time. Until then, *all* brand-name drugs will be covered as "Preferred brand-name drugs."

6. As announced last April, the company is pleased to offer a group long term care (LTC) insurance option. You can select this valuable coverage for yourself or other eligible dependents and family members. While this coverage is not part of the company's annual re-enrollment process, it is available to all newly hired employees and is still available (with a medical questionnaire requirement) for those who did not enroll initially in April 2002. See page 35 for details, or call the Peabody Benefits Call Center at 1-800-633-9005 to request an LTC information kit.
7. For the 2003 election for the health care reimbursement account, the company has increased the annual maximum to \$4,800 (from \$2,400). There will also be an option to elect direct deposit of your reimbursement checks. See page 33 for more information.
8. Also, the 2003 day care reimbursement provisions have changed slightly. There will also be an option to elect direct deposit of your reimbursement checks. See page 33 for more on how this account works.
9. This enrollment guide now contains an overview of the Peabody retiree medical options, including information on eligibility and a brief description of plan features. You do not need to make an election during the annual enrollment period. See page 36 for details.

## Enrollment Guide

# Eligibility and Enrollment

If you are a full-time salaried employee, you are eligible for coverage. Part-time employees working a regular schedule of 20 or more hours per week are also eligible for benefits, except disability coverage. Temporary employees are not eligible. Pre-paid retirees are not eligible for disability or business travel accident coverage.

### DEPENDENT ELIGIBILITY

You can obtain coverage for your eligible dependents under the medical, dental, vision, dependent term life and optional AD&D plans. Members of your family who are eligible for coverage include:

- \* Your spouse.
- \* Your children under age 19.
- \* Your children ages 19 to 23 if they are full-time students at an accredited school, college or university and depend on you for support (for optional AD&D and dependent term life, students under age 25 are eligible). You must provide proof of full-time student status each semester for your child to remain eligible.
- \* For participants in the United HealthCare Select and GHP Access HMO (St. Louis only), eligible dependents through age 25 if they are full-time students at an accredited school, college or university and depend on you for support.
- \* For medical, vision, and optional AD&D coverage (but not dental coverage or dependent term life insurance), your disabled child, regardless of age, provided he or she is incapable of self-support due to a mental or physical disability before the limiting age.

Your married children are not eligible for coverage under the plans. No one may be covered under the plans as both an employee and as a dependent, or as a dependent of more than one employee.

### PAYING FOR COVERAGE

If you elect coverage, your contributions for medical, dental and vision will automatically be deducted in equal installments from each paycheck on a before-tax basis. Optional AD&D coverage is also paid on a before-tax basis and will automatically be deducted from each paycheck on the 15th of each month.

Your costs for long term care, supplemental employee term life and dependent term life coverage will be paid with after-tax dollars. Deductions for employee term life and dependent term life coverage will be taken out of your paycheck on the 15th of each month. Long term care will be deducted in equal installments from each paycheck.



# Enrollment Guide

## Y our Medical Keys

During annual enrollment, you choose the medical coverage you need for your family. Below are key features of the various options. See pages 9-15 for details, including out-of-network coverage.

- Option 250**
- \* \$250 annual deductible per person for network expenses.
  - \* Your share of typical network expenses is 20%.
  - \* Prescription drug benefits through separate program (no deductible).
  - \* PPO coverage through BlueCross BlueShield network.
- Option 500**
- \* Lower monthly cost for coverage.
  - \* \$500 annual deductible per person for network expenses.
  - \* Your share of typical network expenses is 25%.
  - \* Prescription drug benefits through separate program (no deductible).
  - \* Same PPO coverage as Option 250 through BlueCross BlueShield network.
- Option 1000**
- \* No cost for coverage—you receive a \$300 cash payment each year (for full-time employees only).
  - \* \$1,000 annual deductible per person for network expenses.
  - \* Your share of typical network expenses is 30%.
  - \* Prescription drug benefits paid through BlueCross BlueShield of Illinois (subject to deductible).
  - \* Same PPO coverage as other Option choices through BlueCross BlueShield network.
- No Coverage**
- \* You receive a \$600 cash payment each year (\$300 for part-time employees).

If you are an employee in the St. Louis office, you also have two HMO options available.

### COVERAGE CATEGORIES

For any of the Option choices, you can select coverage for:

- \* Yourself only.
- \* Yourself plus one dependent.
- \* Yourself plus two or more dependents.

To cover a dependent for medical, you must also elect the same coverage option for yourself.

# Enrollment Guide

## COST FOR COVERAGE

The cost for coverage depends on how many dependents you choose to cover under the plan. The table below shows the 2003 monthly contributions for each dependent coverage level for full-time and part-time employees. The cost of coverage for the HMO plans (if available) is shown on your enrollment form.

Active employees will share in any cost increases or decreases in subsequent years. For more on your costs after retirement, refer to the *Retiree Medical* section starting on page 36.

The table below shows the employee share of monthly medical costs for the various plan options. The majority of the cost continues to be paid by Peabody.

## Before-Tax Monthly Contributions for Medical Plan Options

	YOURSELF ONLY	YOURSELF PLUS ONE DEPENDENT	YOURSELF PLUS TWO OR MORE DEPENDENTS
<b>OPTION 250</b>			
FULL-TIME EMPLOYEES	\$27.70	\$110.56	\$193.68
PART-TIME EMPLOYEES	\$55.40	\$221.12	\$387.36
<b>OPTION 500</b>			
FULL-TIME EMPLOYEES	\$7.20	\$55.10	\$103.16
PART-TIME EMPLOYEES	\$16.80	\$146.14	\$275.88
<b>OPTION 1000</b>			
FULL-TIME EMPLOYEES	No cost to you—you receive a \$300 annual cash payment at the beginning of each year		
PART-TIME EMPLOYEES	\$0.00	\$51.32	\$135.58
<b>NO COVERAGE</b>			
FULL-TIME EMPLOYEES	You receive a \$600 annual cash payment at the beginning of each year. You must have group health coverage from another source to elect this option.		
PART-TIME EMPLOYEES	You receive a \$300 annual cash payment at the beginning of each year. You must have group health coverage from another source to elect this option.		

# Enrollment Guide

## HOW YOU RECEIVE THE CASH PAYMENT

If you elect Option 1000 or No Coverage, the cash payment will be added in a lump sum to a paycheck in January (or as soon as administratively possible). This payment will be subject to the same taxes as your regular pay. If you are a new hire and you elect Option 1000 or No Coverage, you will receive a prorated amount of the cash payment based on when you enroll (cash payment for Option 1000 applies only to full-time employees).

In addition, the following rules will apply if you leave the company or change your coverage before the end of the year:

- \* If you leave the company or retire during the year, you will have to repay a portion of the cash payment, based on when your employment ends. The repayment amount will be deducted from your last paycheck.
- \* If you elect Option 1000 or No Coverage during the year (because you are decreasing your coverage due to a qualifying change in family status), you will receive a prorated amount of the cash payment based on when you elect the lower option.
- \* If you increase your coverage to Option 250 or Option 500 (due to a qualifying change in family status), you will have to repay a prorated amount of the cash payment, based on when you upgrade to the higher coverage.

# Enrollment Guide

## Comparing Your Options

The table below compares the features of the three Option choices. For St. Louis-area employees, you will receive more information about additional HMO options during the enrollment period.

	OPTION 250		OPTION 500		OPTION 1000	
	NETWORK AND OUT-OF-AREA*	NON-NETWORK	NETWORK AND OUT-OF-AREA*	NON-NETWORK	NETWORK AND OUT-OF-AREA*	NON-NETWORK
<b>DEDUCTIBLES AND COPAYMENTS YOU PAY</b>						
Annual Deductible	\$250	\$400	\$500	\$800	\$1,000	\$1,500
Annual Deductible Family Maximum	N/A	N/A	N/A	N/A	N/A	N/A
Hospital Copayment (per admission)	\$0	\$0	\$100	\$200	\$200	\$300
<b>BENEFITS THE PLAN PAYS AFTER ANNUAL DEDUCTIBLE AND COPAYMENTS</b>						
Inpatient Hospital and Emergency Room**	80%	60%	75%	55%	70%	50%
<b>BENEFITS THE PLAN PAYS AFTER ANNUAL DEDUCTIBLE</b>						
Wellness Benefits (including well-child care, routine physicals and screenings)	100% up to \$250 per calendar year (no deductible)	60%	100% up to \$250 per calendar year (no deductible)	55%	70% up to \$250 per calendar year (no deductible)	50%
Most Other Medical Expenses**	80%	60%	75%	55%	70%	50%
<b>ANNUAL OUT-OF-POCKET MAXIMUMS YOU PAY</b> (includes deductible, hospital copayment and coinsurance—will be indexed annually for Peabody medical inflation)						
Individual Out-of-Pocket Maximum	\$1,700	\$2,250	\$2,800	\$4,500	\$4,500	\$6,800
Family Out-of-Pocket Maximum	\$3,400	\$4,500	\$5,650	\$9,000	\$9,000	\$13,600
<b>LIFETIME MAXIMUM BENEFIT</b>						
	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)	\$1 million Indexed annually for inflation (In 2003, limit is \$1.9 million)

If emergency services meet the requirements of "urgent or emergency care" as defined by the plan, then the covered charges are treated as if they were from a network provider, whether you go to a network or non-network provider. All hospitalization and certain other types of care must be approved under a Medical Services Advisory program. Benefits may be reduced if you don't comply.

- \* If you or a covered dependent lives outside the network area, benefits will be paid at network rates. Your eligibility records must be adjusted, however, or all claims will be processed as out-of-network. Contact the Peabody Benefits Call Center at 1-800-633-9005 or e-mail [benefits@peabodyenergy.com](mailto:benefits@peabodyenergy.com) for information and forms. ("Out-of-area" does not apply to prescription drugs.)
- \*\* Inpatient Mental Health and Substance Abuse benefits are limited to 30 days per calendar year and up to 60 days per lifetime. Outpatient Mental Health and Substance Abuse benefits are limited to 30 visits per calendar year and do not apply toward the out-of-pocket maximum. Emergency room copayment of \$50 is required if care was not for a true emergency.

# Enrollment Guide

PRESCRIPTION DRUG BENEFITS (AMOUNT THE PLAN PAYS)	OPTION 250		OPTION 500		OPTION 1000	
	NETWORK	NON-NETWORK	NETWORK	NON-NETWORK	NETWORK	NON-NETWORK
	PAID THROUGH SEPARATE PRESCRIPTION DRUG PROGRAM (no deductible or out-of-pocket maximum)		PAID THROUGH SEPARATE PRESCRIPTION DRUG PROGRAM (no deductible or out-of-pocket maximum)		PAID THROUGH BLUECROSS BLUESHIELD OF ILLINOIS <sup>(1)</sup> (annual deductible and out-of-pocket maximum apply)	
Retail Generic Drugs (30-day supply) <sup>(4)</sup>	85% <sup>(2)</sup> \$10 minimum copay	70% <sup>(2)</sup> \$10 minimum copay	75% <sup>(2)</sup> \$10 minimum copay	60% <sup>(2)</sup> \$10 minimum copay	70% After deductible	
Retail Preferred Brand-Name Drugs (30-day supply) <sup>(4)</sup>	70% <sup>(2)(3)</sup> \$20 minimum copay – \$75 maximum	60% <sup>(2)(3)</sup> \$20 minimum copay – \$100 maximum	60% <sup>(2)(3)</sup> \$20 minimum copay – \$100 maximum	50% <sup>(2)(3)</sup> \$20 minimum copay – \$125 maximum	70% After deductible	
Retail Non-Preferred Brand-Name Drugs <sup>(4)(5)</sup> (30-day supply)	50% <sup>(2)(3)</sup> \$40 minimum copay – \$150 maximum	40% <sup>(2)(3)</sup> \$40 minimum copay – \$200 maximum	40% <sup>(2)(3)</sup> \$40 minimum copay – \$200 maximum	30% <sup>(2)(3)</sup> \$40 minimum copay – \$250 maximum	70% After deductible	
Home Delivery Pharmacy Generic Drugs <sup>(4)</sup> (up to a 90-day supply)	85% \$10 minimum copay	N/A	75% \$10 minimum copay	N/A	N/A	
Home Delivery Pharmacy Preferred Brand-Name Drugs <sup>(4)</sup> (up to a 90-day supply)	70% <sup>(2)</sup> \$50 minimum copay – \$200 maximum	N/A	60% <sup>(2)</sup> \$50 minimum copay – \$250 maximum	N/A	N/A	
Home Delivery Pharmacy Non-Preferred Brand-Name Drugs <sup>(4)(5)</sup> (up to a 90-day supply)	50% <sup>(2)</sup> \$100 minimum copay – \$400 maximum	N/A	40% <sup>(2)</sup> \$100 minimum copay – \$500 maximum	N/A	N/A	

<sup>(1)</sup> If your prescriptions are filled at a participating BlueScript pharmacy, you will receive discounts, and the pharmacy will file your claims for you. After you meet your annual deductible, BlueCross BlueShield of Illinois will reimburse 70% of the cost of each prescription for the rest of the calendar year (or 100% after you have met the annual out-of-pocket maximum). If you use a non-participating provider, you receive the same level of benefits, but you must file a claim for reimbursement with BlueCross BlueShield of Illinois.

<sup>(2)</sup> If you receive a maintenance drug from a retail pharmacy instead of using the Medco Health Home Delivery Pharmacy (mail-order), you will pay a \$10 surcharge in addition to your regular coinsurance/copayment share of the cost.

<sup>(3)</sup> If you or your doctor requests a brand-name drug when a generic equivalent is available, you will also pay the difference in cost.

<sup>(4)</sup> Minimum and maximum copays will be indexed for annual Peabody prescription drug inflation.

<sup>(5)</sup> Non-Preferred will be implemented at a future date. Until then, the plan will pay based on Preferred plan design.

# Enrollment Guide

## IF YOU ENROLL YOURSELF AND YOUR DEPENDENTS UNDER TWO PLANS

If you are thinking about covering yourself and/or your dependents under two plans, be sure you find out how the two plans will coordinate benefits. Your Peabody coverage will always be primary for you as an employee, but Peabody coverage may not necessarily be primary for your children if they are also covered under your spouse's plan. Before making a decision about coverage, you'll want to find out which plan pays first for each dependent and how much the secondary plan pays. For more information, consult the *Coordination of Benefits* section of your medical summary plan description.

## CHANGING YOUR MEDICAL COVERAGE

The choices you make during the annual enrollment period are effective January 1, 2003, and are binding throughout the calendar year. Except in certain cases, you will not be able to enroll, cancel or change your options or your dependent coverage choices until the next annual enrollment period. The options available to you depend on your situation, as shown in the summary below.

YOUR SITUATION	YOUR OPTIONS
You elect Option 250	You can decrease or drop coverage, or switch to an HMO, at any annual enrollment period. If you drop coverage, you must show proof of other coverage.
You elect Option 500, Option 1000, or No Coverage	You can decrease or drop coverage, upgrade your coverage one level, or switch to an HMO during any annual enrollment period. If you drop coverage, you must show proof of other coverage.
You elect HMO coverage (if available)	You can switch to any Option choice or drop coverage at any annual enrollment period. If you drop coverage, you must show proof of other coverage.
You gain coverage under another plan due to marriage or a change in your spouse's job, or because your spouse's employer offers annual enrollment at a different time of year than Peabody	You can drop or decrease Peabody coverage within 31 days of the date your other coverage starts. If you drop coverage, you must show proof of other coverage.
You gain a new dependent through marriage, birth or adoption	You can change from No Coverage to any Peabody medical option, or add the new dependent to your current Peabody coverage, within 31 days of the qualifying change.
You have coverage from another source and lose it during the plan year for certain reasons	You can enroll for any Peabody medical option, or upgrade your coverage, within 31 days of the loss of coverage. (You may not change to an HMO option in this case, unless you had previously elected No Coverage.)

More details about the rules that apply to changing your coverage are on the next page.

# Enrollment Guide

## During the Annual Enrollment Period

- \* If you decline coverage now for you and/or your dependents, you may enroll during the next annual enrollment period, but your choice of plans will be limited to Option 1000.
- \* If you enroll for one of the Option choices, you can only increase your coverage by one level in the following year. For example, you can switch from Option 1000 to Option 500, or from Option 500 to Option 250. You cannot increase two coverage levels—from Option 1000 to Option 250.
- \* You may change to or from an HMO (if available) during any annual enrollment period. If you are moving from an HMO, you can choose any Option choice.

## Special Situations (Changes in Family Status)

- \* If you acquire a new dependent through marriage, birth, adoption or placement for adoption, you may add the new dependent to your current coverage option. Or, if you previously elected No Coverage, you may enroll yourself, your spouse and any newly acquired dependent child in any one of the Option choices (or an HMO alternative, if available). You must do so within 31 days of the date the person becomes your dependent. If you enroll during this 31-day period, coverage will begin on the day you acquired the new dependent.
- \* You may cancel coverage or drop a dependent if you need to because of a divorce, death, or because a dependent is no longer eligible. You must complete a new enrollment form within 31 days of the event.
- \* If you become covered under another medical plan due to marriage or a change in your spouse's employment, or because your spouse's employer offers annual enrollment at a different time of year than our company, you may cancel coverage or decrease to a lower option if you complete a new enrollment form within 31 days.

## Enrollment Guide

- \* You may decide not to elect medical benefits under a company plan or select a lower plan option because you and/or your dependents have other coverage, such as through your spouse's employer. In this situation, you may enroll in any available option and/or add dependents to your coverage—or upgrade your coverage one level—if (1) the other coverage ends because you or your dependent is no longer eligible for such other coverage; (2) an employer makes a significant change to the cost or benefits of the other coverage; or (3) the other coverage ends because it was provided under a COBRA continuation provision and the right to coverage has been exhausted. You must complete a new enrollment form within 31 days after the other coverage ends. You may be required to provide evidence of loss of coverage.

### PRE-EXISTING CONDITIONS LIMITATION

As a reminder, certain limits will continue to apply to pre-existing conditions when you or your dependents are first enrolled for medical coverage or you change from No Coverage to one of the Option choices in the future.

- \* A pre-existing condition is any physical or mental condition for which medical advice, diagnosis, care or treatment (including prescription drugs) was recommended or received within the six-month period ending on the individual's enrollment date. For this purpose, the term "enrollment date" means, for an employee who enrolls when first eligible, the first day of employment as an eligible employee; in all other cases, enrollment date is the date coverage begins.
- \* Charges related to a pre-existing condition are not covered during the 12-month period starting on the individual's enrollment date, as defined above.
- \* This 12-month period will be reduced by the length of time an individual had "creditable coverage" under a previous plan.
- \* The limit for pre-existing conditions will not apply to pregnancy. It also does not apply to a child enrolled within 31 days of birth or placement for adoption, in most cases.

Your medical summary plan description booklet contains details about the pre-existing conditions limitation.



# Enrollment Guide

## IMPORTANT INFORMATION ABOUT MEDICAL COVERAGE FOR RECONSTRUCTIVE SURGERY FOLLOWING MASTECTOMIES

Under federal law, group health plans that provide medical and surgical benefits for mastectomies must also provide coverage for the following services, which are to be provided in a manner determined in consultation with the attending physician and the patient:

- Reconstruction of the breast on which the mastectomy has been performed.
- Surgery and reconstruction of the other breast to produce a symmetrical appearance.
- Prosthesis and physical complications in all stages of the mastectomy, including lymphedemas.

As with other covered services, the usual deductibles, copayments or percentage share of expense you are required to pay will apply.

## Enrollment Guide

# Y our Dental Keys

During annual enrollment you choose the dental coverage you need for your family. You may select the company dental plan, or you may choose No Coverage. Your dental coverage choice is completely separate from your medical election.

### COVERAGE CATEGORIES

For dental, you can select coverage for:

- \* Yourself only.
- \* Yourself plus one dependent.
- \* Yourself plus two or more dependents.

To cover a dependent for dental, you must also elect that coverage for yourself.

### Before-Tax Monthly Contributions for Dental Coverage

	YOURSELF ONLY	YOURSELF PLUS ONE DEPENDENT	YOURSELF PLUS TWO OR MORE DEPENDENTS
FULL-TIME EMPLOYEES	\$2.18	\$8.74	\$15.30
PART-TIME EMPLOYEES	\$4.36	\$17.48	\$30.60

You will share in any cost increases or decreases in subsequent years.

# Enrollment Guide

## Dental Benefits Summary

	PREVENTIVE	BASIC	MAJOR	ORTHODONTIA
Deductible	\$0	\$50 (lifetime)	\$50 (per calendar year)	\$100 (lifetime)
Amount the plan pays	100%*	80%*	60%*	60%*
Maximum benefits		\$750 (per calendar year)		\$1,000 (lifetime)

\* Coverage limited to allowable fees charged by the majority of Delta Dental participating dentists.

### DELTA DENTAL PARTICIPATING DENTISTS

Your dental benefits are administered by Delta Dental, which has unique "participating agreements" with the majority of dentists in areas where our employees live. These agreements mean that the participating dentist's fee has been accepted in advance by Delta Dental. All you have to do is present your membership card. Participating dentists will then file your claim for you and Delta Dental will pay them directly. You will have to pay only your deductible and your coinsurance percentage for covered services.

### NON-PARTICIPATING DENTISTS

If you go to a non-participating dentist, you will still receive benefits, but payment will be based on the fee that the majority of participating dentists would charge for the same service. This is called the "allowable charge." For services from a non-participating dentist, you will pay the difference between the dentist's fee and the allowable charge, in addition to your deductible and a percentage of the allowable charge, as shown in the following example.

### Example

	DELTA DENTAL PARTICIPATING DENTIST	NON-PARTICIPATING DENTIST
Charge for fillings (basic care)	\$60	\$65
Allowable charge*	\$60	\$55
Plan pays (80% assuming deductible is satisfied)	\$48	\$44
Employee pays (20% plus amount over allowable charge)	\$12	\$21

\* Participating Delta dentists' fees have been accepted in advance. For non-participating dentists, the allowable charge may be lower.

# Enrollment Guide

Also, you are responsible for paying the non-participating dentist and filing your own claim. The address for dental claim filing is on your Delta Dental ID card. Benefits will be paid directly to you, and may not be assigned to the dentist.

To find out how your dentist can join the network, call 1-800-392-1167 or go to [www.deltadental.com](http://www.deltadental.com).

## CHANGING YOUR DENTAL COVERAGE

The choices you make during the annual enrollment period are effective January 1, 2003, and are binding throughout the calendar year. Except in certain cases, you will not be able to enroll, cancel or change your dependent coverage choices until the next annual enrollment period.

The following rules apply to changing your coverage:

### During the Annual Enrollment Period

- \* If you decline coverage now for you and/or your dependents, you may enroll during the next annual enrollment period (for 2004), but your coverage will be limited to preventive care benefits only during the first 12 months of your coverage. This also applies if you did not elect dental coverage for 2002 and now wish to enroll for 2003.

### Special Situations (Changes in Family Status)

- \* If you acquire a new dependent through marriage, birth, adoption or placement for adoption, you may add that dependent as long as you do so within 31 days of the date the person becomes your dependent. If you enroll during this 31-day period, coverage will begin on the day you acquire the new dependent.
- \* You may cancel coverage or drop a dependent if you need to because of a divorce, death, or because a dependent is no longer eligible. You must complete a new enrollment form within 31 days of the event.
- \* If you decide not to enroll in the plan because you and/or your dependents have coverage under your spouse's plan, and then you lose that coverage as the result of a divorce, death or a change in your spouse's employment, you may enroll in the plan at that time. To do so, you must complete an enrollment form within 31 days of the date the other coverage ends.

In these situations, there will be no special restrictions on your dental coverage. However, the plan will not cover treatment already in progress on the date your coverage begins.

## Enrollment Guide

# Y our Vision Keys

During annual enrollment, you choose the vision coverage you need for your family. You may select vision coverage, or you may choose No Coverage. Vision coverage is offered through Vision Service Plan (VSP).

### COVERAGE CATEGORIES

For vision, you can select coverage for:

- \* Yourself only.
- \* Yourself plus one dependent.
- \* Yourself plus two or more dependents.

To cover a dependent for vision benefits, you must also elect that coverage for yourself.

### Vision Care Benefits Summary

SERVICE	FREQUENCY	NETWORK BENEFIT (VSP Providers)	NON-NETWORK BENEFIT (maximum reimbursement)
Eye examination	12 months	100%*	\$38*
Eyeglass lenses	24 months		
Single-vision		100%**	\$31**
Bifocal		100%**	\$51**
Trifocal		100%**	\$64**
Lenticular		100%**	\$80**
Frames	24 months	\$120*	\$45**
Contact lenses (instead of eyeglasses)	24 months		
Necessary		100%**	\$210**
Elective		\$105	\$105

\* You pay a \$10 copayment.

\*\* You pay a \$15 copayment.

**Note:** Contact lenses are elective when your vision could be corrected with glasses, but you choose contact lenses instead. Necessary contact lenses are those that are the only option for correcting your vision. The allowances shown for lenses are for a pair of lenses. If only one lens is needed, the allowance will be half the amount of the pair.

Network Benefits: Lens options (tints, scratch resistance coating, etc.) are available to you at VSP's member preferred pricing. If you choose a frame valued at more than your allowance, you will save 20% on the out-of-pocket costs for your frames.

# Enrollment Guide

## Before-Tax Monthly Contributions for Optional Vision Care Coverage

	YOURSELF ONLY	YOURSELF PLUS ONE DEPENDENT	YOURSELF PLUS TWO OR MORE DEPENDENTS
Employee Cost*	\$6.74	\$9.78	\$17.54

\* The company does not contribute toward the cost of optional vision care coverage.

### NETWORK CARE

When glasses or contacts are prescribed by VSP providers, VSP guarantees the quality of the materials, including fittings and adjustments, to ensure the highest level of care and comfort for you and your family.

When you need vision care, all you have to do is call a VSP participating doctor for an appointment and identify yourself as a VSP member. You aren't required to complete any up-front paperwork or obtain a benefit form.

If you need assistance in locating a VSP participating doctor, you may call VSP at 1-800-VSP-7195 (1-800-877-7195) or go to [www.vsp.com](http://www.vsp.com) on the Internet.

When you call, the VSP participating doctor will also need to know your identification number (usually the Social Security number), and the organization that provides your benefits (Peabody). You'll need to have this information on hand.

If you obtain services from a VSP network provider, VSP will pay the provider directly. You pay only a \$10 copayment for each examination or a \$15 copayment for eyeglass lenses and frames (once in any 24-month period). You are responsible for the cost of any additional services such as tints, coated lenses, progressive lenses, etc., or the cost of a frame over the VSP allowance. The majority of frames available are covered. If you purchase elective contact lenses, you pay the amount of the cost in excess of the VSP allowance shown in the summary chart, plus the eye examination copayment.

### NON-NETWORK CARE

You may obtain vision services from any licensed vision provider, although using non-network providers will affect the claims procedure and the amount of benefits you receive. When you receive your vision care from a non-network provider, you pay the provider's charge at the time of service, and you must file a claim with VSP within six months of the date services were provided. VSP will

## **Enrollment Guide**

then reimburse you for the charges (minus the copayments), up to the non-network maximum amount. For example, if you receive an eye examination from a non-network provider who charges \$50, you pay the \$10 copayment plus \$2 (the amount of the remaining charge in excess of the maximum reimbursement of \$38).

### **CHANGING YOUR VISION CARE COVERAGE**

You may elect or continue vision coverage for 2003 if:

- \* You are currently enrolled for vision coverage.
- \* You are electing vision coverage for the first time.

However, if you dropped your vision coverage during the 2002 enrollment period, you may not enroll for coverage in 2003. (Your next opportunity to enroll will be in the fall of 2003, with coverage effective January 1, 2004.)

You may also drop your vision coverage during the annual enrollment period. However, if you do, you will have to wait two years before you can re-enroll in this coverage.

Your election is binding for 2003. You may add or drop dependents from your coverage during the year if you have a change in family status that justifies a change. In addition, you may change your election during the next annual enrollment period.

# Your Employee Term Life Insurance Keys

To help provide your loved ones with financial protection in the event of your death, you have the opportunity to choose from a variety of term life insurance levels.

The company provides a "basic" employee term life insurance benefit equal to one times your annual basic salary at no cost to you. You do not need to make an election for this basic coverage. In addition to this coverage, you can choose "supplemental" employee term life insurance coverage equal to one, two, three or four times your annual basic salary.

Because there is much in common between these two types of term life insurance coverage, they are discussed together in this section.

### HOW YOUR BASIC AND SUPPLEMENTAL COVERAGE WORKS

All eligible employees receive a basic term life insurance benefit equal to one times annual basic salary. The IRS requires that the employer cost of your basic employee term life insurance coverage in excess of \$50,000 be considered taxable income to you. Because you do not have to make an election for your basic term life benefit, this coverage will not appear as one of your choices when you enroll for benefits.

In addition to your basic term life insurance benefit, you have the option to purchase supplemental employee term life insurance coverage.

For purposes of both the basic employee term life insurance plan and the supplemental employee term life insurance plan, the coverage amount will be based on your current annual basic salary rounded to the next \$100. The coverage amount(s) will automatically be adjusted for salary fluctuations.

If you die, the amount of your term life insurance coverage will be paid to the beneficiary you designate.

Note: When you retire, your term life insurance amount is reduced to 25% of your annual pay in effect immediately before your retirement. At age 70, this amount is further reduced to a maximum of \$10,000.



# Enrollment Guide

## YOUR SUPPLEMENTAL EMPLOYEE TERM LIFE INSURANCE

As you can see from the following chart, supplemental employee term life insurance options are multiples of your annual basic salary rounded to the next \$100. For example, if your annual basic salary is \$20,000 and you choose Option 2 (two times annual basic salary), your supplemental employee term life insurance benefit is \$40,000, and your basic term life insurance benefit is \$20,000 (for a total coverage amount of \$60,000).

### Supplemental Employee Term Life Insurance Coverage Amounts

<b>Option 1</b>	One times annual basic salary
<b>Option 2</b>	Two times annual basic salary
<b>Option 3</b>	Three times annual basic salary
<b>Option 4</b>	Four times annual basic salary

Basic and supplemental employee term life insurance maximum is \$1 million for each policy.

#### Changing Your Coverage

You may increase your supplemental employee life coverage by one level (or change from No Coverage to Option 1) during the annual enrollment period, subject to evidence of good health requirements described in the next section. You can decrease your coverage as many levels as you choose. The choices you make during this enrollment period are effective January 1, 2003. However, if you choose to increase your coverage, that coverage may be delayed if you are not actively at work, or if your coverage choice requires evidence of good health.

The only other time you may change your supplemental employee term life insurance coverage is if you have a change in family status that justifies a change. You must submit the proper change forms within 31 days of the event. At that time, you can decrease your coverage to any level or increase your supplemental term life insurance coverage one level, subject to the rules for evidence of good health, provided the change you make is consistent with the family status event.

# Enrollment Guide

## Evidence of Good Health Requirements

Because employees have a wide variety of coverage choices under the supplemental employee term life insurance plan, the insurance company restricts the amount of coverage you can choose without having to provide evidence of good health.

Supplemental employee term life insurance greater than \$300,000 requires evidence of good health. Coverage in excess of this limit will not be effective until you complete a health questionnaire and the insurance company approves your application.

Your current (2002) coverage amount may already exceed \$300,000. If so, you will not have to requalify unless you are applying for an increase in your coverage amount.

This limit applies only to the supplemental employee term life insurance plan.

## Tobacco Versus Non-Tobacco Rates

Supplemental employee term life insurance rates vary depending whether or not you smoke or use other tobacco products. Any time you have gone at least 12 consecutive months without smoking or using other tobacco products, you are eligible for the lower "Non-Tobacco" rates. If you use tobacco now and elect the "Tobacco" rates but later stop using tobacco, you can change to the "Non-Tobacco" rates after you have been tobacco-free for 12 months.

## How to Make the Right Choice

Your premium rates will depend on your age (as of January 1, 2003), your coverage amount and whether or not you use tobacco. For more information about your life coverage options, including information about coverage for retired and disabled employees, refer to your summary plan description booklet.

## Enrollment Guide

# Your Dependent Term Life Insurance Keys

If you choose, you may also purchase life insurance for your spouse and/or your eligible dependent children. This benefit helps provide you with protection against financial difficulties in the event of a loved one's death.

These are your choices for covering your spouse:

- \* No spouse coverage.
- \* Spouse coverage in the amount of \$10,000.
- \* Spouse coverage in the amount of \$20,000.

These are your choices for covering your eligible dependent child or children:

- \* No child coverage.
- \* Child coverage in the amount of \$5,000 per child.

The cost of life insurance for your children is the same, regardless of how many children you have.

Your choice of whether to cover your spouse, if any, is separate from your choice of whether to cover your children. You may cover your spouse only, your children only, both or neither.

You are automatically the beneficiary of your dependents' life insurance coverage.

If your eligible dependent is totally disabled on the date that coverage would normally begin, his or her coverage will not start until the date he or she is no longer disabled.

### After-Tax Monthly Contributions for Dependent Term Life

	COVERAGE AMOUNT	EMPLOYEE COST*
Spouse Coverage Amount	\$10,000	\$3.50
	\$20,000	\$7.00
Child Coverage Amount	\$5,000	\$1.00

(regardless of number of children)

\* The company does not contribute toward the cost of dependent term life insurance.

# Enrollment Guide

## CHANGING YOUR COVERAGE

You may choose dependent life insurance or change the amount of your spouse's coverage during the annual enrollment period. The choices you make during this enrollment period are effective January 1, 2003. However, coverage may be delayed if you are not actively at work, or your coverage choice requires evidence of good health.

The only other time you may enroll or change your dependent life coverage choices is if you have a change in family status that justifies a change—for example, if you gain a dependent through marriage, birth or adoption, or lose a dependent through divorce or death, or because a child no longer qualifies as an eligible dependent. Your coverage change must be logically consistent with the change in family status, and you must submit the proper change forms within 31 days of the event.

If you do not enroll your spouse within 31 days of when your spouse first becomes eligible, and then you decide to enroll him/her later, coverage for your spouse will be limited to the \$10,000 option. During the following annual enrollment, you may choose to increase the spouse coverage amount to \$20,000 without having to provide evidence of good health.

## **Enrollment Guide**

# **Y**our Basic Accidental Death & Dismemberment Keys

The company provides all eligible employees with basic accidental death and dismemberment (AD&D) insurance benefits equal to three times your annual basic salary. This coverage pays a benefit to your beneficiary in the event of your death or to you if you sustain certain types of injuries as the result of an accident.

The company will continue to provide a business travel accident insurance benefit equal to five times your annual basic salary (\$500,000 maximum).

Because you do not have to make an election for basic AD&D and business travel accident coverage, these benefits will not appear when you enroll for benefits.

Both basic and optional AD&D coverage terminate at retirement.

## Enrollment Guide

# Your Optional Accidental Death & Dismemberment Keys

You may purchase optional accidental death and dismemberment (AD&D) coverage as a supplement to your basic AD&D coverage. This optional AD&D coverage pays a benefit to your beneficiary in the event of your death, or to you if you sustain certain types of injuries as the result of an accident. The benefits paid by this optional coverage are in addition to benefits paid by your basic employee term life insurance and your basic AD&D coverage. You pay your optional AD&D premiums with before-tax payroll deductions.

### OPTIONAL AD&D COVERAGE AMOUNT

You may choose any amount of coverage from \$10,000 to \$500,000, in multiples of \$10,000. However, you may not choose more than \$250,000 if that amount is more than 10 times your annual basic salary. The plan pays all or a portion of your benefit amount if you die or sustain certain types of injuries within 365 days of a covered accident. Covered losses include accidental death or paralysis, loss of hands, feet, speech, hearing or sight. There also are several plan features that provide additional benefits to help you and your family recover from the financial losses these injuries may cause. Refer to your summary plan description booklet for details.

### FAMILY COVERAGE OPTION

You may also choose AD&D coverage for your spouse and eligible dependent children. If you choose the family coverage option, the plan will pay a benefit to you in the event that a covered accident causes death or certain injuries to one of your covered family members. Benefit amounts will depend on the coverage level you choose for yourself and the family members you have at the time of a covered accident. If you choose to cover your spouse and dependent children, your dependents' coverage amount will equal a percentage of your own amount, as follows:

#### IF AT THE TIME OF AN ACCIDENT YOUR FAMILY INCLUDES THESE DEPENDENTS:

#### DEPENDENT'S COVERAGE EQUALS THIS PERCENTAGE OF YOUR COVERAGE:

Spouse and dependent children

55% spouse, 10% each child\*

Spouse, no children

60% spouse

Dependent children, no spouse

20% each child\*

\* The maximum benefit for each child is \$30,000.

# Enrollment Guide

## COVERAGE AMOUNT AFTER AGE 70

Your optional AD&D coverage amount will be reduced when you or your spouse reach certain ages, as explained in your summary plan description booklet. Your premiums will be based on the original coverage amount, before the reduction.

## CHANGING YOUR COVERAGE

Generally, the annual enrollment period is the only time you can enroll in or increase optional AD&D coverage. However, you also can begin or increase your coverage, or choose to cover your spouse and dependent children, within 31 days of either of the following events:

- \* Your marriage.
- \* The birth or adoption of your first child.

In either case, your new coverage will become effective the first of the month following the date you complete and return your enrollment form, provided you do so within 31 days of the event.

If you are not actively at work due to illness or injury on the date your coverage would otherwise begin, your coverage will not be effective until you return to work.

## Enrollment Guide

# Y our Disability Keys

The company provides short-term and long-term disability coverage under the Disability Plan to all full-time salaried employees. Part-time employees and employees on pre-paid retirement are not eligible for disability benefits. Because you do not have to make an election for disability benefits, these coverages will not appear when you enroll for benefits.

### SHORT-TERM DISABILITY (STD) BENEFITS

For those full-time employees with fewer than five years of service, the plan pays 100% of your daily base pay for the first 30 days of an approved disability and 60% of your daily base pay thereafter, up to a combined total of 180 calendar days of an approved disability. For those full-time employees with five or more years of service, the plan will provide 100% of your daily base pay for up to 180 calendar days of an approved disability.

Peabody currently pays 100% of the cost for this coverage.

#### EMPLOYEES WITH FEWER THAN FIVE YEARS OF SERVICE

100% of daily base pay for the first 30 days;  
60% of daily base pay thereafter, up to a combined total of 180 calendar days.

#### EMPLOYEES WITH FIVE OR MORE YEARS OF SERVICE

100% of daily base pay for up to 180 days of disability.

### LONG-TERM DISABILITY (LTD) BENEFITS

If your approved disability continues after 180 days of STD, the Disability Plan provides LTD benefits equal to 60% of your daily base pay. Your benefit will be reduced by any additional benefits you are eligible for, such as workers' compensation and Social Security disability. LTD benefits may continue until you reach age 65, or longer if you become disabled after age 60.

### IF YOU BECOME DISABLED

Our disability claims administrator is VPA. VPA will work with employees and the company to help guide you through the disability claim process and to assist you in returning to work as quickly and as safely as possible.



## Enrollment Guide

Here's a reminder about how your disability claims will be managed. If you are absent from work due to an illness or injury for seven consecutive calendar days or longer, you must call VPA on the eighth day at 1-800-520-9714 to file an STD claim. VPA will work with you and your doctor to evaluate your claim for benefits. If you do not file a claim, your pay will not continue. VPA will manage your claim for STD and later for LTD, if necessary. If you have a recurrence of a prior disability, you must call VPA immediately.

VPA will:

- \* Ask you about your condition and medical treatment.
- \* Ask you to have your physician provide relevant medical information to VPA.
- \* Review the medical information provided by your doctor.
- \* Consult with your supervisor about the job requirements.
- \* Approve your absence, if appropriate.
- \* Notify you in writing whether benefits will continue to be paid.
- \* Contact you as needed during your disability.
- \* Refer and coordinate rehabilitation services when needed.
- \* Assist you in obtaining Social Security Disability Income, if appropriate.
- \* Provide assistance in planning your return to work.

After your initial call with VPA, you can call the same toll-free number (1-800-520-9714) or go to [www.vpaweb.com](http://www.vpaweb.com) 24 hours a day, seven days a week, to obtain the status of your claim. If you call during normal business hours, you can discuss your claim with a VPA claims representative.

## Enrollment Guide

# Your Reimbursement Accounts Keys

You have two reimbursement accounts that allow you to pay for many common expenses using untaxed money deducted from your paycheck: the health care reimbursement account and the day care reimbursement account. Enrollment in these accounts is voluntary—you may decide to use one, both or neither. They are separate accounts, although they have many similar features. The IRS requires that you spend this money by the end of the year or lose it. With a little planning, you can save an amount equal to your tax bracket for many eligible expenses.

Starting in 2003, you can opt to have your reimbursement checks from either account deposited directly to your bank account. Otherwise, checks will be mailed directly to your home. Direct deposit forms are available by calling Tri-Star Benefit Systems, Inc. at 1-800-727-0182 (in St. Louis 314-576-4022) or visit [www.tri-starsystems.com](http://www.tri-starsystems.com).

### HEALTH CARE REIMBURSEMENT ACCOUNT

The tax-free health care reimbursement account can help you reduce your annual health care expenses. Your monthly health plan contributions automatically will be paid with tax-free payroll deductions. However, you can also save taxes on your deductibles and other out-of-pocket expenses by using the health care reimbursement account. Check your summary plan description booklet for details on which expenses are covered.

You may set aside any amount from \$120 to \$4,800 a year. This money is deducted from your pay—before it is taxed—in equal installments for each pay period throughout the year and placed in your health care reimbursement account.

### DAY CARE REIMBURSEMENT ACCOUNT

You can use the day care reimbursement account to pay the cost of day care for young children or a dependent adult. You decide how much you want to deposit in your account, up to a maximum of \$5,000 per year (if you are married and file separate tax returns, the maximum deposit is \$2,500). The minimum annual deposit is \$120. Check your summary plan description booklet for details on eligible expenses. Be sure to compare the tax advantages of the day care reimbursement account and the federal child care tax credit. In general, if your annual family income is more than \$40,000, you will pay less in income and Social Security taxes by using the day care reimbursement account instead of the tax credit.

Also, please note that you may not contribute more than your spouse's current annual income to the account. Under IRS rules, your spouse who is disabled or who is a part-time student is considered to have an earned income of \$250 a month if you have one eligible dependent, or \$500 a month if you have two or more eligible dependents.

# Enrollment Guide

## Special Rules

While the reimbursement accounts provide a good way for you to reduce your taxes, you should be aware of several rules:

- \* You will lose any money that you put into your accounts and do not use by the end of the year. This is an IRS rule. Therefore, you should put aside money only for those expenses that you feel certain you will have in 2003.
- \* If your family status changes because of a birth, death, marriage, divorce or a spouse losing his or her job, you can enroll, cancel or change your monthly deposit for either account subject to the plan rules explained in your summary plan description. Also, you may change your deposits to the day care reimbursement account if you must do so due to a change in day care providers, a change in your need for dependent day care, or a significant increase in your cost for day care (other than a cost increase imposed by a relative). Otherwise, according to IRS rules, you may change your deposits to either account only during annual enrollment.
- \* Reimbursement under the day care reimbursement account cannot exceed the amount you currently have deposited. Health care reimbursement account claims will be paid as long as they do not exceed the amount of your annual election.
- \* The deadline for submitting reimbursement expenses incurred during the current calendar year is March 31 of the following year.
- \* You cannot transfer amounts between your accounts, nor can you use funds from one account to pay expenses eligible under the other account, or vice versa.
- \* Expenses you incur before becoming a participant, or after participation ends, are not eligible.
- \* Your salary-related benefits, including your short-term and long-term disability, basic and supplemental term life insurance and basic and optional AD&D, are not affected by the reimbursement accounts. These benefits are based on your total, unreduced pay.
- \* You cannot fund your monthly medical, dental or vision plan contributions through a reimbursement account. These contributions are automatically deducted on a tax-free basis through separate payroll deductions.

## Enrollment Guide



### Our Long Term Care Keys

Personal long term care (LTC) insurance policies are now available at special group rates for you and your family, including spouse, parents and grandparents, siblings and children (who are at least age 18). Current participants do not need to make an election during the annual enrollment period as your benefit will remain in effect until you request to make a change or cancel coverage. If you chose not to enroll for coverage during the initial offering, you may apply for coverage at any time, subject to evidence of good health.

Today nearly 1.3 million Americans of all ages need assistance with everyday activities, the type of assistance required whether at home or in a nursing facility. It doesn't take long for the costs of a long-term illness or injury to deplete your savings and assets. LTC insurance through the company offers low group rates and convenient payroll deduction.

Newly hired active employees will have a 30-day period from date of hire to enroll. Several of the current options do not require completion of a medical questionnaire when you enroll within this period. *If you did not enroll when the coverage was first offered, you will have to complete a medical questionnaire when you apply for coverage.* Coverage for any family members will always require a medical questionnaire.

First, request a long term care enrollment kit by calling the Peabody Benefits Call Center at 1-800-633-9005 or by sending an e-mail to [benefits@peabodyenergy.com](mailto:benefits@peabodyenergy.com). Then, send your completed application to UNUM, along with the completed medical questionnaire (if required) and any other required documentation.

The following options are available and are fully described in the long term care enrollment kit.

BENEFIT DURATION	3 Years	6 Years	Unlimited
MONTHLY BENEFIT AMOUNTS	\$2,000 to \$6,000	\$2,000 to \$6,000	\$2,000 to \$6,000
LIFETIME MAXIMUM	\$72,000 to \$216,000	\$144,000 to \$432,000	Unlimited

The premium rates for you and your family members are individually calculated based on age, duration of the policy and the selected monthly benefit. The younger you are when you purchase coverage, the lower the cost. Premiums for you and your spouse will be paid through payroll deduction using after-tax dollars. All other eligible family members will be billed directly by the carrier on a quarterly, semi-annual or an annual basis.

See the long term care enrollment kit for an application, rate sheets and a full description of the various combinations of coverage. You can also follow the UNUM link on My HR Profile.

## Enrollment Guide

# Retiree Medical

### NEW MEDICAL PREMIUM REIMBURSEMENT PROGRAM

As previously announced to you, the options available for medical coverage after retirement are changing for most employees who retire after January 1, 2003. Under the new program, Peabody will provide an allowance toward the purchase of medical coverage. The dollar amount will be based on your years of service as defined by the plan with Peabody Holding Company, Inc. and selected subsidiaries and affiliates (Peabody).

Please note that the MPR program is an unfunded plan as defined by federal law. This means that the money will be paid out of the company's general assets and has not been placed in a trust or special account.

For certain employees already close to retirement, a transition benefit under the current retiree medical plan will apply, as described on page 39.

#### Who is Eligible for the MPR Program

To be eligible to participate in the MPR program, you must meet both of the following requirements on your last day of employment with the company:

- \* You are at least age 55.
- \* You have 10 or more years of service as defined by the plan.

#### How the MPR Program Works

At the time of termination of employment, your allowance will be \$1,000 for each year of service with Peabody rounded up to the next full year. For example, if you have 19 years and two months of service with Peabody when you terminate employment, your allowance will be \$20,000. You can use the allowance at any time in the future to request reimbursement for any premiums you pay for medical, dental or vision insurance for you and your eligible dependents (as defined by the plan). This insurance coverage can be through another employer's group health plan, an individual policy, COBRA, Peabody's Catastrophic Medical Plan or Medicare.

If you die before the entire reimbursement allowance is used, your eligible dependents may continue to be reimbursed for such premiums until the allowance is exhausted. You will not be eligible to receive a lump-sum cash payment through the MPR program. If there are no dependents eligible for benefits, the balance of your allowance remaining at the time of your death will be forfeited.

For those who elect not to purchase private medical coverage, eligible employees will be able to use their MPR allowance towards the purchase of basic Catastrophic Medical Plan coverage through Peabody, as described on the next page.

# Enrollment Guide

## Claims for Reimbursement

At this time, the MPR program will be administered by Tri-Star Systems, Inc. (Tri-Star), a third party administrator located in St. Louis, Missouri. For reimbursement of premiums for coverage other than the Peabody Catastrophic Medical Plan, you will need to send proof of your paid medical premiums to Tri-Star. Reimbursements will be made once a month for the current month or past month premium payments. Payments will not be made for future dates of coverage.

If you elect coverage under the Catastrophic Medical Plan as described in the following section, you may elect to have your premium payments automatically deducted from your MPR allowance.

## PEABODY CATASTROPHIC MEDICAL INSURANCE

Eligible retirees may elect coverage under Peabody's Catastrophic Medical Plan. The plan benefits are identical to the Option 1000 plan design that is described on page 11 of this booklet.

## Who Is Eligible for Catastrophic Coverage

The eligibility rules are different than for the MPR program, although the two benefits can work together. To be eligible to participate in the Catastrophic Medical Plan, you must meet all of the following requirements:

- \* You are at least age 55.
- \* You have 10 or more years of service as defined by the plan.
- \* You must begin receiving your retirement benefits from the Peabody Holding Company, Inc. Retirement Plan for Salaried Employees within 31 days of the date your employment ends with the company.
- \* You must enroll within 31 days after your retirement date unless you elect COBRA coverage or are eligible for coverage through another employer as described in the next section.

## Important Plan Provisions

If you have coverage through another employer-sponsored group plan at the time of your retirement or obtain other employer-sponsored group coverage after you commence retirement, you may delay your participation in the Catastrophic Medical Plan. If such employment begins after you retire, you may temporarily suspend participation under the Catastrophic Medical Plan. If you later lose that coverage, you may elect coverage under the Catastrophic Medical Plan as long as you provide proof that you lost the other coverage. This proof must be provided within 31 days of the date coverage was lost, and participation in the Catastrophic Medical Plan must begin immediately thereafter. If you were not a participant in the Peabody medical plan as an active employee because you had coverage through

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another employer-sponsored group plan, you may elect coverage under the Catastrophic Medical Plan upon retirement. You must provide proof of your other coverage at the time of your election. You may contact the Peabody Benefits Call Center at 1-800-633-9005 for an enrollment form.

Only eligible dependents at the time of retirement can be covered under the Catastrophic Medical Plan; new dependents cannot be added at a later date. If you have a dependent who is covered under another group health plan at the time you elect coverage under the Catastrophic Medical Plan and that dependent later loses the coverage, that dependent can be added within 31 days of the loss of coverage provided they continue to meet the eligibility rules under the plan.

In the event of your death while covered under the Catastrophic Medical Plan, your surviving dependents may continue coverage as long as they remain eligible.

Upon your retirement, you may elect COBRA continuation under the Peabody medical plan you are participating in at the time of your retirement. At the end of your COBRA continuation period, you may then elect coverage under the Catastrophic Medical Plan.

## The Cost of Coverage

You will receive an enrollment form for Catastrophic Medical Plan coverage with your retirement paperwork. The form will include the applicable premium rates for coverage. You and other participants will be responsible for the full cost of the plan.

Listed below is the cost for Catastrophic Medical Plan coverage in 2003. These costs are subject to change each year. Once enrolled, you may use any of your MPR allowance to offset the cost of Catastrophic Medical Plan coverage.

<b>OPTION 1000</b>	<b>MONTHLY COST</b>
<b>RETIREE ONLY</b>	
Not Medicare Eligible	\$296.08
Medicare Eligible	\$204.02
<b>RETIREE PLUS ONE DEPENDENT</b>	
Both Not Medicare Eligible	\$592.18
Both Medicare Eligible	\$408.03
Retiree Medicare Eligible/Dependent Not Medicare Eligible	\$500.11
Retiree Not Medicare Eligible/Dependent Medicare Eligible	\$500.11

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## RETIREE PLUS TWO OR MORE DEPENDENTS

All Not Medicare Eligible	\$755.86
Retiree and Spouse Medicare Eligible/Dependent Child Not Medicare Eligible	\$679.49
Retiree Medicare Eligible/Spouse and Dependent Child Not Medicare Eligible	\$717.68
Spouse Medicare Eligible/Retiree and Dependent Child Not Medicare Eligible	\$717.68

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### Making the Right Choice

Because the Catastrophic Medical Plan provides only a basic level of coverage with high deductibles, you should consider this decision carefully and compare the coverage features and cost with that available in other plans on the market for which you qualify.

When you become eligible for Medicare, you will want to compare the cost and features of Peabody Catastrophic Coverage with Medicare and/or Medigap coverage. (Keep in mind the MPR program can also reimburse your premiums for Medicare and Medigap coverage, up to your credited allowance).

### TRANSITION PROVISION FOR PEABODY GROUP HEALTH AND LIFE PLAN FOR SALARIED EMPLOYEES

If you are at least 55 years of age and have 10 or more years of service as of December 31, 2002, you will be eligible for retiree medical coverage under the terms of The Peabody Group Health and Life Plan for Salaried Employees provided you retire on or before January 1, 2005.

For purposes of determining eligibility for this coverage, you will be deemed to have "retired" only if you leave employment with Peabody Holding Company, Inc. and its subsidiaries and affiliates and immediately elect to begin receiving pension benefits under The Peabody Holding Company, Inc. Retirement Plan for Salaried Employees. If you leave Peabody before January 1, 2005 and do not elect to receive pension benefits at that time, you will be eligible for the MPR program. However, you will not be eligible for medical coverage as described in the preceding paragraph.

Keep in mind that this coverage is not guaranteed. The company reserves the right to terminate the plan, change required contributions or modify this plan in whole or in part at any time or for any reason, including changes in any and all of the benefits provided.

For those eligible for the transition period, you may elect retiree medical coverage under The Peabody Group Health and Life Plan for Salaried Employees or the MPR program, but not both.

Contact the Peabody Benefits Call Center at 1-800-633-9005 for more information.



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# What You Must Do to Enroll

It's important that you complete the enrollment process during the enrollment period. If you have access to the Peabody intranet, you must complete the online enrollment process by December 10, 2002. Your enrollment packet includes instructions for online enrollment. For employees who do not have online access, a completed enrollment form must be returned to the Peabody Benefits Office in St. Louis no later than December 10, 2002, or if you are a new employee, within 31 days of your eligibility date.

### WHAT YOU NEED TO DO NOW

The following table summarizes the steps you need to take depending on your situation. If you have any questions, you may ask the Peabody Benefits Call Center by calling 1-800-633-9005 or sending an e-mail to [benefits@peabodyenergy.com](mailto:benefits@peabodyenergy.com).

YOUR SITUATION	WHAT YOU NEED TO DO
You want to keep medical, dental, vision and all other coverage the same for 2003.	You must complete the enrollment process. If you do not, your current medical, dental, vision, supplemental life insurance, and optional AD&D will end on December 31, 2002, and you will forfeit the cash payment for the No Coverage medical option. You also will not be enrolled for the reimbursement accounts.
You want to change your medical coverage to another option.	Complete the enrollment process. If you elect Option 1000, your choice in subsequent years will be limited to the Option 500 plan unless you have a qualifying change in family status.
You want to elect the No Coverage medical option.	You must complete the enrollment process, including providing details on other coverage and completing a "Medical Waiver Statement." (If you do not, you will forfeit the cash payment.) If you decide to enroll in future years, your choice will be limited to Option 1000 unless you have a qualifying change in family status.
You want to enroll for medical or dental coverage for the first time, cancel medical coverage or add or drop a dependent from your coverage.	Complete the enrollment process. Medical benefits may be limited for pre-existing conditions. Dental benefits may also be limited.
You want to cancel dental coverage for 2003.	Complete the enrollment process. If you cancel dental coverage, your benefits will be limited if you decide to re-enroll at the next enrollment period.
You want to cancel optional vision coverage or enroll for optional vision coverage for the first time.	Complete the enrollment process. If you cancel your vision coverage, you will have to wait two years to re-enroll.
You want to change your supplemental life insurance or optional AD&D coverage level, or enroll for dependent term life coverage.	Complete the enrollment process. You may be required to furnish evidence of good health to increase your life insurance to certain levels above your current amount.
You want to participate in one or both reimbursement accounts for 2003.	Complete the enrollment process indicating the amount you want to deposit for 2003.



# Enrollment

This enrollment guide provides highlights of your benefit plans. This is not a complete detailed description. See your summary plan description booklets for more details about the program. The benefit plans are operated according to the terms of legal documents including insurance contracts and plan documents. If there is a difference between this enrollment guide or the summary plan description booklet and the actual plan documents, the plan documents will govern. This enrollment guide is not a substitute for the official plan documents nor is it an employment contract. The company reserves the right to amend or terminate the program in whole or in part at any time. This summary of material modifications is part of your summary plan description and should be kept with your other booklets.