# EXHIBIT 7 - Vol. 2

*Child expense benefit*

If you die because of an accident, an additional payment may be available for children in college. Any dependent child who is in an institute of higher education beyond the 12th grade on a full-time basis (or who is in 12th grade at the time of the accident and enters such an institution within a year) will get the *lowest* of the following amounts:

- the actual annual tuition, exclusive of room and board, charged by the institution each school year
- 5% of the principal sum amount each school year
- $5,000.

An "institute of higher learning" may be a state university, a private college, or a professional trade school. Other institutions may also qualify.

The benefit is payable annually for up to four consecutive payments as long as the child continues in full-time education.

**What activities are not covered?**

Your life insurance coverage is effective at all times. However, you are not covered for accident insurance if:

- You're on board, entering, or exiting an aircraft while acting or training as a pilot or crew member, unless you temporarily perform pilot or crew functions in a life-threatening emergency.
- You die or suffer injury because of emotional trauma, mental or physical illness, disease, pregnancy, childbirth, or miscarriage, bacterial or viral infection, or bodily malfunctions. You are covered, however, if you die or suffer a covered injury as a result of a bacterial infection caused by an accident, or from accidental consumption of a substance contaminated by bacteria.
- You commit or attempt suicide or intentionally inflict an injury on yourself.
- You're killed or injured as a result of an act of declared or undeclared war while in the United States or Canada. (This does not include terrorist activity.)

*Imputed income*

If your employer-paid life insurance is more than $50,000, the IRS requires the NBA to withhold federal income tax on the value to you of your coverage in excess of $50,000. This withholding is called "imputed income," and it shows up on your pay statement and on your annual W-2 form. Imputed income is usually a small amount. It isn't cash, of course.

Think of it this way—the NBA pays the premium for you on your life insurance over $50,000, but you have to pay income tax on the money paid on your behalf.

**How do I make a claim?**

*If you die*

Make sure your beneficiaries know about all your life insurance coverage. The NBA should be notified as soon as possible after a death, and the Finance Department will send out appropriate claim forms to potential beneficiaries. The forms will say what information to include and where to send them when they're completed. Claims for accident insurance should be made within 20 days of the death, or as soon as is reasonably possible.

If a requested form doesn't arrive within 15 days, a letter to the insurance company will have the effect of a claim.

The insurance companies will require a "Proof of Loss"—generally a signed death certificate—as written proof of death for both life and accident insurance. For accident insurance, you must submit this proof within 90 days of the date of death. (If this requirement is not met within three years, no legal action can be taken to obtain benefits from the insurance company, even if a claim is valid.) In the case of an accident insurance claim, the company may also require an autopsy, at its own expense.

Your beneficiary has the option of receiving your life insurance payments in monthly installments, or you can request this option in advance when you designate a beneficiary. The request must be in writing. If your life insurance beneficiary is a minor or fits the legal definition of "incompetent" to manage his or her affairs, the insurance company may make payments in monthly installments to the person who cares for and supports the beneficiary. The insurance company also has the option of paying up to $500 to the individual who incurs the expense of your funeral.

Accident insurance payments for loss of life will be made within 60 days of receipt of the death certificate, provided all other conditions of the plan are satisfied.

See page 36 for information on what happens if you have not designated a beneficiary.

*If you are injured in an accident*

If you have a claim under your accident insurance coverage for an injury caused by an accident, or if you have a claim for a dependent's covered injury, contact the Finance Department, who will send you the appropriate forms. Claims should be made within 20 days of the accident, or a soon as is reasonably possible.

The insurance company will ask for written "Proof of Loss" before any payments are made. This must be sent within 30 days, or as soon as reasonably possible, and no later than a year from the end of this 30-day period. (If you don't comply with this request within three years, you won't be able to take any legal action to obtain benefits from the insurance company, even if your claim is valid.)

You may be asked to send further proof of continuing disability at intervals. The insurance company may also ask the injured individual to be examined by an approved doctor from time to time, at the company's expense, or to submit to a legal examination under oath in the case of a disputed disability.

Accident insurance payments for injury to you may be paid to you in regular installments (monthly or more frequently).

**What if I'm away from work?**

Your life and accident insurance coverage will continue during any absence from work, as long as you continue to be employed by the NBA.

**When does coverage end?**

Your life and accident insurance coverage will stop as of the date on which any of the following events takes place:

- your active employment with the NBA ends, including resignation and layoff
- you cease to meet the eligibility requirements for the plans
- the Plan is discontinued.

**What happens if I leave the NBA?**

If you leave the NBA for any reason, you're going to want to know how this change affects all your benefits. To make this easy, we've put all the information in once place, in the chapter called Leaving the NBA, which begins on page 57.

Please note especially:

- Life and accident insurance may continue for retired referees. You can read about this on page 59, in the section called "If you retire."
- Life insurance may continue if you end your active employment with the NBA as a result of disability. You can read about this on page 62, in the section called "If you become totally disabled."

# The Employee Assistance Plan

The EAP is a confidential counseling and referral service that can help you and your family deal with the challenges of life and work. It's staffed with professionals who will listen to your concerns and help you identify the cause of your problem. Then they'll work with you to solve it, drawing on the program's network of specialized providers.

### Who's eligible for the EAP?

You can use the EAP at any time while you're employed by the NBA. (It's available to all NBA employees.) No enrollment is necessary. Your eligible dependents may also call the EAP.

### How do I contact the EAP?

Our EAP is administered by Managed Health Network (MHN). Call the toll free number 1-800-221-3222, which is available at all times. Identify yourself as an NBA employee (or the dependent of an employee). You don't need any authorization to call.

### What does it cost?

There's no charge for the advice and counsel of EAP professionals. However, you may incur charges if you're referred to outside resources. For example, if the EAP recommends the services of a mental health professional, the treatment may be covered by the Medical Plan, and you'd have to pay your share of expenses.

### What can the EAP help with?

Call the EAP whenever you need help with an issue that interferes with your personal or professional life. Your concern doesn't have to be an emergency or a crisis—an EAP is often a good source of information when you're seeking a specific resource or if you simply need help in identifying the best step to take in dealing with a problem.

The EAP has a team of professional counselors with a wide range of skills and experience. They can help you when you face stress, personal or professional problems such as grief or financial worries, substance abuse and other dependencies, anxiety and depression, or just coping with change. They can also give you referrals for child or elder care needs. NBA managers can also approach the EAP for advice on helping an employee deal with issues.

### Is this confidential?

All calls and counseling are confidential, unless you choose to communicate an issue to the NBA as a result of advice. No individual employee can be identified from any of the contact that takes place between the EAP and the NBA.

Please note, however, that under certain circumstances, the EAP may be required by law to identify a caller to an appropriate authority—for example, if a person's emotional state is an immediate threat to him- or herself or to others, or if there is current active abuse of a minor.

### When does EAP availability end?

The EAP is not available to you after you terminate your employment for any reason. Access to the EAP for your dependents stops when your access stops, or when they cease to qualify as a dependent, if sooner. Additionally, the EAP will not be available if its contract with the NBA is ended.

Although this is all you need to know about the EAP, the Leaving the NBA chapter that begins on page 57 tells you about the way ending your employment can affect all your benefits.

# The 401(k) Plan

## CONTENTS

The Staff Employees' 401(k) Savings & Retirement Plan gives you a unique opportunity to make significant savings on a tax-deferred basis, so that you can build your retirement income. You can choose to contribute up to 15% of your pay (subject to certain restrictions) through regular payroll deductions. Your contributions are invested in up to ten funds, offering a spectrum of investment opportunities. You can change the amount of your contributions and the way your Plan balance is distributed at frequent intervals, if you wish.

◄◄◄◄ If you have money in a previous employer's retirement plan, read the important information on page 43.

When you retire, your balance is available as a single lump sum. It's also available earlier if you leave the NBA, become permanently disabled, or die. You can also have access to your savings at other times, either by taking a repayable loan or—in the case of financial hardship—by taking an early withdrawal.

We shorten the name of the Plan to "the 401(k) Plan" throughout this book. (The term "401(k)" refers to the section in the tax code that governs such plans.)

**Who's eligible for the Plan?**

All referees whose terms and conditions of employment are governed by the Collective Bargaining Agreement between the NBA and the NBRA are eligible for the 401(k) Plan.

Other regular employees of the NBA are also eligible for this Plan, but this publication is for referees only.

**When does participation begin?**

You're eligible to participate in the 401(k) Plan as of the first day of the calendar month following the date you start work with the NBA (or become eligible for the Plan, if this is later). If you leave employment and are rehired, you may join the Plan as of the first day of any month following your commencement of employment. If you initially waive participation, you can still join the Plan as of the first day of any calendar month.

**What do I have to do to participate?**

Before you can begin to participate in the 401(k) Plan, you must complete the Plan's **Enrollment** form (Form E). On this form, you indicate the exact percentage of your before-tax salary that you would like to contribute to the Plan. (See "How much can I contribute to the 401(k) Plan?" on page 43.) You also indicate how you want to allocate your initial contributions among the Plan's ten investment funds.

◄◄◄◄ For example, you might decide to put all your money into one fund (100%), spread it among all the funds (10% in each), or split it between two funds (50%/50% or 60%/40% or 70%/30%, etc.). The only restriction is that you must make allocations in multiples of 10%.

Your allocation is entirely your own decision, and you can change your mind as you refine your investment strategy. There's more information starting on page 45 about the goals of the funds and the way you can make changes.

You'll be asked to complete a **Beneficiary Designation** form (Form B). (You may also need to complete a similar form for the Pension Plan.) On this form, you elect someone to receive the balance in your Plan if you should die. You can select anyone you like as your beneficiary—a person, a trust, or an organization. If you're married, however, your spouse must be indicated as your primary beneficiary to receive 100% of your balance, unless he or she gives written, notarized consent on the form waiving his or her rights.

The form lets you name a primary beneficiary and a contingent beneficiary. (A contingent beneficiary would receive benefits only if the primary beneficiary dies before you have an opportunity to change your designation.) You can name more than one primary and/or contingent beneficiary, if you like. If you don't specify how a Plan payment should be shared among multiple beneficiaries, it will be divided equally.

Although many people will choose the same beneficiaries for both the 401(k) and Pension Plans, you're not required to complete the two forms identically.

You can change your beneficiary at any time by completing and returning new beneficiary designation forms, subject to the spousal consent requirement. You may wish to review your beneficiary forms from time to time, to make sure they're up to date. Please note that beneficiary forms will take precedence over the terms of a will.

### What if I had money in my previous employer's plan?

Your previous employer may have had a "tax-qualified plan" like our 401(k) Plan. If you are an active employee of the NBA, you may be able to take the taxable distribution amount and deposit it into the NBA's 401(k) Plan. This action is called a "rollover."

If the amount in the earlier plan has been paid to you already, you *must* put it into a special IRA or into our 401(k) Plan *within 60 days,* or you'll have to pay all the income taxes you've deferred and perhaps a 10% additional income tax penalty as well. If your distribution included money that you contributed to the former plan on an after-tax basis, you can't roll over that part of the distribution.

Your previous employer may have already withheld taxes from your money. You can still defer taxes on the *total* balance in your previous employer's account if you deposit an amount equal to this total into our Plan. You will then get a refund of any excess taxes when you file your tax return. If you don't deposit the full amount, you'll get only a partial refund of the withholding taxes.

It is important that you contact the Finance Department to open your account with a rollover. Use the **Rollover** form (Form R) to designate how you want your rollover money to be invested. You'll still need to complete the Plan Enrollment Form (Form E) if you want to make contributions from your pay.

### How much can I contribute to the Plan?

You can choose to contribute between 1% and 15% (in whole percentages) of your regular before-tax compensation. Contributions are made automatically by payroll deduction.

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"Regular" compensation means all amounts paid by the NBA during a Plan year for services as a referee with respect to championship, exhibition, and playoff games and before-tax contributions under this Plan.

*Some limits on your contributions*

The following limits, which are imposed by the IRS, may restrict the amount of money you can contribute to the Plan:

- Your "regular compensation," according to the definition above, is limited to $170,000 in 2000. (This amount may change in the future.)
- Your total before-tax contributions in any calendar year cannot exceed a certain amount. For 2000, this amount is $10,500, but it may change in the future.
- You may also find your contributions are limited if you're a "highly compensated employee," which generally means you earned $80,000 or more during the previous Plan year. For Plan years beginning in 2001, "highly compensated employee" generally means you earned $85,000 or more during the previous Plan year. The IRS requires that highly compensated employees do not contribute more to the Plan than other employees. If we do not pass the annual nondiscrimination test, excess contributions may be refunded to you.

Please note that these limits are based on a calendar year, while our Plan year runs from June 1 through May 31. For example, the 2000 calendar-year limit of $10,500 applies to the total contributions you make during the second half of the June 1, 1999–May 31, 2000 Plan year and during the first half of the June 1, 2000–May 31, 2001 Plan year. If the IRS increases its calendar-year limit, this may give you the opportunity to increase your contribution percentage during the Plan year.

## WHAT'S THE ADVANTAGE OF TAX-DEFERRED INVESTING?

With a 401(k) Plan, you make your contributions on a before-tax basis. This reduces your taxable income and so reduces the income tax you pay at the time you earn the money. You only owe income tax on your contributions and their investment earnings when you take the money out of the Plan. But if you have to pay tax eventually, what's the advantage of tax-deferred investing?

There are two. First, you can afford to invest more in the Plan, compared with an after-tax investment. Suppose you calculate that you can spare $100 a month of your take-home pay to put into a savings account. Remember, you owe income tax on any money you receive, so to get $100, you may have already incurred an additional $28 or more in federal taxes, as well as state or local taxes. But with a before-tax investment opportunity, you pay no tax on your contributions until you take the money out. So for what it costs you to invest $100 in after-tax money, you can invest $128 or more in before-tax money.

Second, you don't pay income tax on your investment earnings, either. Those earnings—and your higher contributions—stay in the Plan until you withdraw your money. The higher your Plan balance, the higher your potential earnings if the funds increase in value over the long term.

(Although the goal of every Plan investment fund is to make money and to provide a much higher return than a bank savings account, please note that generally they don't guarantee preservation of your capital.)

Tax deferral can make quite a difference over time. Here's a simple example. Assume you make Plan contributions that amount to $100 a month for 20 years. Assume, too, that your investments in the Plan grow at a steady 6% a year, and that your highest federal income tax rate during all this time is 28%. (When you make tax-deferred contributions, they come "off the top" of your pay, which means you avoid paying tax at the highest tax rate.)

At the end of 20 years, you'd have $46,204 in the Plan. If you took it all out, and your effective tax rate at the time was also 28%, you'd have $33,267 in an after-tax single sum.

Now compare this with saving outside the 401(k) Plan in an investment that isn't tax-deferred. You can save only $72 a month, which is what's left after you pay the 28% income tax on $100. If you put this money in a savings account paying 6%, you'd also have to pay tax on the interest at the end of each year. So after 20 years, your balance in the savings account would have grown only to about $27,400, with all taxes paid. (The exact amount would depend on how your interest was credited.)

As you can see, using exactly the same assumptions, tax-deferral gives you 21% more money over 20 years. The longer you invest, the better the opportunity. This is why it makes sense to start Plan participation as soon as possible, not when retirement age is approaching.

### When am I vested?

You're immediately vested in your voluntary contributions and in any rollover contributions. You're also immediately vested in any earnings on your investments while they're in the Plan's investment funds.

### How can I change the amount of my contributions?

Your contributions are a percentage of your regular compensation, and therefore, they will automatically adjust according to your income. However, the percentage will not change unless you elect a different amount. You can increase or decrease the amount of your contributions—including recommencing contributions after they have been suspended—as often as once a Plan-year quarter. Your change will be effective as of the next June 1, September 1, December 1, or March 1, provided it is submitted within a reasonable time before the effective date. You must complete the Plan's Contribution Change form (Form C) and return it to the Finance Department.

You can also cease making contributions to the Plan at any time, to be effective with the next payroll period, provided the change form is received within a reasonable period before the beginning of the payroll period. Otherwise the change will be effective with the following payroll period.

Please note that this only affects the amount of your contributions, not how they are invested in the Plan. If you want to know how to change investments, see page 47. If you were a participant in the Referees' Pension Plan before June 1, 1995 and you have an Employee Contribution Account balance (see page 51), your account is invested in the funds described here.

### How are my contributions invested?

Your contributions are held in ten investment funds. Here are some brief descriptions of these funds, listed in order from most conservative to most aggressive. More detailed fund prospectuses are available from the Benefits Department.

*Fidelity Managed Income Portfolio*
This is a stable value fund—not a mutual fund—that's a commingled pool of the Fidelity Group Trust for Employee Benefit Plans. Its goal is to preserve your principal investment while earning interest income. It invests in contracts offered by major insurance companies and other approved financial institutions and in certain types of fixed income securities.

*PIMCO Total Return Fund Institutional Class*
This is an income mutual fund, which aims to provide a high total return that exceeds general bond market indices. It invests in all types of bonds, including U.S. government, corporate, mortgage, and foreign.

*Founders Balanced Fund*
This is a balanced mutual fund that aims to provide current income and capital growth. It invests in a broad variety of dividend-paying common stocks, both U.S. and foreign, as well as U.S. and foreign government obligations and a variety of corporate bonds. The fund focuses on common stocks with the potential for capital growth as well as increased dividends.

*Fidelity Growth and Income Portfolio*
This fund is a growth and income mutual fund, which aims to provide high total return through a combination of current income and capital appreciation. It invests mainly in U.S. and foreign stocks, but it may also invest in bonds. The fund primarily selects companies that currently pay dividends and carry the potential for increased earnings.

*Fidelity Spartan U.S. Equity Index Fund*
This fund is a growth and income mutual fund, which aims to match the total return of the Standard & Poor's 500 Index. It invests primarily, therefore, in the 500 companies that make up the S&P 500, and in other securities that are themselves based on the value of this index.

*Ariel Appreciation Fund*
This is a mid-cap value mutual fund, which invests in stocks of widely ignored, misunderstood, or under-followed medium-size companies that provide quality goods and services and may therefore have potential for growth in value. The goal of the fund is to increase the value of your investment over the long term through capital appreciation.

*Fidelity Contrafund*
This fund is a growth mutual fund, which aims to increase the value of your investment over the long term through capital appreciation. It invests mainly in the stocks of U.S. and foreign companies that the fund's manager believes are undervalued or out of favor, but whose products show potential for improvement.

*Invesco Dynamics Fund*
This is a growth mutual fund that aims to increase the value of your investment over the long term through capital growth. It invests primarily in domestic common

stocks traded on U.S. securities exchanges as well as on the over-the-counter (OTC) market. It may also invest in other types of securities, and have up to 25% of its assets in foreign securities, which involve greater risks.

*Fidelity Magellan Fund*

This fund is a diversified growth mutual fund, which aims to increase the value of your investment over the long term through capital appreciation. It invests primarily in common stocks of small, medium, and large companies, both well-known and lesser-known, with above average growth potential and correspondingly higher level of risk.

*American AAdvantage International Equity Fund*

This is an international equity fund, which invests primarily in the common stocks of companies that are based outside the United States. Its goal is to increase the value of your investment over the long term through capital appreciation. The fund will invest in at least three different countries at all times.

Your elections for investing your balance are entirely your responsibility, and no NBA employee or Plan representative, or investment or fund manager can advise you or recommend an investment to you.

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It is intended that the selection of investment funds be within the paragraph of Section 404(c) of ERISA and Section 2550.404(c)-1 of Title 29 of the Code of Federal Regulation, and that the Trustees of the Plan, the Savings Plan Committee and the Pension Plan Advisory Committee (see page 71) are not responsible or liable for any losses or expenses that result from your investment decisions.

**How can I track my investments?**

You'll receive quarterly statements showing the current value of your Plan account and how the investment funds have performed. You can also call the voice response system, managed by Fidelity Investments, to get fund performance and current balances. The toll-free number for the voice response system is 1-800-835-3361, and it's available 24 hours a day, seven days a week.

Other information about the funds is available, if you request it from Fidelity. You can get:

- a description of the annual operating expenses of each investment option available under the Plan that may reduce the rate of return you receive and the aggregate amount of these expenses expressed as a percentage of average net assets of the investment option
- copies of any prospectuses, financial statements and reports, and other materials relating to investment options under the Plan to the extent that such information is provided to the Plan
- a list of the assets comprising the portfolio of each investment option available under the Plan that constitute "Plan assets" and the value of each asset
- the name of the issuer, term, and rate of return of any fixed-rate investment contract issued by a bank, savings and loan, or insurance company available as an investment option under the Plan
- information about the value of shares or units in investment option available under the Plan, as well as past and current investment performance of each option determined net of expenses
- information about the value of shares or units in the investment options held in your account.

Investment earnings or losses are allocated to your account balance as of each business day of the Plan year. If you suspend your contributions to the Plan, your account balance will still be credited with investment earnings on all contributions made by you before the suspension.

*Proxy voting*

With respect to mutual funds, the Plan Committee (see page 71) votes the number of shares credited to your account balance for each mutual fund in which you're invested.

**How can I manage my investments?**

You can use Fidelity's voice response system (1-800-835-3361) to change the way your future contributions and/or your existing account balance are invested among the ten funds. You can make investment changes on a daily basis, if you wish, and once you make a decision about your funds, it will stay in effect until you change it. The first time you use the VRS, you will be asked to establish a PIN (personal identification number).

Please note that changing your future contributions and changing your existing account balance are two different actions. For example, if you change your investment strategy by putting all your account balance into one investment fund, this will have no effect on where your next payroll contribution is allocated. You must make a *separate* decision if you also want your future contributions to be credited to the same investment fund.

**When does the Plan make retirement payments?**

You'll receive the full current balance of your Plan account when you retire on or after your 65th birthday, whichever is later. Details are in the Leaving the NBA chapter of this book (see page 57), which tells you how retirement affects all of your benefits.

See page 51 to see when the Pension Plan pays retirement benefits.

**Can money be paid out from the Plan before retirement?**

Your balance can be paid before retirement in these circumstances:

- You become disabled
- You die
- You terminate your employment with the NBA.

These are covered in the Leaving the NBA chapter, which tells you how each circumstance affects all your benefits.

**Can I take a loan from my Plan account while I'm working?**

As long as you are an active NBA employee, you may borrow money from your account.

You can take out a loan for any purpose, but you can't borrow more than $50,000 or half your account balance, whichever is less. (The minimum loan is $1,000.) Loans are repaid with interest—the interest rate will be a reasonable amount, determined by the Savings Plan Committee to be commensurate with the prevailing rate on similar commercial loans. Remember, you're paying this interest into your own account, so you can think of it as a way of making additional contributions to the Plan, to make up for your lower balance while you had the loan.

You can have only one loan outstanding at any time, and you can obtain only one loan in any 12-month period, even if your previous loan was fully repaid within that period. Repayments are made through payroll deductions, or you can make a lump sum repayment of your total remaining principal balance at any time.

Your repayment period is between six months and five years. However, if you take a loan for the purchase of your primary residence and provide appropriate supporting documentation, you can have up to ten years to make your repayments. Please note that if you fail to make a scheduled loan repayment, then the entire outstanding balance of your loan—not just the overdue payment—may be regarded as a taxable withdrawal by the IRS. That means you'll owe income tax on this amount in the year of default, and you may also have to pay an early withdrawal penalty.

If you leave the NBA with an outstanding loan balance, you may pay the remaining principal balance in full or continue to make periodic payments directly to Fidelity. Fidelity investments will send you a coupon book to facilitate this process.

The loan application request form may be obtained through Fidelity's voice response system (1-800-835-3361). This form then needs to be submitted to the Finance Department for approval.

### Can money be withdrawn from the Plan while I'm working?

You may make a withdrawal from your account balance only if you have a financial need that can't be met because you've exhausted *all* other sources of funds, including the opportunity to take a loan from the 401(k) Plan (see page 47). Use the Plan's **Hardship Withdrawal** form (form H) to make your request.

You may only withdraw the amount necessary to cover the financial need, the federal, state, and local taxes and (if you're under age 59½) the early withdrawal penalty tax that you'll incur on your withdrawal. The NBA will automatically withhold 20% of your total request for federal taxes, and you can elect on form H whether to have state and local tax withholding as well.

You may take a hardship withdrawal for the following purposes:

- to purchase a primary residence
- to prevent eviction or foreclosure on your primary residence
- to make tuition payments and related educational fees (including expenses for room and board) for the next 12 months of post-secondary education for you or a dependent
- to pay unreimbursed medical expenses for you or a dependent.

As part of your application for a hardship withdrawal, you'll be asked to provide documentation supporting the financial hardship. The minimum amount you may withdraw is $500. Please note that you can only have access to your aggregate before-tax contributions—the IRS does not permit any early withdrawal of investment earnings on those contributions.

If your request is approved, you'll receive the money as soon as practicable. However, you'll be subject to the following restrictions:

- Your contributions to the Plan must stop for the 12 months following receipt of the withdrawal.
- When this 12-month suspension ends, your contributions for the remainder of the *calendar* year are limited to the current IRS dollar limit (currently $10,000) *minus* your before-tax contributions made in the calendar year in which the hardship withdrawal occurred. (This rather complex rule is intended to ensure that you don't contribute more than the one-year limit during a two-year period—in other words, that you don't bypass the one-year suspension.)

### What happens if I'm away from work?

If your absence is paid, such as a brief disability or jury duty, you can continue to contribute to the Plan through payroll deductions. If you take an unpaid leave of absence, such as under the Family and Medical Leave Act, your contributions will be suspended until you return to work. That's because before-tax contributions *must* be taken from your pay—you can't make after-tax contributions to the Plan during an unpaid absence.

If you've taken a loan from the Plan and you're out on unpaid leave, your repayments will be suspended until you return to work, but not for longer than one year.

### When does Plan participation end?

You'll end your active participation in the 401(k) Plan if you're no longer employed by the NBA or no longer meet the eligibility criteria (see page 42). See the information about termination of employment on page 67.

# The Pension Plan

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The National Basketball Association Referees' Pension Plan—which we call "The Pension Plan"—provides the basis of a pension that grows as you continue to officiate for the NBA. The NBA makes all contributions and directs the investment of funds.

The Pension Plan is administered by the Advisory Committee (see page 71), but day-to-day administrative matters have been delegated to the Finance Department.

**AN IMPORTANT HISTORICAL NOTE**

The Plan that's described in this book is a "defined benefit" pension plan, which came into being on June 1, 1995. Before that date, the NBA referees pension plan was a "defined contribution money purchase" plan.

If you participated in that earlier version of the Plan, there are some conditions that affect your benefits under this current plan. This information is included in boxed sidebars like this one, with the paper clip icon at the top left. If you didn't qualify to participate in the earlier plan, you can ignore these sections.

### Who's eligible for the Plan?

This Pension Plan is exclusively for referees whose terms and conditions of employment are governed by the Collective Bargaining Agreement between the NBA and the NBRA. It is not available to any other employees or associates of the NBA.

### When am I eligible for participation?

You become eligible for Plan participation as soon as you meet *both* of these conditions:

- Pursuant to the Collective Bargaining Agreement between the NBA and the NBRA, you are employed by the NBA to perform officiating services in regular season or exhibition games.
- You complete a season in which you are under contract to officiate for 40 or more of a combination of regular season games or exhibition games. (All 40 games must take place during the same season, which begins on the date of the first of the NBA Exhibition Games and ends on the following May 31.)

Any referee who meets this 40-game requirement in a season is said to be on the **Referee's Roster.** You'll come across this key term again as you read about the Plan.

Your Plan participation will begin on the June 1 following the season in which you were on the Referee's Roster. You'll continue to participate until your employment as a referee terminates.

If you leave the NBA for any reason, but then return to work again as a referee, you can resume your Plan participation as of the June 1 of the first Plan year in which you return, provided that you are on the Referee's Roster in the Plan year in which you resume employment.

The Plan does not accept rollover contributions from any other qualified retirement plan.

### What do I have to do to participate?

Virtually nothing. Your enrollment is automatic. All contributions to the Plan are made by the NBA. You aren't required to contribute—in fact, you can't, even if you want to. But you should note the following:

1. If you aren't married, you should designate a beneficiary, who would receive some Plan benefits if you die before retirement. If you're married, your spouse is automatically your beneficiary.
2. When you're ready to retire, please make sure that the Finance Department gets plenty of notice. That will give the Plan administrators time to prepare the details of your benefits—and it will give you time to decide how you want to receive your payments. (See page 54 for your payment options.)

3. You *can* make contributions to the NBA's 401(k) Plan, which can help you build your retirement income. You're encouraged to ask your financial advisor about the special opportunities for tax-deferred investment offered by this Plan. (See page 41 for a description of the 401(k) Plan.)

*Choosing a beneficiary*

You may need to elect a beneficiary to receive any benefits payable if you were to die (see page 61). If you're married, your spouse is automatically your beneficiary, and you may not designate anyone else.

Beneficiary forms are available from the Finance Department, who will make sure the completed forms you return are then filed with the Advisory Committee. You can change your beneficiary designation at any time before benefits are paid by submitting a revised form.

If you're not married when you die and you don't name a beneficiary, then the Plan benefits will be paid in equal shares to your children. If there are no surviving children, the benefit will go to your personal representative.

**When can I retire?**

*Normal retirement*

The normal retirement date for NBA referees is the *later* of:

- the last day of the month in which you have your 58th birthday
- the last day of the month in which you complete your tenth regular season on the Referee's Roster.

However, you can retire as of the last day of the month in which you have your 65th birthday, no matter how many seasons you've completed.

You don't have to retire when you reach your normal retirement date, if you don't want to. And you don't have to start receiving payments from the Plan when you do retire. In fact, your Plan benefit will be increased for every additional month you defer the start of Plan benefits beyond your normal retirement date, *whether or not* you continue to work. (See page 52 for information about the Plan benefit.) However, you must begin to receive benefits from the Plan by the April 1 following the calendar year in which you reach age 70½.

If you retire as a referee on or after your normal retirement date but continue to work for the NBA in another capacity, you can elect to receive payment of your Plan benefit as of your normal retirement date. If you don't make this election, Plan benefits will begin after you eventually retire from the NBA.

Benefits will generally commence within 60 days after the May 31 following (or coinciding with) the date you retire.

The former version of the referees' Pension Plan allowed you to make voluntary contributions, which, as you've read, are not currently permitted under the Plan. When the Plan was converted to a defined benefit plan, effective June 1, 1995, any employee contributions you'd made up to this time—including investment earnings or losses—were placed in an Employee Contribution Account, where they continue to be invested. If you have a balance in an Employee Contribution Account, you can:

- Make withdrawals from this account, up to the full amount, in multiples of $100. You must submit your application to the Plan's Advisory Committee (via the Finance Department) at least 30 days before the withdrawal. You can't withdraw any amount attributable to a rollover contribution from a previous employer's qualified plan.
- Direct the investment of your account balance. Your balance is invested in up to eleven investment funds, and you can use Fidelity Investments' Voice Response System to change your investment strategy. These are the same funds that are available to 401(k) Plan participants—please see the brief fund descriptions and the information on tracking and managing investments that begins on page 45. (Clearly, the references in the 401(k) Plan section to "future contributions" don't apply to your Employee Contribution Account.) You don't have to pay any transaction fees or expenses.

*Early retirement*

You can retire earlier than your normal retirement date, as described in the previous section. In fact, you can take early retirement at any time after you've reached age 45 and completed three seasons on the Referee's Roster.

You should know, however, that early retirement will affect the amount of your Plan benefit. First, you'll clearly complete fewer seasons if you retire before the normal retirement date, so this will result in a lower benefit according to the Plan formula. (See the next section for information about the Plan benefit calculation.)

And second, if you actually start to receive payments from the Plan before your normal retirement date, they will be "actuarially reduced." This means a reduction factor will be applied to reflect the longer time we expect benefits to be in payment.

You must file a written election for early retirement with the Plan's Advisory Committee, using the official Plan form, which you can obtain from (and return to) the Finance Department. Benefits will generally commence within 60 days after the May 31 following (or coinciding with) the day you choose to retire. You can elect to defer payment to a later date, if you wish, but early retirees must begin to receive payments by the end of the month in which they reach age 65.

**How much will I receive from the Plan?**

The Plan's formula is very simple. It takes into account the number of regular seasons in which you were on the Referee's Roster and multiplies this number by a specific dollar amount. The result is an amount of money, which is used to determine your retirement benefit. Technically, it is the *annual* amount you would receive if you took your benefit as an annuity—a series of monthly payments—that would last for the rest of your life, but would guarantee at least 120 monthly payments to you or your designated beneficiary. (See page 54 for the alternative forms of payment available to you.)

You may remember that you don't formally become a Plan participant until the end of your first season on the Referee's Roster. However, that first qualifying season *is* counted when your Plan benefit is determined.

The formula's dollar amount is part of the Collective Bargaining Agreement entered into by the NBA and the Referees Association. The amount used to determine your benefit depends on when you begin to receive your Plan payments. For referees who have not yet started their pension payments but want to start them before June 1, 2001, the dollar amount is $3,822.

Here are the currently agreed amounts for payments starting in later years:

| Plan year in which pension payments commence | Amount to be multiplied by years on Referee's Roster |
|---|---|
| June 1, 2001–May 31, 2002 | $4,032 |
| June 1, 2002–May 31, 2003 | $4,262 |
| June 1, 2003–May 31, 2004 | $4,516 |

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For example, if you chose to retire at the end of the 1999/2000 season, your retirement date would have been May 31, 2000. Since your payment won't commence immediately, the formula is based on the $3,822 dollar amount, which was effective as of June 1, 2000.

Let's assume you had ten seasons on the Referee's Roster. Your annual benefit is therefore:

$3,823 × 10 = $38,220

Please note that, as in the example, the payment commencement date will probably be later than your actual retirement date, whether or not you defer the start of your pension payments. However, once your payments begin, you can't stop them or recalculate your benefit, and they won't reflect any subsequent changes in the Plan formula.

As you've read, if you work beyond your normal retirement date and defer payment of your benefit, your benefit will increase. First, the Plan formula may result in a higher benefit, since you're likely to have officiated for more seasons and because a higher dollar amount may be in effect by the time you begin to receive payment from the Plan. Second—*in addition* to these considerations—your benefit will be increased by a factor of 0.41667% for each month you defer the start of Plan payments beyond your normal retirement date, whether or not you're still working during this time. (If this seems a strange number, it's simply five twelve-hundredths, shown as a percentage.)

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For example, suppose you work for 12 months beyond your normal retirement date, retire, and then defer your first pension payment for a further 12 months. The amount determined by the Plan formula would be increased by 10% (24 months × 0.41667% = 10%).

*Some limits on Plan payments*

The law limits the annual benefit from a pension plan to the *lesser* of 100% of your average earnings for your highest paid consecutive three years; or a dollar amount, which is currently $135,000. If your benefit under the Plan begins before you reach your Social Security age (see page 55), this dollar limitation will be reduced on an actuarial basis to reflect the early start of the benefit.

This amount may be adjusted in future years to reflect cost of living increases.

**Can I receive payments from the Plan before retirement?**

Since the Pension Plan was designed to provide you with retirement income, you can't generally have access to your benefits before you retire. However, there are some circumstances under which the Plan will pay before retirement:

- If your employment with the NBA terminates, but you have at least three seasons on the Referee's Roster, you are entitled to a benefit from the Plan, which can start as early as age 45.
- If you become totally disabled, you are entitled to a benefit from the Plan, which can start as early as age 45.
- If you die, your beneficiary (your spouse, if you're married) will receive a benefit from the Plan.

The information about the way the Plan works in these circumstances is, in each case, included in the relevant section of the Leaving the NBA chapter. See page 62 for disability, page 60 for death, and page 64 for termination of employment.

The former version of the referees' Pension Plan was discontinued as of May 31, 1995. The benefit you had accumulated by this date, based on the NBA's prior contributions, was invested in a Trust Fund, where it is subject to investment earnings or losses. This is called your **Employer Contribution Account.**

The current Plan determines your benefit based on your *entire* career as an NBA referee, including your seasons while the Plan was a defined contribution plan. However, when you retire, your pension benefit will be based on whichever amount is greater: the result of the Plan's benefit formula or the current balance in your Employer Contribution Account.

Additionally, the former plan allowed you to make voluntary contributions. These are held in an **Employee Contribution Account,** and as you know (see page 45), you can direct the investment of this account and make withdrawals. When you retire, the balance of your Employee Contribution Account will be *added* to the amount determined by the current Plan's formula (or the balance of your Employer Contribution Account, if this is greater.)

*For example, let's use the previous example of an annual benefit of $38,220, as determined by the current Plan formula alone. Suppose your Employer Contribution Account balance stood at $24,000 at the time of your retirement, and you also had an Employee Contribution Account of $13,000. Your pension payments will therefore be based upon a total annual benefit of $38,220 (the higher of $38,220 and $24,000) plus $13,000, which comes to $51,220.*

Please note that the increase for deferring payment until after normal retirement age is applied only to the current Plan formula, *not* to the balances in either the Employer or Employee Contribution Accounts.

**How are retirement benefits paid?**

The Plan's formula arrives at the *annual* benefit payable to a retiree who elects an annuity that makes monthly payments for the rest of his or her life or for 120 months, whichever is longer. (If the retiree dies before the 120 months are up, the remaining payments go to his or her designated beneficiary.)

This is the standard form of payment for referees who are unmarried at the time of retirement; they may elect to receive their benefits in another form.

For example, if this type of annuity is your Plan payment method and your total annual benefit under the Plan comes to $36,000, your monthly payments would be $3,000.

If you were entitled to the same benefit, but you chose a different type of annuity, then the monthly payment would be greater or less than one-twelfth of your benefit, depending on the annuity type that you choose. For example, an annuity that's just for the life of the retiree, without the guaranteed minimum, may have a larger monthly payment, because this type of annuity never has to make payments after the retiree's death.

When you're ready to retire, please inform the Finance Department, who will contact the Advisory Committee. You'll receive a benefit illustration showing you the amount of the monthly payments you'd receive from each of the annuity types available under the Plan. You'll have a specified amount of time to select your payment method, complete the applicable forms, and obtain any waivers that may be necessary.

You can change your mind about payment methods any time before you receive your first (and, in the case of a lump sum, only) payment from the Plan. But once payments begin, you can't change your mind about the form of payment you've elected.

*Qualified joint and survivor annuity*

This payment method provides monthly payments for you until you die, and then continues to make monthly payments (equal to half the amount of your payments) to your spouse for the rest of his or her life, assuming that he or she lives longer than you.

All payments under the Plan will stop when you are both dead.

This is the standard form of benefits if you're married when you retire and you don't elect an alternative option in the time period specified in the retirement forms. If you do elect an alternative, you must formally waive your right to receive this "normal" form of benefit. Additionally, if you elect any alternative apart from the other joint and survivor annuity option (outlined below), you must obtain your spouse's written, notarized consent.

For example, suppose you retire with an annuity payment of $1,200 a month under this option. If you die before your spouse, he or she will continue to receive $600 a month from the Plan for his or her lifetime. But if your spouse dies before you, then you'll continue to receive payments until you die.

These waivers must be filed with the Advisory Committee, via the Finance Department, within the time period specified on the appropriate forms. You can cancel your waiver at any time before you receive a benefit from the Plan, but your spouse's consent to a waiver is irrevocable.

*Single life annuity with guaranteed minimum*

This payment method provides a monthly benefit to you for the rest of your life or for 120 months, whichever is longer. If you die before the end of the 120-month period, the remaining payments will go to your designated beneficiary.

As you've read, this is the option you'll *automatically* receive if you're unmarried when you retire and you don't elect an alternative option in the time allowed. If you do elect an alternative, you must formally waive your right to receive this "normal" form of benefit. This waivers must be filed with the Advisory Committee within the time period specified on the appropriate forms. You can cancel your waiver at any time before you receive a benefit from the Plan.

*Single life annuity*

This payment method provides a monthly benefit to you for the rest of your life. No further payments are made after your die.

*Lump sum*

You may elect to receive the present value of your benefit as a lump sum. If so, there will be no further benefits payable from the Plan after you receive this one-time payment.

Please note that the actuarial present value is *not* the same as the amount derived from the Plan formula. For the technically minded, it's the amount of money that, if invested now, would—through earnings and withdrawal of capital—provide your earned Plan benefits for the rest of your life. This calculation clearly has to make some assumptions about interest rates and about your life expectancy. You're encouraged to talk to a financial advisor before electing this option.

If the actuarial present value of your Plan benefit is $5,000 or less, then it will automatically be paid as a lump sum cash payment; you can't elect an annuity as an alternative.

Lump sum payment can be made directly to you or rolled over into an IRA or another employer's qualified plan, providing it permits rollovers. Please read the information about the tax treatment of lump sums under the 401(k) Plan (page 59).

You can only roll over lump sum payments—you can't roll over any payments made under any of the Plan's alternative methods, unless you elect periodic payments for five years or less. Additionally, if you reach age 70½ before your Plan benefits begin, you're required to start receiving a minimum payment. This minimum payment can't be rolled over.

*Periodic payments over a specific number of years*

You may elect to receive periodic payments from your account over a specific number of years. The maximum period is the number of years remaining of your life expectancy. If you die before you receive the total number of specified payments, they'll be paid to your beneficiary.

*100% joint and survivor annuity*

This payment method provides regular payments to you and your spouse until you are both dead. There is no reduction in your spouse's monthly benefit if you die first.

**What about Social Security?**

When you retire, you may also receive payments based on the Social Security contributions made by you and your employers during your working life. If you were born on or before January 1, 1938, full Social Security benefits can begin at age 65. If you were born after that date, full benefits begin between age 65 and 67, depending on your date of birth. You can receive reduced Social Security benefits any time after age 62. Or you may choose to defer Social Security benefits.

Your spouse can also receive similar benefits. The amount of your spouse's benefit is based on your earnings, unless he or she is entitled to a higher benefit based on his or her own earnings.

Social Security benefits are not automatically payable. You must apply for them at your local Social Security office, where you can also get any information you need, including an estimate of what your benefits might be based on current legislation. There is also a national toll-free number for Social Security information, which is (800) 772-1213. You should also apply for Medicare coverage before you reach age 65, whether or not you're retired.

Social Security is a government program, and is therefore subject to change as new legislation is passed.

**When does participation end?**

You stop active participation in the Plan if you cease to be eligible or if you're no longer employed as an NBA referee. As you've read, you may still be entitled to a benefit—see the Leaving the NBA chapter.

Participation may also cease if the Plan is terminated. In this case, some or all of your accrued benefit is protected by law. This is covered in the book's legal section on page 72.

# Leaving the NBA

## CONTENTS

When you end your employment with the NBA for any reason, you don't just want to know about one benefit plan—you want to know how your leaving affects your coverage under *all* the plans in our benefit program. The reason why you leave makes a difference to the way your benefits are handled. This chapters is divided into four parts:

- **IF YOU RETIRE,** which includes information about medical, dental, and life insurance coverage after retirement as an NBA referee.
- **IF YOU DIE** (page 60), which contains important information that will be of use to your surviving dependents and beneficiaries.
- **IF YOU BECOME TOTALLY DISABLED** (page 62) to the point where you're not expected to return to active service with the NBA.
- **IF YOUR EMPLOYMENT IS TERMINATED** (page 64) for any other reason, either by you through resignation or by the NBA.

In each case, there's a Plan-by-Plan guide to what happens.

## IF YOU RETIRE

**What happens under the Medical Plan?**
If you have at least ten years of service as an NBA referee when your retire, you can continue to be covered by the Medical Plan until you reach age 65. You'll have to pay 50% of the annual premium that the NBA pays to the Plan's insurance carrier on your behalf.

If you have at least 20 years of service with the NBA when you retire, you can continue to be covered for up to ten years or until you reach age 65, whichever occurs first. The first five years of any post-retirement coverage are free to you. For any coverage after five years, you must pay 25% of the annual premium that the NBA pays to the Plan's insurance carrier on your behalf.

If post-retirement medical coverage is due to begin on a day when you're confined in a health care facility, you must wait until you're discharged for coverage to be effective.

If you retire without qualifying for post-retirement medical benefits, you may be able to buy continued medical coverage for yourself and your dependents, as provided by Federal law. See "Continued coverage for health care benefits" on page 64. (This continued coverage may also be available for your dependents when any post-retirement benefits end, but please note that it doesn't cover any individual who's reached Medicare age.)

You may also be able to convert your NBA Medical Plan coverage into an individual policy with the insurance company, provided you haven't reached Medicare age. You can do this as an alternative to the Federally permitted coverage, when that continued coverage ends, or at any time in between. Please note, however, that the provisions and expenses of an individual policy will not be the same as NBA coverage, and it doesn't include prescription drugs or dental treatment. The insurance company will provide details. You have 45 days from the date coverage is lost to make a written application and pay the first premium.

**What happens under the Dental Plan?**

Your Dental Plan coverage will stop as of the date on which you retire. You may still claim the cost of certain dental treatment that are completed within 31 days after your coverage ends, providing they have reached at least the following stage on the effective date of termination:

- For a crown, bridge, or cast restoration, the tooth must have been prepared.
- For a prosthetic device, the master impression must have been made.
- For root canal treatment, the pulp chamber must have been opened.
- For an orthodontic treatment (for dependents only), the active appliance must have been placed.

Under Federal law, you may be able to buy continued dental coverage for yourself and your dependents. See "Continued coverage for health care benefits" on page 64.

**What happens to insurance?**

If you have at least ten years of service with the NBA when your retire, you can continue your life insurance coverage until you reach age 65 by paying the full amount of the premiums.

If you have at least 20 years of service with the NBA when you retire, your pre-retirement life insurance coverage will continue for two years (or until you reach age 65, if this is earlier) at no cost to you. After two years, your life will be insured for $50,000 at no cost to you, until you reach age 65.

When your NBA-provided life insurance coverage ends, you may be able to convert some or all of your life insurance to an individual policy with the insurance company, without proof of insurability. You cannot convert AD&D insurance, which ends as of your retirement date.

You'll need to make an application in writing and pay the required first premium to the insurance company within 31 days of losing your NBA coverage. If you die during this period, your beneficiary will receive the amount of insurance that you could have converted, whether or not you had applied for it.

Ask the insurance company for more details if you're interested in this option. The insurance company will be able to give you more information about terms, expenses, and current procedures for converted policies.

**What happens to the other plans in this book?**

Your eligibility for salary continuation access to the EAP ends as of your date of retirement. Your eligibility for Long-Term Disability Plan coverage ends as of your retirement date.

**What happens under the 401(k) Plan?**

You'll receive the full current balance of your 401(k) Plan account when you retire on or after your 65th birthday. You'll get the money in a lump sum as soon as possible after you retire, but no later than 60 days after the end of the Plan year in which you retire. Use the Plan's **Distribution** form (Form D) to request your payout.

You can still defer your tax liability on your Plan balance by using Form D to ask the NBA to roll over your money into an IRA or similar tax-qualified arrangement. However, if you take a lump sum, the NBA is required to withhold 20% of the amount as federal income tax withholding for the year of your payout. On Form D, you can indicate whether you also wish to have state and local taxes withheld.

**What happens under the Pension Plan?**

We have kept all the information about retirement in the Pension Plan chapter. If you're getting ready to retire, you should read the entire chapter and make sure all your questions are answered before you make any key decisions. The Finance Department will be able to help you.

# IF YOU DIE

### What happens under the Medical Plan?

Your Medical Plan coverage will stop as of the date on which you die. Any expenses incurred by you before this date can be claimed by your beneficiaries.

Any dependents who were covered by the Plan at the time of your death may continue to receive free coverage for up to six months, provided they still meet the eligibility criteria and, in the case of your spouse, do not remarry during this time. (This free coverage period will also end if the NBA discontinues the Plan.)

Your surviving dependents may also be allowed to continue their coverage for up to 36 months according to Federal law. See "Continued coverage for health care benefits" on page 64. If they take this continued coverage, it will overlap with the free coverage period. In other words, the first six months of Federally permitted continued coverage are free, but whatever remains—up to 30 months of coverage—will require the payment of the full premium.

Your dependents may also be able to convert their NBA Medical Plan coverage into an individual policy with the insurance company. They can do this as an alternative to Federally permitted coverage, when that continued coverage ends, or any time in between. Please note, however, that the provisions and expenses of an individual policy will not be the same as NBA coverage, and it doesn't include prescription drugs or dental treatment. The insurance company will provide more details. Your dependents have 45 days from the date coverage is lost to make a written application and pay the first premium.

### What happens under the Dental Plan?

Your Dental Plan coverage will stop as of the date on which you die. Any expenses incurred by you before this date can be claimed by your beneficiaries.

Any dependents who were covered by the Plan at the time of your death may continue to receive free coverage for up to six months, provided they still meet the eligibility criteria and, in the case of your spouse, do not remarry during this time. (This free coverage period will also end if the NBA discontinues the Plan.)

Your surviving dependents may also be allowed to continue their coverage for up to 36 months according to Federal law. See "Continued coverage for health care benefits" on page 64. If they take this continued coverage, it will overlap with the free coverage period. In other words, the first six months of Federally permitted continued coverage are free, but whatever remains—up to 30 months of coverage—will require the payment of the full premium.

Your dependents may still claim the cost of certain dental treatment that are completed within 31 days after their extended coverage eventually ends, providing they have reached at least the following stage on the effective date of termination:

- For a crown, bridge, or cast restoration, the tooth must have been prepared.
- For a prosthetic device, the master impression must have been made.
- For root canal treatment, the pulp chamber must have been opened.
- For an orthodontic treatment, the active appliance must have been placed.

### What happens to life insurance?

Your beneficiary will receive your life insurance coverage.

### What happens to accident insurance?

If you die as a result of an accident that's covered by the Plan, your beneficiary will receive the appropriate payment.

### What happens to disability coverage?

All disability coverage will end as of the date of your death. Any salary continuation or

LTD Plan benefits that are actually in payment will also end.

If you were receiving LTD Plan benefits at the time of death, the Plan will pay a "survivor benefit" equal to three times your gross monthly benefit, provided that your disability had continued for at least 180 consecutive days (which is about six months) and the insurance company receives appropriate proof of the death.

The payment will be made to a surviving spouse. If there is no living spouse, the payment will be made to your children under age 25 or to a person named by the NBA to receive payment on their behalf (generally if they are minors or incapacitated). If there are no living children, the payment will be made to your estate.

### What happens to the other plans in this book?

Your eligibility for the EAP ends with your death.

### What happens under the 401(k) Plan?

Your beneficiary will receive a lump-sum payment of your 401(k) Plan balance as soon as possible after the NBA has been notified of your death, but no later than 60 days after the close of the Plan year in which you die. Your beneficiary must use Form D to request the payment.

If your beneficiary is your spouse, he or she may be able to roll over the lump-sum distribution into an IRA, to defer taxes on the payout.

### What happens under the Pension Plan?

If you die before receiving any payment from the Plan—whether or not you've retired and whether or not you've completed three seasons on the Referee's Roster—a benefit will be payable to your beneficiary. (See page 42 for information on beneficiary designation.)

This benefit is generally equal to ten times the amount arrived at by the Plan's formula, using the number of seasons you'd completed at the time of death. Payments may begin as soon as possible after the Advisory Committee is notified of your death.

If you're married, this benefit is converted into a "pre-retirement survivor annuity," which makes periodic payments to your surviving spouse for the rest of his or her life. Your spouse can elect to receive the benefit in any of the other forms available under the Plan (see page 54), including a lump sum payment. This election must be made in writing and filed with the Advisory Committee before any benefits are paid out, in any form. Your spouse can also elect in writing to defer the start of any payment from the Plan until the first of the month following the date on which you would have reached your normal retirement date, had you lived.

If you're not married when you die, your beneficiary can elect to receive the benefit using any payment method available under the Plan.

Please note that if the actuarial present value of the benefit to be paid to your beneficiary at the time of your death is $5,000 or less, then it will automatically be paid in a lump sum.

If you die after you've started to receive payments from the Plan, there is no additional benefit. Your survivors will only receive further payments if this is a feature of the form of benefit you selected.

The amount payable to your beneficiary will be the greater of the Pension Plan's death benefit (as described in this section) and the balance in your Employer Contribution Account. Any balance in your Employee Contribution Account will be added to your beneficiary's payment.

## IF YOU BECOME TOTALLY DISABLED

Your Long-Term Disability Plan benefits will begin either 90 days or 365 days after your disability began, according to whether or not it was job-related (see page 30). If you are continuously disabled after 12 months, your employment with the NBA will be formally terminated. Here's what happens at that time.

**What happens under the Medical Plan?**

*Extension of NBA coverage at no cost for a specific disability*

If you're totally disabled at the time you lose coverage, under a doctor's care, and not covered by any other medical plan, then the insurance company will continue to cover the expenses related to your disability for a year, at no cost to you. *Please note that no other medical conditions are covered, and there's no coverage for any dependent, unless he or she is the person who's disabled. Anyone who takes this option will not be eligible to continue Plan coverage at the end of the extension period—see below.*

This extension of coverage will end earlier than a year if you recover from the disability or if you obtain coverage under another group plan, whichever is sooner. It'll also end if you reach any payment limit for your condition. You're totally disabled if you can't do the main duties of your occupation. A covered dependent is totally disabled if he or she can't perform normal activities of someone the same age. You must submit evidence of the disability if it's requested.

*Extension of NBA coverage under Federal law*

Alternatively, if your employment with the NBA is terminated due to disability, you may be eligible for continuation of your medical benefits under Federal law. See page 64.

*Conversion of NBA coverage into an individual policy*

You may also be able to convert your NBA Medical Plan coverage into an individual policy with the insurance company, provided:

- you were covered by the Medical Plan for at least three months immediately before your date of termination
- you are below Medicare age
- you aren't eligible for similar benefits elsewhere, to the extent that your combined coverage would result in your being "overinsured."

You can do this as an alternative to the Federally permitted coverage, when that continued coverage ends, or at any time in between. Please note, however, that the provisions and expenses of an individual policy will not be the same as NBA coverage, and it doesn't include prescription drugs or dental treatment. The insurance company will provide more details and explain what is meant by "overinsured." You have until 45 days from the date coverage is eventually lost to make a written application and pay the first premium.

**What happens under the Dental Plan?**

If your employment with the NBA is terminated because of disability, you may be eligible for continued coverage of your medical benefits under Federal law. See page 64.

**What happens to life insurance?**

Your NBA-provided life insurance coverage will end after you've been disabled for ? months. At this time, you may be eligible for a one-year extension of your coverage, provided by the insurance company at no cost to you.

To qualify for this extension, you must meet the insurance company's definition of "total disability," which means you're unable to perform any work for wages or profit due to a sickness or injury and you became disabled before you reached age 60 and while covered by the NBA's group plan.

At the end of this extension, you can apply for further one-year extensions, provided you've been totally disabled for at least nine continuous months. (The company will automatically count you as disabled if you've lost two limbs by severance at or above the ankles or wrists, or if you've permanently lost sight in both eyes.)

To apply for each one-year extension to your coverage—which must be done during the last three months of the previous year—you must send the insurance company written medical proof that you're still disabled. The company can have you examined by their own doctor. You'll lose coverage if you fail to send proof of disability, refuse to see the company's doctor, or get better.

If you lose your extended coverage, you may be able to convert your life insurance into an individual policy. You'll need to make an application in writing and pay the required first premium to the insurance company within 31 days of losing your extended coverage. If you die during this period, your beneficiary will receive the amount of insurance that you could have converted, whether or not you had applied for it. Ask the insurance company for more details if you're interested in this option.

### What happens to accident insurance?

If your disability is the result of an accident, you may receive payments from your AD&D insurance—see page 36. Otherwise, your AD&D coverage ends after you have been disabled for 12 months.

### What happens to disability coverage?

You're most likely to be receiving benefits from the Long-Term Disability Plan (see page 31), which means there are no further salary continuation payments for your present disability. If you recover from this disability but do not return to work at the NBA, there is no further disability coverage.

### What happens to the other plans in this book?

Your access to the EAP ends when you terminate your employment because of disability.

### What happens under the 401(k) Plan?

If a disability causes you to terminate your employment before you reach retirement age, you will receive your 401(k) Plan benefit as a single lump sum as soon as possible after your termination. You'll have to pay income tax on this amount, unless you roll it over into a special IRA, but you generally avoid any penalty tax for early withdrawal. Use the Plan's Distribution form, Form D to request your payout.

If your account balance is more than $5,000, you don't have to receive an immediate payment of your account balance on termination. You can request a payout by using Form D at any time until your 65th birthday. If you have not taken a distribution of your account balance before your 65th birthday, your account balance will be paid to you as soon as practicable after your 65th birthday.

### What happens under the Pension Plan?

You're "totally disabled" under this Plan if you have a physical or mental impairment that's expected to be of indefinite duration and leaves you unable to perform your usual duties for the NBA. You'll need to show sufficient proof of a total disability.

If you become disabled, you can elect to have your benefit paid at any time after your reach age 45, no matter how many seasons you've completed. Your benefit will be based on the Plan's formula, with an actuarial reduction to reflect payments that begin before your normal retirement date.

You must file a written election for Total Disability payments with the Plan's Advisory Committee, using the official Plan form. Benefits will generally commence as soon as possible following your election. You can elect to defer payment to a later date, if you wish, but you must begin to receive payments by the beginning of the month following your 65th birthday.

# IF YOUR EMPLOYMENT IS TERMINATED

**What happens under the Medical Plan?**

If you resign voluntarily with at least ten years of service with the NBA, you can continue to be covered by the NBA Medical Plan until you reach age 65. You'll have to pay 50% of the annual premium that the NBA pays to the Plan's insurance carrier on your behalf.

If you resign voluntarily with at least 20 years of service with the NBA when you retire, you can continue to be covered by the Medical Plan for up to ten years or until you reach age 65, whichever occurs first. The first five years of any post-termination coverage are free to you. For any coverage after five years, you must pay 25% of the annual premium that the NBA pays to the Plan's insurance carrier on your behalf.

Otherwise, your coverage will stop as of your date of termination. Any eligible expenses incurred before your coverage ends can be claimed. The NBA will issue certification that you had medical coverage while you were employed, which you may need in order to obtain medical coverage from a subsequent employer.

If you leave without qualifying for post-retirement medical benefits, you may be able to buy continued medical coverage for yourself and your dependents, as provided by Federal law. This is covered in "Continuation of health care coverage" [indicate location of sidebar]. (This continued coverage may also be available for your dependents when any post-termination benefits end, but please note that it doesn't cover any individual who's reached Medicare age.)

You may also be able to convert your NBA Medical Plan coverage into an individual policy with the insurance company, provided:

- you were covered by the Medical Plan for at least three months immediately before your date of termination
- you are below Medicare age
- you aren't eligible for similar benefits elsewhere, to the extent that your combined coverage would result in your being "overinsured."

You can do this as an alternative to the Federally permitted coverage, when that continued coverage ends, or at any time in between. Please note, however, that the provisions and expenses of an individual policy will not be the same as NBA coverage, and it doesn't include prescription drugs or dental treatment. The insurance company will provide more details and explain what is meant by "overinsured." You have until 45 days from the date coverage is eventually lost to make a written application and pay the first premium.

*Continuation of health care coverage*

You may be eligible to continue to participate in the Medical Plan and the Dental Plan if your coverage ends due to termination of your employment for any reason other than gross misconduct, including retirement or a reduction in your scheduled work hours.

In addition to these events, your spouse may be eligible to continue to participate in the Medical Plan and the Dental Plan if his or her coverage ends due to divorce or legal separation, your entitlement to Medicare, or your death.

And in addition to all of the above circumstances, your dependent child may be eligible to continue to participate in the Medical Plan and the Dental Plan if your coverage ends due to his or her no longer qualifying as a dependent under the Plan (for example, if he or she reaches age 19 and is not a full-time student).

Also, retirees and their spouses and dependents may be eligible to continue their coverage in the case of bankruptcy.

The federal law that provides you and your covered dependents with the right to elect continuation coverage is the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended. You may hear this coverage referred to as "COBRA coverage."

You or your dependents must notify the Finance Department within 60 days of a divorce, separation, or a child's loss of dependent status.

The Plan Administrator of your current health care option will notify you and, when appropriate, your covered dependents about the rights and obligations you have in electing continuation coverage. If you want continuation coverage, you and/or your dependents must notify the administrator within 60 days of either the date on which coverage terminates or, if later, the date the administrator sends you notice. A child born or adopted during the continuation period will also be eligible for continued coverage. If you or your eligible dependents do not elect continuation coverage, your group coverage under the Plan will end.

The notification will include the following information about continuation coverage costs and payments:

- You will be charged the full cost of the premium for Medical and Dental Plan coverage plus an additional 2% for administrative costs. (Your notification will tell you how much this is.)
- If you extend your continuation period by up to 11 months as a result of a disability (see below), the premium will increase to 150% of the full cost of the coverage (starting with the nineteenth month of coverage). Your coverage will be the same as for other employees and their dependents who are similarly situated.
- Coverage and costs may change during the period of continuation coverage.
- You must make your first payment within 45 days of electing continuation coverage.
- You have a 30-day grace period for subsequent monthly payments.

The following table shows how long coverage can continue:

| If original coverage ends because: | Maximum continuation period is: |
|---|---|
| Your employment terminates or your work hours are reduced (including layoff or approved leave of absence) | 18 months for you and your covered dependents |
| Your child no longer qualifies as a dependent | 36 months for that covered child |
| You and your spouse are divorced or legally separated | 36 months for your covered dependents |
| You become entitled to Medicare | 36 months for your covered dependents |
| You die | 36 months for your covered dependents |

However, if you (or your dependent) are disabled at the time you stopped work or your work hours were reduced, or if you become disabled during the first 60 days of continuation coverage, your continuation coverage can be extended beyond the 18-month period for up to 11 additional months so that Medicare benefits will then be available. To be eligible for this extension, you or your dependent must:

- receive a determination from the Social Security Administration that you or your dependent were disabled on the date of your termination or reduction in hours or that you became disabled during the first 60 days receiving continuation coverage.
- notify the Plan Administrator within 60 days of receiving the disability determination and before the original 18-month period ends.

If you receive a final determination from the Social Security Administration that you or your dependent are no longer disabled, you must notify the Plan Administrator within 30 days.

If a second qualifying event takes place while continuation coverage is already in effect, then coverage may be further extended. The same procedures for notification apply to the second event. For example, if you elect continuation coverage for yourself and your dependents upon termination and you become entitled to Medicare during the initial 18-month period, your dependents may continue their coverage for up to 36 months from the date of your termination. In no case will continued coverage last longer than 36 months.

Continuation coverage will stop before the end of the maximum continuation period if:

- You or your dependents do not make the required payments on time.
- You or your dependents are covered by another group health plan that does not contain any exclusion or limitation with respect to pre-existing conditions.
- You or your eligible dependent becomes entitled to Medicare benefits. (However, if you are entitled to Medicare, your family members may retain continuation coverage for 36 months from the date you first became eligible for continued coverage.)
- You move to an area that is outside the service area covered by any NBA-sponsored health plan.
- Coverage was extended to 29 months due to a Social Security disability determination and there is a final determination that the covered individual is no longer disabled.
- The NBA no longer provides group health care coverage to any of its employees.

Additional information about this continued coverage is available from the Finance Department.

**What happens under the Dental Plan?**

Your Dental Plan coverage will stop as of the date on which you leave the NBA. You may still claim the cost of certain dental treatment that are completed within 31 days after your coverage ends, providing they have reached at least the following stage on the effective date of termination:

- For a crown, bridge, or cast restoration, the tooth must have been prepared.
- For a prosthetic device, the master impression must have been made.
- For root canal treatment, the pulp chamber must have been opened.
- For an orthodontic treatment (for dependents only), the active appliance must have been placed.

Under Federal law, you may be able to buy continued dental coverage for yourself and your dependents. See "Continued coverage for health care benefits" in the previous section.

**What happens to insurance?**

If you resign voluntarily with at least ten years of service with the NBA, you can continue your life insurance coverage until you reach age 65 by paying the full amount of the premiums.

If you resign voluntarily with at least 20 years of service with the NBA, your pre-termination life insurance coverage will continue for two years (or until you reach age 65, if this is earlier) at no cost to you. After two years, your life will be insured for $50,000 at no cost to you, until you reach age 65.

Whether or not you qualify for this extension of coverage, you may be able to convert some or all of your life insurance to an individual policy with the insurance company, without proof of insurability. You cannot convert AD&D insurance, which ends as of the date of your termination.

You'll need to make an application in writing and pay the required first premium to the insurance company within 31 days of losing your NBA coverage. If you die during this period, your beneficiary will receive the amount of insurance that you could have converted, whether or not you had applied for it.

Ask the insurance company for more details if you're interested in this option when you leave the NBA. The insurance company will be able to give you more information about terms, expenses, and current procedures for converted policies.

### What happens to LTD Plan coverage?

Your coverage under this Plan will end as of your date of termination. The insurance company may permit you to purchase a personal LTD policy, without the need to present medical evidence of insurability, as long as you apply and pay the first quarterly premium within 31 days of losing group coverage. Eligibility requirements for conversion include:

- You must have been covered by the LTD Plan for at least 12 months before termination.
- You didn't lose coverage because the Plan terminated or because you ceased to be eligible or you retired
- You're not covered by another group plan within 31 days of termination.
- You're not currently disabled or on leave of absence.

You can find out more from the insurance company.

### What happens to the other plans in this book?

Any salary continuation for disability will end as of your date of termination. Your access to the EAP ends as of your date of termination.

### What happens under the 401(k) Plan?

If you leave the NBA before retirement for a reason other than death or disability, you can receive your 401(k) Plan benefit as a single lump sum.

If your account balance is $5,000 or less, you must receive a payout from the Plan. The NBA may automatically process a distribution without your consent. In this case, the distribution would be made payable to you, subject to all taxes and penalties, if applicable. If your balance is more than $5,000, you have the option of leaving your money in the Plan. You won't be able to make any further contributions, but your balance will continue to reflect the performance of the investment funds, and you'll still be able to use the telephone system to manage the money in these funds. When you want to withdraw your total balance—either on termination or at any time until your 65th birthday—use the Plan's Distribution form (Form D) to make your claim. You'll receive the payment as soon as practicable. If you have not taken a distribution of your account balance before your 65th birthday, your account balance will be paid to you as soon as practicable after your 65th birthday.

You'll be liable for income tax on this amount in the year it is paid to you, and the NBA is required by the IRS to withhold 20% of your balance as federal income tax withholding from any lump sum payment. On Form D, you can indicate whether you also wish to have state and local taxes withheld as well. If you're under age 59½ at the time of distribution, you will also face a 10% penalty tax for an early withdrawal. The additional tax doesn't apply if the distribution is made from the Plan on account of your termination of employment after your reach age 55.

You can still defer your tax liability on your Plan balance and avoid the penalty tax by asking the NBA to roll over your money into an IRA or similar tax-qualified arrangement, such as your next employer's 401(k) Plan, if it can receive rollovers. (You can use Form D to make this request.) There is no tax withholding from a direct rollover.

If you have already received the money as a lump sum, with withholding, you can still preserve the tax-deferred status of your *full* Plan balance by making up the difference out of your own pocket, transferring the full amount to your IRA or new plan within 60 days, and then using the withholding tax you've paid to offset your tax liability when you file your taxes at the end of the year. If you rollover only the 80% of your balance that you receive, you'll have to pay income tax on the 20% that was withheld, plus a penalty tax if you're under age 59½.

In all cases of a potentially taxable distribution, you're encouraged to consult with your financial advisor.

**What happens under the Pension Plan?**
If you leave the NBA before your normal retirement age, but you have at least three seasons on the Referee's Roster, you are entitled to receive a benefit from the Plan.

You can elect to have your benefit paid at any time after your reach age 45. Your benefit will be based on the Plan's formula in effect when your receive or commence receiving payment of your benefit, with an actuarial reduction to reflect payments that begin before your normal retirement date.

You must file a written election for payments with the Plan's Advisory Committee, using the official Plan form. Benefits will generally commence within 60 days after the May 31 following (or coinciding with) the date you terminated employment or reached age 45, if later. You can elect to defer payment to a later date, if you wish, but you must begin to receive payments by the beginning of the month following your 65th birthday.

It may happen that you return to work as an NBA referee after you've already started to receive benefits. In this case, when you leave for the second time (for retirement or any other reason), your Plan benefit will be recalculated. If the result is a larger amount than that used to determine the benefit already in payment, then you'll get an additional benefit based on the difference.

If you terminate your employment before your normal retirement date without completing three regular seasons on the Referee's Roster, you won't receive any benefit from this Plan.

# Important Legal Information

## CONTENTS

**Plan documents to govern**

In preparing these summary plan descriptions, there was much effort made to provide a clear, concise description of your benefits. Those who have contributed have been careful to avoid contract language and legal terms wherever possible. The aim has been to present essential information about your benefits in words that will not be obscure or likely to be misunderstood.

However, the Plans are also governed by explicit legal documents. This means that should any question ever arise about the nature and extent of your benefits, the formal language of these legal Plan documents (and not the informal wording of the summaries as contained in this publication) will govern.

Copies of these documents, as well as the annual report of Plan operations and related documents filed with the U.S. Department of Labor, are available for review by Plan participants or their representatives through the Finance Department, National Basketball Association, 100 Plaza Drive, 3rd floor, Secaucus, New Jersey 07094.

Nothing contained in these summary plan descriptions should be construed to be a contract of any kind, including a contract of employment, or a contract or agreement for a definite or a specified term of employment. Nothing in this publication restricts the right of NBA or its employees to terminate the employment relationship at any time. Neither participation in any plan nor the existence of any plan implies a contract of employment.

**Employer identification number**

The employer identification number (EIN) assigned to the National Basketball Association by the Internal Revenue Service for reporting purposes is 13-5582586

**Plan information**

The **Medical Plan** is a welfare benefit plan, entirely funded for referees by the NBA, with administrative costs paid by the NBA. The benefits available under the Medical Plan as described in this publication are guaranteed under a policy of insurance with The Guardian, 7 Hanover Square, New York, New York 10004. The Guardian also acts as the claims administrator for the Medical Plan—see page 9.

The **Dental Plan** is a welfare benefit plan, entirely funded for referees by the NBA, with administrative costs paid by the NBA. The benefits available under the Dental Plan as described in this publication are provided by the NBA and are not guaranteed under a policy of insurance. The Guardian acts only as the claims administrator for the Dental Plan—see page 27.

**Life Insurance** is a welfare benefit plan, entirely funded for referees by the NBA, with administrative costs paid by the NBA.

**Accidental Death & Dismemberment Insurance** is a welfare benefit plan, entirely funded for referees by the NBA, with administrative costs paid by the NBA.

The **Long-Term Disability Plan** is officially called the National Basketball Association Long Term Disability Plan. It is a welfare benefit plan, entirely funded for referees by the NBA, with administrative costs paid by the NBA.

The **Employee Assistance Program** is not a formal benefit plan but a service to employees funded by service fees paid to the provider by the NBA. EAP services are provided by Managed Health Network, Inc.

The **401(k) Plan** is officially called the 401(k) Savings Plan for Employees of the NBA, NBA Properties and affiliates, NBA Store and WNBA and has been given the number 334. It is a defined contribution profit sharing plan, which is funded by employee contributions. All administrative expenses are paid by the NBA.

The **Pension Plan** is officially called the National Basketball Association Referees' Pension Plan and has been given the number 001. It is a defined benefit plan, which means it provides determinable retirement benefits based on a Plan benefit formula. The Plan has been adopted and is maintained by the National Basketball Association, which means it is entirely funded through a Trust with all administrative costs also paid by the NBA.

**Salary continuation** is not a formal benefit plan but an employee benefit provided by the NBA, as laid out in the current Collective Bargaining Agreement between the NBA and the Referees' Association.

### Participating employers

The Plans described in this book are available to referees of the National Basketball Association. The rules affecting eligibility for participation in each plan can be found in the individual plan descriptions. Some of these plans are also available to other NBA employees.

### Plan Sponsor

The Plan Sponsor of the plans described in this book is the National Basketball Association, 645 Fifth Avenue, New York, New York 10022.

### Plan Administrators

Plan Administrators have the exclusive right to interpret the plans and the power to determine questions of eligibility and the status and rights of employees, and to establish administrative and procedural rules.

The Plan Administrator of the plans described in this book is the National Basketball Association, 645 Fifth Avenue, New York, New York 10022.

The NBA appoints a Savings Plan Committee to administer and operate the 401(k) Plan. Along with other duties, this Committee authorizes the payment of benefits from this Plan. You can contact the Savings Plan Committee c/o National Basketball Association, 645 Fifth Avenue, New York, New York 10022.

The NBA appoints an Advisory Committee to administer and operate the Pension Plan described in this book. Along with other duties, this Committee arranges retirements and authorizes the payment of pension benefits. You can contact the Advisory Committee c/o National Basketball Association, 645 Fifth Avenue, New York, New York 10022. Tel: (212) 826-7000

These Committees have the responsibility to ensure that all administrative decisions will be consistent with the provisions of the plan documents and that all participants will be treated uniformly. The Committees have delegated their administrative responsibilities to the Finance Department.

All actions by the NBA or the respective Committees, with respect to eligibility, classification of employees, contributions, or benefits will be uniform in nature and will be conclusive and binding upon all interested persons. The determination of the NBA or Committee as to any question about administration and interpretation of the plan shall be final, conclusive, and binding.

### Claims administrators

The claims administrator for the Medical Plan is The Guardian, P.O. Box 26015, Lehigh Valley, Pennsylvania, 18002-6015.

The claims administrator for the Dental Plan is Dental Guard Preferred, P.O. Box 2459, Spokane, Washington 99210-2459.

The claims administrator for Long-Term Disability is UNUM Life Insurance Company of America, Central Benefits Adminstration - B256, P.O. Box 9791, Portland, Maine 04104-5091.

The claims administrator for life insurance and accident insurance coverage is The Guardian, P.O. Box 26035, Lehigh Valley, Pennsylvania, 18002-6035.

Claims under the other plans or policies described in this book should be directed to the Human Resources Department, National Basketball Association, 645 Fifth Avenue, New York, New York 10022.

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Claims under the other plans or policies described in this book should be directed to the Human Resources Department, National Basketball Association, 645 Fifth Avenue, New York, New York 10022.

**Trustees**

The Trustees for the 401(k) Plan and the portion of the Trust Fund under the Pension Plan for Employee Contribution Accounts are:

Fidelity Management Trust Company
200 Magellan Way
Covington, Kentucky 41015

The Trustees for the Pension Plan for amounts other than Employee Contributions Accounts are:

Trustees of the National Basketball Association Referee's Pension Plan
c/o National Basketball Association
Olympic Tower
645 Fifth Avenue
New York, New York 10022

**Record-keeper**

Certain record-keeping and testing functions for the 401(k) Plan and the Pension Plan are performed by Fidelity Investments, 200 Magellan Way, Covington, Kentucky 41015.

**Plan year**

The Plan year of the 401(k) and Pension Plans begins on June 1 and ends on May 31 of the following year. Records for these Plan are kept on the basis of this Plan year.

Records for all the other plans discussed in this book are kept on a calendar year basis.

**Plan changes and discontinuance**

Although NBA expects to continue these Plans, it reserves the right to amend, suspend, or terminate them at any time and for any reason. No employee or beneficiary has any contractual right to continuation of the Plans or coverages in the future.

The NBA's decision to change or end the Plans may be due to changes in federal or state law governing welfare or retirement benefits, the requirements of the Internal Revenue Code or ERISA (see page 74), the provisions of a contract or a policy involving an insurance company, the provisions of a Collective Bargaining Agreement, or any other reason. If the NBA does make a change or end the Plans, it may decide in its discretion to set up a new plan or plans providing different, similar, or identical benefits.

No amendment, however, would deprive you of any rights or benefits you had already earned before the amendment was made, except that an amendment to comply with the Internal Revenue Code or other federal or state law may generally be made at any time with retroactive effect. Any amendment, suspension, or termination of any benefit plan described in this publication would normally be effected by action of the appropriate officers, committee(s), or other person(s) authorized by the NBA's general management.

*Special information about the Pension Plan*

If the Pension Plan were ever terminated, its funds would be used for members and beneficiaries. This is required by the law governing plan terminations. Should that event ever occur, you will be fully vested in your pension benefits accrued to the date of Plan termination. Any funds that remained after satisfying all benefits would be returned to the NBA.

If the assets of the Plan aren't sufficient to provide all Plan benefits, then the law requires that the assets are used to provide for the benefits of retired participants and their beneficiaries, vested active participants, terminated vested participants, and other participants, in that order.

A portion of your Pension Plan benefit is insured by the Pension Benefit Guaranty Corporation (PBGC). The premiums for this coverage are paid by the NBA. Generally, the PBGC guarantees most vested, normal-age retirement benefits, early retirement benefits, and certain disability and survivor's pensions. However, the PBGC doesn't guarantee all types of benefits under covered plans, and the amount of benefit protection is subject to certain limitations.

The PBGC guarantees vested benefits at the level in effect on the date of plan termination.

However, if a plan has been in effect less than five years before it terminates, or if benefits have been increased within the five years before plan termination, the whole amount of the plan's vested benefits or the benefit increase may not be guaranteed. In addition, there's a ceiling, adjusted periodically, on the amount of monthly benefit that the PBGC guarantees.

For more information on the PBGC insurance protection and its limitations, ask your Plan Administrator or the PBGC. Inquiries to the PBGC should be addressed to the Office of Communications, PBGC, 1200 K Street NW, Washington, D.C. 20005-4026. Or you can call them at (202) 326-4000.

*Special information about the 401(k) Plan*

If the 401(k) Plan were ever terminated, its funds and assets would either continue to be held for distribution as previously described or be paid to participants in a lump sum, less any expenses incurred by the Trustees for such a distribution. If the NBA dissolves or ceases operation, the funds will be distributed in a lump-sum cash payment, less administrative costs to the Trustees. Since the Plan is a defined contribution plan, its benefits are not insured by the Pension Benefit Guaranty Corporation.

### Limitations on benefits

The total benefits that may be paid to participants under the 401(k) and the Pension Plans are limited by law. Should your benefits ever be affected by this law, you will be notified.

Other government rules apply if the value of certain plan benefits payable to "key employees" exceeds certain limitations. If this happens, a plan is said to be "top heavy." Under normal conditions, these rules would apply to very few, if any, employees in an organization such as ours. But in the unlikely event that a plan becomes top heavy, steps would have to be taken to keep the plan qualified. Those steps depend on the nature of the plan, but they could include acceleration of vesting, application of special minimum benefits, or limitations on contributions. Again, you'd be notified if your benefits were affected.

### Ownership of benefits

You may assign your interest in your life insurance to one of the following: your spouse; one of your parents or grandparents; one of your children or grandchildren; one of your brothers or sisters; the trustees of a trust set up for the benefit of one or more of these relatives.

In some states, you will need your spouse's consent to assignment to a third party other than your spouse. The insurance company will advise you.

You may assign your Accidental Death & Dismemberment insurance without restriction.

You cannot sell, transfer, or assign for any purpose—either voluntarily or involuntarily—the value of any other plan benefits described in this book.

However, in the case of the 401(k) and Pension Plans, benefits may be paid to a spouse, former spouse, child, or other dependent designated as an alternative payee under a valid Qualified Domestic Relations Order (QDRO) that requires payment of part or all of a member's vested plan benefit to meet marital, alimony, or child support obligations. (A QDRO is a court order that creates or recognizes the existence of the right of another individual to receive all or part of the benefits payable to you under certain retirement plans.)

The appropriate Committee will notify you and any alternative payee of the receipt of any domestic relations order affecting your benefits and tell you the procedures for determining the qualified status of such an order. The Committee will also notify you when a determination is made as to the order's qualified status.

Additionally, your benefits under the

401(k) and Pension Plans may be attached for payment in certain criminal convictions involving the plan, certain civil judgments in connection with a violation of ERISA, certain settlement agreements with the Secretary of Labor, or a federal tax levy.

**Your rights under the law**

As a participant in these benefit plans, you have certain rights and protection under federal law, as stated in the Employee Retirement Income Security Act of 1974 (ERISA) and later amendments. You also have certain rights and protection provided by regulations issued by other federal agencies, including the U.S. Department of Labor and the Internal Revenue Service.

Specifically, ERISA entitles you to:

- Examine without charge all plan documents (including group insurance policies where applicable) and copies of all documents filed with the U.S. Department of Labor, such as annual reports and plan descriptions. The section called "Plan documents to govern" on page 70 tells you where these documents are available for your inspection.
- Obtain copies of all plan documents and other pertinent plan information upon written request to the appropriate Plan Committee. The NBA reserves the right to make a reasonable charge for copying and mailing the documents.

*Annual financial reports*

ERISA entitles participants to receive the annual financial reports of the benefit plans upon request. The NBA sends a summary of this information to all participants automatically on a yearly basis, within two months after filing the annual Form 5500.

*Information about the 401(k) Plan*

As a member of the 401(k) Plan, you will receive, at least once a year, a personal statement of your plan accounts based on current information. The statements are prepared automatically for all participants in the plan.

*Statement of Pension Plan benefits*

If you are a participant in the Pension Plan, you or your beneficiary have a right to obtain, free of charge, a statement of your pension benefits. You must request the statement in writing from the Finance Department, however. The NBA is not required to provide the statement more than once a year. It is available free of charge.

The statement you obtain will tell you whether you have a right to receive a pension at normal retirement age and, if so, what your benefits would be at normal retirement age if you were to stop working now. If you do not yet have a right to a pension, the statement will tell you how many more years you have to work before you earn a right to a pension under the Plan.

If you terminate your employment with the NBA with a right to Plan benefits but before payments begin, you'll get a statement showing your vested benefits within a reasonable period of time after the end of the Plan year.

The Advisory Committee will also notify you within 30 to 90 days before your normal retirement date of the terms and conditions of your spouse's forms of retirement benefit and your optional forms of payment.

*Claims for benefits*

The law provides that each benefit plan must set up reasonable rules for filing a claim for benefits. In that regard, this book includes basic information about claims procedures under each of the plan descriptions. In general, the claimant (the plan participant) or designated beneficiary, where applicable, must file a written claim on the appropriate form. the Finance Department.

The law allows a reasonable amount of time for the people who handle your claim to evaluate it and to decide whether to pay benefits based on the information contained in the written claim. Under normal circumstances, you are entitled as a claimant to receive written notice within 90 days after receipt of your claim by the plan as to the status of your claim—whether it is to be allowed in full, in part, or denied.

If you receive no answer at all within 90 days, you may consider this a denial and use the claim appeal procedures described below. (Under certain circumstances, the law may allow an extension of a further 90 days, provided you are notified of the reason for the delay before the original 90 days expire.)

*If your claim is denied*

If you should receive notice that your claim has been denied, either in full or in part, the notice must explain the reason for the denial, including references to specific plan provisions on which the denial was based. If your claim was denied because you did not furnish complete information or documentation, the notice will state the additional materials needed to support your claim. The notice will also tell you how to request a review of the denied claim, based on the rules established for that particular plan.

To appeal a denial, submit a written request for reconsideration of your claim to the Plan Administrator (or, as appropriate, to the Savings Plan Committee or the Pension Plan's Advisory Committee) within 60 days after receiving the denial. Any request you make should be accompanied by documents or records in support of your appeal.

As part of the review procedures, you must be allowed to:

- see all plan documents and other papers that affect your claim
- submit issues and comments in writing
- have someone act as your representative in the review procedure, if you so wish.

Furthermore, if the appeal is denied, the procedures must give you at least 60 days to request another review.

In most cases, the Plan Administrator will review and decide on the appeal within 60 days after it receives your request. But if the Plan Administrator notifies you that there will be a delay and explains the reasons for needing more time, the law allows for a limited extension of the review and decision-making process.

Once a decision is reached, the Plan Administrator will notify you in writing of the outcome. The notice must give exact reasons for the decision, not just a general statement, and must be written in clear, understandable language. You have the right to have the Savings Plan Committee review and reconsider your claim.

*Obligations of fiduciaries*

In addition to creating rights for plan participants, ERISA imposes obligations on the people responsible for the operation of employee benefit plans. These people, referred to as "fiduciaries" under the law, must act solely in the interest of the plan participants and beneficiaries. Moreover, fiduciaries must exercise prudence in performing their plan duties.

No one, including any employer or any other person, may discriminate against you in any way to prevent you from obtaining a benefit to which you are entitled under any of these plans or from exercising your rights under ERISA. This means that you may not be fired or otherwise treated unfairly simply because your take advantage of your rights under a plan or ERISA.

The law provides that fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the plans.

*Obligations of employers*

Many of the specific obligations ERISA imposes on employers are intended to make certain that all plan participants are fully informed of their rights to benefits and the nature and extent of those benefits. Moreover, under ERISA an employer cannot prevent employees from obtaining information regarding a welfare or pension benefit under which they are covered or discriminate against its employees to prevent them from obtaining a benefit to which they are entitled or exercising their rights under ERISA.

*Provisions for legal action*

Normally, the Finance Department should be able to help you resolve any problems you might have about your rights to benefits and will make available plan documents and other related information if you wish to study these materials.

ERISA specifically provides for circumstances under which you may take legal action as a plan participant:

- If you are improperly denied a benefit, in full or in part, to which you are entitled, you have a right to bring a civil action in a federal or state court.
- If plan fiduciaries misuse a plan's money or if you are discriminated against for asserting your rights, you have a right to request help from the U.S. Department of Labor or to bring a civil action in a federal court.

In either of these circumstances, the court may allow legal costs, including reasonable attorney fees, to either party to any suit. In other words, if you are successful, the court may order the party you have sued to pay these costs and fees. But if you lose, the court may order you to pay the costs and fees (for example, if the court finds that your claim is frivolous).

If you submit a written request for copies of any plan documents or other plan information to which you are entitled under ERISA and you do not receive those materials within 30 days of your request, you may bring a civil action in a federal court. The court may require the Plan Administrator to pay up to $100 for each day's delay until you receive the materials. This provision does not apply, however, if the requested materials were not sent to you because of reasons beyond the control of the Plan Administrator.

If you have any questions about this statement or about your rights under ERISA, you should contact the nearest office of the Pension and Welfare Benefit Administration, U.S Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefit Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210.

*Agent for legal process*

If it should ever become necessary for you or your beneficiary to take legal action to enforce your rights under ERISA or the terms of a plan, legal process may be served on:

The Plan Administrator
National Basketball Association
645 Fifth Avenue
New York, New York 10022

If your legal action is related to the Pension Plan, legal process may be served on the Advisory Committee as Plan Administrator, at the same address. If your legal action is related to the 401(k) Plan, legal process may be served on the Savings Plan Committee at the same address. Process may also be served on any of the Trustees.

National Basketball Association
645 Fifth Avenue
New York, New York 10022

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