MasterCard
International

Benefits...For the things that matter to you

2000 Open Enrollment
Response Due by November 15, 1999

Dear MasterCard Employee:

On your first day at MasterCard, you began to forge a relationship that would benefit both the company and yourself. As an employee, you commit to contribute valuable knowledge, skills, creativity, and energy to this dynamic payments enterprise. In return, you receive a total rewards package that ranges from personal development opportunities, to competitive workplace policies, to pay-for-performance incentive programs, to very attractive health, welfare, and retirement plans.

This booklet offers important new information about three MasterCard benefit programs: the **Pension Plan**, your **Health Benefits**, and your **Flexible Spending Accounts (FSAs)**. It contains important enrollment information, and is designed to help you understand and manage the things that matter most to you.

And this year, you will be able to enroll in these benefit programs by telephone! As part of MasterCard's ongoing focus on process improvement, all benefit elections can be made via our new voice response system. Voice response enrollment is not only more convenient, but it also reduces administrative costs.

Introducing MAP— a new pension plan design

The redesign of the MasterCard pension plan, now called the **MasterCard Accumulation Plan (MAP)** becomes effective January 1, 2000. This redesign in no way affects the MasterCard Savings Plan [401(k)]. MAP is a retirement plan that represents a progressive and personalized way to deliver pension benefits and is supplemental to the 401(k). It combines simplicity, flexibility, and increased choice with the qualities employees value most in a pension plan—long-term growth, security, portability, and a benefit fully paid by MasterCard. MAP also offers an investment allocation feature that is unique among pension plans of this type. Unlike some of the other cash balance plans you may have heard about, *MasterCard's new plan design will not result in a reduction of your pension benefit at the time of the changeover on January 1, 2000.*

Health Benefits— your medical and dental choices for 2000

Although the benefits choices have not changed from 1999, there are some changes to the plan provisions (CIGNA dental plan co-payments and employee contribution increases required to meet rising health care costs), so it is important that you review your current coverage.

Offering Comprehensive Health Care and Child Care Benefits— annual FSA enrollment

This booklet also provides the information you need to enroll in the Flexible Spending Accounts (FSAs) for 2000. With the introduction of the new telephone enrollment system, signing up will be much easier this year.

THREE CRITICAL DECISIONS

By ***November 15***, you must make three important decisions:

1. **Make a MAP investment allocation election.** To register your choice, call 800-234-3500. If you do not select an allocation option, your opening account balance will automatically be directed to the Fixed Return Fund. Please see page 6 for more information.
2. **Make changes to your current health benefits for the coming year—or enroll, if you are not currently participating**, by calling 800-234-3500. If you do not make health benefit changes for 2000, you will receive the same benefit(s) you elected in 1999. (Note: This does not apply to FSAs.) See page 10 for more information.
3. **Decide whether to participate in the Flexible Spending Accounts (FSAs) for 2000 by calling 800-234-3500.** If you do not sign up for the FSAs by November 15, ***you will not be able to participate during 2000, even if you currently are enrolled in FSAs***. Please see page 19 for more information.

MasterCard is pleased to provide you with these valuable benefits, and committed to ensuring that you and your families enjoy all the rewards of working at MasterCard.

Sincerely,

Michael Michl
Human Resources

Introducing the *MasterCard Accumulation Plan* —

On January 1, 2000, MasterCard is introducing a redesign of the pension plan—now called the *MasterCard Accumulation Plan (MAP)*. The new plan design is easier to understand, offers choice, and provides the security of a traditional pension plan.

The redesigned plan, fully paid by the company, can put you in the driver's seat and give you the inside track to meeting your long-term financial goals. In addition, MAP avoids any reduction in benefits from the prior plan at the time of the changeover on January 1 and does not cause employees to stop earning future benefits as a result of the conversion.

Why Change?

National trends—as well as those at MasterCard—show that many employees change jobs several times over the course of their careers rather than staying with one employer until retirement. Today's employees are more sophisticated about and comfortable with exercising control over their finances.

MAP addresses both of these marketplace realities—and provides a win-win proposition for MasterCard and its employees. In fact, MAP will help MasterCard better manage costs while providing you with enhanced plan features. You'll be excited about MAP for a variety of reasons:

- ***A No-Lose Proposition:*** MasterCard has structured the plan to avoid any reduction in benefits at the time of plan conversion for current employees, regardless of length of service or age.
- ***It Starts When You Do:*** Unlike the current pension plan terms, there is no one-year waiting period to begin accruing benefits with MAP. Every eligible MasterCard employee will participate in MAP, effective January 1, 2000—or effective with his or her date of hire thereafter.
- ***You Can Watch Your Account Balance Grow:*** Because your benefit is expressed as an account balance and is calculated each year based on your salary plus your annual incentive plus investment credits, it is simple to understand and watch your account grow.
- ***Benefit Based on Salary PLUS Annual Incentive:*** Annual incentives (specifically AICP and the Member Relations Incentive Plan) are now included in benefit calculations—another big improvement over the prior design.
- ***You Decide How Your Account Balance Is Allocated:*** Each year, you will choose how your account is allocated from among five options, each of which represents a different proportion of equity and fixed-return investments. This degree of flexibility and choice, combined with the security of a traditional pension plan, makes MAP unique among pension plans today.
- ***Faster Vesting:*** You become fully vested in MAP after only four years of MasterCard service—a full year sooner than under the old design. Participants who have fewer than four years of service on December 31, 1999, become vested in the plan at the earliest of attaining four years of MasterCard service; age 55 with three years of service; or upon death.
- ***Portability:*** You can take your vested benefit with you when you leave MasterCard—at any time, at any age.

Enrollment Deadline: November 15, 1999

The chart below shows an at-a-glance comparison between the pension plan's previous design and that of the MasterCard Accumulation Plan.

At a Glance... Pension Plan Comparison

Plan Feature	Prior Design	New Design
Simplicity	Complex final-average-pay formula makes it difficult to know the actual amount of your benefit.	The benefit is shown as an account balance, so it's easier to understand and to watch your account grow.
Rate of benefit accrual	Provides the greatest accrual only after many years of MasterCard service.	Your account grows steadily each month (not years from now) through company-paid investment and pay credits.
Guarantee of benefit	Insured by the Pension Benefit Guaranty Corporation (PBGC).	Insured by the Pension Benefit Guaranty Corporation (PBGC).
Investment allocation choice	None. You could not allocate your benefit.	Five choices! Each year, your earnings are based on the option you select.
Pay for performance	Benefit was based on your final five years of base salary.	Pay credits are based on your salary plus your annual incentive payout each year.
Vesting	You became vested after completing five years of full-time vesting service at MasterCard.	You now become vested after completing only four years of vesting service at MasterCard.
Portability	You could take your vested benefit with you if you left the company—at any age, at any time, in the form of a lump sum or an annuity.	You can still take your vested benefit with you in a lump-sum or as an annuity when you leave the company—at any age, at any time.
Vesting Service	Only years in which you worked 1,000 or more hours counted toward vesting service.	Vesting service includes all service between your date of hire and your date of termination.
Death benefit	If you died while employed at MasterCard, your spouse would have received approximately one-half of your accrued benefit, if you were fully vested.	If you die while employed at MasterCard, your beneficiary will receive your total account balance regardless of your vesting status.*

*Note: You will be provided with a Pension Beneficiary form which must be completed and returned to your local Human Resources Benefits department.

What Is a Cash Balance Pension Plan?

A cash balance plan is an employer-funded, account-based pension plan.

Although MAP is neither a savings account nor a 401(k) plan, it contains elements of both. MAP resembles a savings account because contributions and interest are credited each month, and you can watch your balance grow. MAP resembles a 401(k) plan because you select which investment allocation works best for you. (Unlike a 401(k) plan, however, you cannot make employee contributions to your MAP account.)

Look for Your Estimated Opening Account Balance Statement

In addition to this booklet, you will receive your estimated opening account balance statement in a separate, sealed, confidential envelope. Your estimated opening account balance is based on your date of birth, salary, and years of service. Be sure to review this document carefully.

If you do not receive your statement (or if there are errors), please contact your local Human Resources Benefits representative.

Look for Your New SPD

In addition to this booklet, you also will receive a Summary Plan Description (SPD) describing MAP. The SPD and the actual plan document (which has been submitted to the IRS for approval) are the documents you must rely upon for the actual terms of MAP.

How MAP Works

The MasterCard Accumulation Plan is a cash balance pension plan that is fully paid by the company. With MAP, during open enrollment each year, you select which investment allocation works best for you. The ability to receive earnings based on your selection sets MAP apart from most other cash balance pension plans.

You Begin with an Opening Account Balance

If you currently participate in the pension plan, your MAP account will open January 1, 2000, with an estimated lump-sum balance that shows, in today's dollars, the benefit you've earned, as of December 31, 1999, under the prior formula. Although the rate of future accruals will be reduced once the redesign takes effect, unlike many other plan designs you may have read about, *your account balance will not decrease.*

Your opening MAP account balance, calculated by MasterCard's external actuarial benefits consultant, was determined using the basis for calculating lump sums under the prior pension plan formula (4% interest rate and the mortality table for actuarial equivalence), and includes the subsidies mentioned on page 5. Although this opening balance is estimated based on July 1, 1999, data forecast to December 31, your first statement, scheduled for release in the spring of 2000, will contain your actual account balance based on full-year actual data.

Nonparticipants (and employees hired after January 1, 2000) will not have an initial opening account balance and will participate in MAP beginning January 1, 2000 (or on their date of hire, if later).

You Can Watch Your Account Balance Grow

Unlike traditional pension plans, in which the value increases steeply only after many years of service, your MAP account will grow steadily throughout your career at MasterCard in two ways: *pay credits* and *investment credits.*

Pay Credits

Each year, MasterCard contributes an amount equal to a percentage of your compensation (salary and any annual incentive compensation that is paid or deferred in that calendar year), up to IRS limits ($160,000 in 1999). All eligible employees will begin receiving pay credits starting January 1, 2000. Contributions are credited to your account each payroll period, based on your years of MasterCard service, as shown below.

Your Years of Service as of Each January 1	MasterCard Contributes
0–4	4.50%
5–9	5.75%
10–14	8.00%
15–19	10.00%
20–29	12.00%

Investment Credits

Your account earns investment credits each month, based on the performance of the portfolio you select when you enroll in the plan. You will have a choice of five investment options that will differ in level of risk and range of investment credits. *It's important to note that even if you elect an equity index for your investment credits, your account will never decrease; your account will receive no less than a 0% investment credit for the year. Conversely, the annual investment credit posted to your account based on the equity index will never exceed 15%, regardless of how well the equity index performs. These ranges are required to minimize risk to both you and MasterCard.* Each year that you are employed at MasterCard, you will be given the opportunity at the time of open enrollment to change your allocation option.

For Employees Age 45 and Older

MasterCard has ensured that current employees will not experience any reduction in benefit at the time of the plan changeover. However, your MAP benefit will not accrue at the same rate as that of the previous pension plan.

For employees who are age 45 and older on December 31, 2000, MasterCard will include the value of an early-retirement subsidy (earned or yet-to-be-earned) in their account when it is converted to MAP.

For participants who have an initial account balance and who are age 50 or older as of December 31, 2000, MasterCard will contribute the *larger of* Minimum Pay Credits (MPCs) or regular Pay Credits. MPCs are a percentage of pay (including any annual incentive pay) and are based on age:

Your Current Age	MasterCard Contribution
50–54	9.00%
55–59	12.00%
60 or older	14.00%

MPCs, as well as regular pay credits, continue until an employee reaches 30 years of service or leaves MasterCard, whichever comes first.

An Example

To illustrate whether an employee will receive regular pay credits or MPCs, let's look at the effect on a hypothetical MasterCard employee:

Barbara is age 55 on December 31, 2000, and has 11 years of service. She will receive pay credits in 2000 equal to 12% of her annual pay—the greater of 8% (for her years of service) and 12% (age-based MPCs).

Your MAP for Success Formula

Your Opening Account Balance	+	Pay Credits	+	Investment Credits	=	End-of-Year Account Balance
Old pension benefit converted to a lump sum and put in an account, similar to a 401(k) balance		*MasterCard contributes over the course of the year an amount equal to a percentage of your salary plus annual incentive pay, based on years of service*		*Interest is credited to your account monthly, based on your portfolio's performance*		*Investment credits are based on your account balance at the beginning of each calendar year. Pay credits do not receive investment credits until the start of the next year.*

Enrollment Deadline: November 15, 1999

Your MAP Investment Allocation Options

What Are the S&P 500 and Treasury Bonds?

The S&P 500 *(Standard and Poor's 500 Stock Index®)* comprises 500 U.S. stocks chosen for market size, liquidity, and industry group representation. The S&P 500 is one of the most widely used benchmarks of U.S. equity performance by professional investors. The S&P 500 Stock Index is published each day in *The Wall Street Journal*.

Treasury bonds are negotiable debt obligations of the U.S. government, secured by its full faith and credit, and issued at various schedules and maturities. The 30-year Treasury bond return is calculated and published by the federal government.

There are five ways to allocate your MAP account, each of which differs in its proportion of equity and fixed-return investments.

The Equity choice represents the year-to-date change in the S&P 500 Index. *The Fixed Return choice* represents the annual return on 30-year Treasury bonds. (In this case, the rate in effect in the prior August—6.07% in 1999—determines the return for 2000.) The S&P 500 Index fluctuates. For the period from January 1, 1999, through September 15, 1999, the rate of return on the S&P 500 Index was 8.47%.

By nature, the rate of return for equity investments will fluctuate much more than the return on 30-year Treasury bonds—higher in some years, lower in others. The five investment options, below, enable you to select the choice that is right for you.

	Portfolio Mix		Range of Return for 2000
	Equity S&P 500 Index	Fixed Return 30-Year Bonds	
Option 1	0%	100%	6.07%
Option 2	20%	80%	4.86%–7.86%
Option 3	50%	50%	3.04%–10.54%
Option 4	80%	20%	1.21%–13.21%
Option 5	100%	0%	0.00%–15.00%

Because of MAP's unique choice feature, these options will remain in place until the end of 2002. MasterCard will re-evaluate the options based on feedback and experience with the plan and may extend the options beyond 2002. Otherwise, the funds will automatically move to the Fixed Return Fund.

How Your Allocation Choices Can Differ

To show how your account could grow through investment credits, based on which option you choose, let's look at how much a hypothetical MAP account balance of $10,000 could earn in one year under each of the five portfolio options. The chart on the next page shows what each option could earn in a year when the stock market performs well—and in a year when it performs poorly.

A $10,000 MAP account allocated as...	...could earn this much in investment credits... in a year in which the stock market performs well:*	in a year in which the stock market performs poorly:**
100% in the Fixed Return Fund	$600	$600
80% in the Fixed Return Fund and 20% in the Equity Fund	$660	$480
50% in the Equity Fund and 50% in the Fixed Return Fund	$750	$300
80% in the Equity Fund and 20% in the Fixed Return Fund	$840	$120
100% in the Equity Fund	$900	$0 (Although the loss is $500, a $0 investment credit will be posted to the account.)

* Assumes the S&P 500 Index return is 9% and the 30-year Treasury bond return is 6%.
** Assumes the S&P 500 Index return is -5% and the 30-year Treasury bond return is 6%.

ATTEND A WORKSHOP!

For more help in understanding the new design, and developing investment strategies and techniques for meeting your retirement goals, attend one of the financial planning workshops that will be offered at many U.S. sites in the coming weeks.

How your MAP *Account Might Grow — a 10-Year Example*

The chart below shows how the MAP account could grow through pay and investment credits for a hypothetical employee who:

- is 35 years old on January 1, 2000,
- has four years of MasterCard service,
- earns $60,000 a year in base salary plus annual incentive (and receives annual pay increases of 4%), and
- chooses to allocate 50% to the Equity Fund and 50% to the Fixed Return Fund.

On January 1 of:	MAP Account Balance Is:	Earns This Much in Pay Credits:	Earns This Much in Investment Credits:
2000 (Age 35)	$10,000 (opening account balance)	$2,700	$750
2005 (Age 40)	$34,940	$4,197	$2,620
2010 (Age 45)	$84,504	$7,105	$6,338

(Note: Example assumes the S&P 500 Index return is 9% and the 30-year Treasury bond return is 6%.)

If You Leave MasterCard...

If you leave MasterCard, you can:

- Take your vested account balance as a lump sum right away;
- Take the balance as a lump sum at a later date (deferred lump sum);
- Convert it to lifetime monthly payments (annuities) that begin immediately;
- Leave your vested account balance in the plan and, at a later date, convert it to an annuity; or
- Roll it over to another tax-deferred account, such as an Individual Retirement Account (IRA) or another employer's qualified savings plan, subject to IRS rules.

If you choose to leave your balance in the plan, your account will continue to earn investment credits, as long as the funds remain in your MAP account.

Note: If your MAP account balance is less than $5,000 when you leave MasterCard, it automatically will be paid to you as a lump sum.

Remember: You Have Until November 15 to Make Your Choice!

To make your election, call 800-234-3500 between October 15 and November 15. You will receive a confirmation statement and Pension Beneficiary form shortly after you make your election. Please review your confirmation statement carefully and report any discrepancies no later than November 23rd to your local Human Resources Benefits representative. **During the enrollment period, you may call as many times as you wish, but the choice that the plan administrator, Administrative Management Group (AMG), has on record for you as of November 15 will be final and apply for the calendar year of 2000.** Going forward, you will be able to change your election only during open enrollment.

Coming Soon

Your first statement showing your actual MAP account balance will be mailed to your home in the second quarter of 2000. After that, statements will be mailed to your home each quarter.

Beginning in 2000, AMG will offer a call-in center to provide personalized answers to your questions about the MasterCard Accumulation Plan.

A Note about MAP and Future Portfolio Options

Final plan design and provisions are subject to approval by the U.S. Internal Revenue Service, expected in the first quarter of 2000. In particular, the investment option feature may change.

MasterCard reserves the right to re-evaluate in 2002—and modify or discontinue—the investment options it offers.

Important Legal Notice

This brochure provides you with general information about the MasterCard Accumulation Plan. Please retain it for future reference.

This brochure does not provide full details and constitutes neither a summary plan description nor a legal commitment to provide benefits. If there are any discrepancies between the information in this brochure and official plan documents, the plan documents will govern. MasterCard reserves the right to amend, modify, or terminate benefit plans at any time, for any reason, by action of its management, with or without notice.

Participation in the plans is not a guarantee of continuing employment with the company.

The MasterCard Accumulation Plan was designed based on current federal tax rulings and regulations and, consequently, the tax treatment of the account benefits are subject to change.

Federal law and IRS regulations require that you receive special notice when a plan amendment reduces the rate of future accruals under a pension plan. This brochure constitutes formal notice, as required by section 204(h) of ERISA, that the rate of future benefit accruals in the MasterCard Pension Plan will be reduced once the January 1, 2000, plan changes take effect. Further, this brochure constitutes formal notice that no benefit will accrue under the prior benefit formula after December 31, 1999.

MasterCard reserves the right, at any time, to amend, modify, or terminate the MasterCard Accumulation Plan.

Enrollment Deadline: November 15, 1999