

STEPS TO RETIREMENT

Insurance
Continuation

Savings Plan
Settlement

Age
Evidence

Tax
Withholding

Choice of
Retirement Method

TABLE OF CONTENTS

RETIREMENT PLAN

Your Retirement Payment Methods	1
Life Annuity	
50% Spouse Benefits	
50%, 75% or 100% Survivor Benefits	
Lump Sum Payment	
Level Income Payment Plan	
How your Payment Choice Affects Your Benefit	2
Physical Examination Requirement	2
Deferring Your Benefit Payment	2
When Payment is Made	3
Furnishing Age Evidence	3
Tax Requirements	4

SAVINGS PLAN

General Information	5
Settlement Options	5
Lump Sum Distribution	
Deferral of Distribution	
Annual Installments	
Withdrawal of After-Tax Contributions	6
Outstanding Loans	7
Account Balances Over \$3,500	7
Account Balances \$3,500	7

MEDICAL/DENTAL PLAN

8

PRE-TAX SPENDING ACCOUNT

8

LIFE INSURANCE PLAN

9

SOCIAL SECURITY

9

FINAL PAYMENT INFORMATION	10
MISCELLANEOUS COMPENSATION PLANS	
Profit Sharing Plan	11
Incentive Compensation	11
Deferred Compensation	11
Stock Options	11
OPTIONAL SERVICES AVAILABLE	
Retirement Photograph & Retiree Badge	12
Pre-Retirement Health Evaluation	12
Occupational Health & Safety Services Available	12
When ordered by Physician	
Clinic Nursing Services	
Other Services	
Classes Available	
Cafeteria Privileges	13
Personal Interview	13
EMPLOYEE RESPONSIBILITY	14
NOTIFICATION/INFORMATION AFTER RETIREMENT	15

RETIREMENT PLAN

Several payment methods have been designed so that you can select the one that best suits your needs.

YOUR METHODS OF RETIREMENT PAYMENT:

Life Annuity with No Survivor Benefits: This method of payment provides the largest monthly income because payments are made during your lifetime only.

Automatic Life Annuity with 50% Spouse Benefits: By law, if you are married, this method becomes effective at your retirement unless you and your spouse sign a waiver form. Under this option you receive a monthly benefit for life. If you die first, your spouse will receive 50 percent of your monthly benefit for the rest of your spouse's life.

Life Annuity with 50%, 75% or 100% Survivor Benefits: With this method, you receive a monthly benefit for your life. After you die, a beneficiary of your choice will receive 50%, 75% or 100% of your monthly benefit for the rest of their life. The greater the percent you choose, the greater the reduction in your monthly benefit during your lifetime. If you die before your beneficiary, the elected percent of your monthly benefit is payable for the rest of your beneficiary's life. If you are married and providing one of these survivor benefits to someone other than your spouse, your spouses consent is necessary by completing the waiver form.

Lump Sum Payment: This method of payment represents a single payment from the plan. You would not receive a monthly income. If you are married, in order to receive this payment your spouse must sign the waiver form.

LEVEL INCOME PAYMENT PLAN (TEMPORARY ANNUITY):

If you elect a monthly annuity and you retire before you are eligible for Social Security, you may be interested in taking a temporary annuity. This provides a higher income until the earliest of death or you become eligible for Social Security. This is accomplished by trading part of your lifetime benefit for a larger temporary benefit.

If you die while a temporary annuity is in effect, all Temporary Annuity Benefits will stop. If, however, you have a spouse or beneficiary survivor benefit in effect, those benefits will begin at the time of your death.

HOW YOUR PAYMENT CHOICE AFFECTS YOUR BENEFIT:

If you decide to provide survivor benefits after retirement for your spouse or beneficiary, the monthly income you receive during your lifetime will be reduced because of payments your spouse or beneficiaries will receive after you die. The calculation for the reduction in your monthly benefit takes into account your age, your beneficiary's age, and the date this method of payment becomes effective.

If you choose a method of payment with a survivor benefit or a lump sum, the amount of your retirement benefit is determined from the Life Annuity with No Survivor Benefits amount using actuarial tables based on the following factors:

- Life expectancy factors for you and your spouse or beneficiaries. The factors adjust the Life Annuity with No Survivor Benefits amount to take into account the combined length of time that you and your beneficiary are expected to receive benefit payments.
- The plan's interest rate assumption. This is linked to the Pension Benefit Guaranty Corporation's (PBGC's) immediate annuity interest rate. The quarterly interest rate will be announced in a General Announcement about 45 days before its effective date.

PHYSICAL EXAMINATION REQUIREMENT:

It may be necessary to furnish satisfactory evidence of good health by having a physical examination, as indicated on the chart on the following page.

DEFERRING YOUR BENEFIT PAYMENT:

You do not have to start receiving your benefit immediately. You may choose to have the payments start on the first day of any month between the time you retire and age 70-1/2. In deciding whether to defer your benefit, you will want to consider the effect on your taxes. Another consideration might be the interest assumption. If you defer your benefits, the interest assumption used to compute alternative methods of payment will be the one when your benefits start. A deferral form must be completed before you retire.

SURVIVOR BENEFIT PROTECTION IN EFFECT JUST BEFORE RETIREMENT	SATISFACTORY EVIDENCE OF GOOD HEALTH REQUIRED (If Election Not Made One-Year in Advance)				
	METHOD OF PAYMENT ELECTED AT RETIREMENT				
	Life Annuity or Automatic 50% Spouse Benefit	50% Survivor Benefits (beneficiary not spouse)	75% Survivor Benefits	100% Survivor Benefit	Lump Sum Payment
No Survivor Benefits	NO	YES	YES	YES	YES
Automatic 50% Spouse Benefit	NO	YES	YES	YES	YES
50% Survivor Benefit (beneficiary not spouse)	NO	NO	YES	YES	YES
75% Survivor Benefit	NO	NO	NO	YES	YES
100% Survivor Benefit	NO	NO	NO	NO	YES
Cash Survivor Benefit	NO	NO	NO	NO	NO

WHEN PAYMENT IS MADE:

Your retirement payment will be made on the first of the month following your retirement date unless you complete the appropriate forms to defer payment to a later date. Your first payment will include one month of interest. If electing a monthly annuity, your first check will be a double payment. Future checks will be sent in advance and should reach you around the first of each month. Checks may be deposited directly into your bank account by completing the appropriate authorization form.

FURNISHING AGE EVIDENCE:

A copy of your birth certificate is required in order to verify your age. If a survivor benefit is elected, your spouse's birth certificate is also required. If a birth certificate is not available, a list of other acceptable documents is available.

TAX REQUIREMENTS:

Monthly Annuity: The law requires that Federal Income Tax be withheld from your pension benefit unless you elect not to have withholding.

Lump Sum Payment: The law requires that 20% Federal Income Tax be withheld from your lump sum benefit unless an IRA account is set up and arrangements made to have the check issued in both the employee's name and the institution handling the IRA account.

Special Tax Treatment information is available that applies to the Pension and Savings Plans.

SAVINGS PLAN

GENERAL INFORMATION:

Upon retirement you are entitled to receive the full value of your Upjohn Savings Plan account or you may leave it in the Plan. When you decide to settle your account it will include your contributions and earnings on your contributions in both the After-Tax and Before-Tax accounts, and your Upjohn Stock and ESOP accounts. If not rolled over, all Before-Tax contributions and earnings, After-Tax earnings, and the Upjohn Stock and ESOP accounts are subject to a 20% tax withholding.

You may elect to settle your account anytime between retirement and December 31 of the year you reach age 70-1/2. If you do not notify the company of your desired type of settlement by this date, the company will process a minimum legally required distribution every December starting with the year you reach age 70-1/2 until your account is depleted.

If you remain in the plan you may transfer funds as often as daily. In addition, at age 55-59 you are eligible to transfer up to 25% of the current value of your Upjohn Stock and 25% of your ESOP to any other funds offered. At age 60-70 1/2 you can transfer an additional 25%, or up to the maximum of 50% if not transferred previously.

An Employee Request for Account Settlement form MUST be completed at retirement whether you settle your account or defer settlement.

SETTLEMENT OPTIONS:

If you settle your accounts at retirement or later, the value will be based on the day the request is received in Corporate Pension/Savings Plan unit prior to 4:00 p.m. A check will be issued on the following Friday as long as the request was received by 4:00 on the previous Tuesday.

Lump Sum Distribution

- After-Tax and Before-Tax accounts paid in cash, and
- ESOP and Upjohn Stock account:
 - paid in cash
 - whole shares of Upjohn Stock (any partial share in cash) or
 - a combination of shares and cash.

Deferral of Distribution

- You may defer settlement to any date between retirement and December 31 of the year you reach age 70-1/2.
- Once you have retired you cannot take loans, however you can make withdrawals. Your account will continue to share in plan performance and you will be able to continue to transfer your money among funds.

Annual Installments

You may receive your money in annual installments for up to 15 years, depending on your life expectancy as defined by Internal Revenue Service (IRS) tables. The non-taxable funds are spread equally through the number of years selected. You elect the order of payment from your investment funds (the Upjohn Stock account must be first or last). You may change the order selected annually. The unpaid portion will stay in the plan and continue to share in the plan's performance.

After installment payments have commenced, you may lose certain tax advantages that are applicable to lump sum distributions, i.e. 5- and 10-year averaging. However, as long as you take your account balances within the time period set down in the plan's provisions, you or your beneficiary may at any time elect to temporarily suspend installment payments or you may elect to accelerate installment payments and receive the remaining account balances in a lump sum. This lump sum payment will be treated as an annual installment and will be taxed as ordinary income in the year of receipt unless an IRA account is set up and arrangements made to have the check issued in both the employee's name and the institution handling the IRA account. (NOTE: Installment payments for 10 or more years are not eligible for rollover and you can request that the 20% tax not be withheld).

WITHDRAWAL OF AFTER-TAX CONTRIBUTIONS (PRE-1987 AND POST-1986)

The "Pre-87" and the "Post-86" amounts are portions of your settlement that cannot be rolled over; these are your contributions made on an after-tax basis.

The "Pre-87" contributions can be withdrawn at any time with no tax or penalty consequences to you.

The "Post-86" contributions cannot be withdrawn without also withdrawing some of your earnings. The percentage of your withdrawal that must come from earnings is calculated by dividing all earnings (total after-tax balance minus contributions) by your total after-tax balance.

Earnings you withdraw prior to retirement will be subject to ordinary income tax rates. If you are under 59-1/2, the earnings will also be subject to an additional 10 percent penalty tax for early withdrawal (the 10 percent penalty for early withdrawal does not apply when settling your account or when making a withdrawal after retirement).

IF YOU HAVE AN OUTSTANDING LOAN BALANCE AND:

You Request A Lump Sum Distribution: It is not necessary to pay off your loan. Your outstanding loan balance will be subtracted from your total account balance before final settlement is made, but it may result in adverse tax consequences. Your distribution statement will show the tax implications of your employee Savings Plan distribution including your outstanding loan balance.

You Defer Your Account or take Equal Annual Installments: You should inform us that you wish to pay off your loan. We will let you know the pay-off amount 60 days after you retire. You will have 60 more days to pay the balance. If we do not hear from you, your loan will be considered in default. The pending loan amount will be subject to applicable taxes and the early withdrawal penalty may apply.

IF YOUR ACCOUNT BALANCE IS OVER \$3,500, you are not required to make a settlement election at retirement. Account balances may remain in the plan up to December 31 of the year you reach age 70-1/2. You may request settlement any time up to that date. Payment will be based on the value of accounts on the day in which Corporate Pension/SAVINGS Plan unit receives your request form prior to 4:00 p.m. Payment occurs approximately ten days later. Stock certificates require an additional 4 to 6 weeks.

IF YOUR ACCOUNT BALANCE IS \$3,500, OR UNDER, we will automatically settle your account based on your retirement date. If you do not complete a settlement form, you will not have the opportunity to select stock certificates from the Upjohn account. Also, federal income taxes will automatically be withheld from your payment.

CONTACT CORPORATE PENSION/SAVINGS PLAN REPRESENTATIVE AT EXTENSION 3-4237 IN KALAMAZOO, OR 1-800-253-8600 (EXTENSION 3-4237) IF OUTSIDE, FOR ADDITIONAL INFORMATION.

MEDICAL/DENTAL PLAN

Medical/Dental coverage may continue for you and your eligible dependents after retirement if your age and service total 75. You are required to pay the retiree premium, which is based on whole years of benefit service accrued up until your retirement date. Current rates are available for under age 65 and over age 65 and are subject to change annually.

If you decline medical/dental coverage at retirement, you are not eligible to re-enroll at a later date.

If electing a monthly benefit, premiums will be deducted from your monthly payment. You will be billed annually for this coverage if electing a lump sum; other billing options are quarterly or semi-annual.

In the event you die before your spouse does, Medical/Dental coverage would be continued for his or her lifetime by paying the appropriate retiree rate for one person.

You and your spouse should apply for Part B of Medicare when you become eligible at age 65 even though the Upjohn Medical/Dental coverage is continued. Medicare becomes the primary carrier with Upjohn second when you turn age 65. At that time, the Upjohn coverage will not pay for expenses to the extent that they are or could be covered by Medicare. Our plan will pay 80% or 90% (depending on your level of coverage) of the difference between the total charges payable under our plan and the amount paid by Medicare, after the plan deductible has been met.

PRE-TAX SPENDING ACCOUNT

If payments from the medical/dental spending account exceed payroll deductions at retirement, the difference will be taken from your final paycheck. You have through May of the following year to submit bills for reimbursement for services rendered up until your retirement date. By law, unused individual employee contributions cannot be returned.

LIFE INSURANCE PLAN

The \$2,000 Non-Contributory Life Insurance will be continued by the Company for your lifetime if your age and service total 75 or more. Also, you may continue your Basic and Supplemental Life Insurance policies until age 65 at the employee rates.

Your premiums will be deducted from your monthly annuity payment or you will be billed for this coverage along with your Medical/Dental coverage if you take a lump sum payment.

To cancel your coverage or increase/decrease Supplemental coverage, completion of a new Enrollment/Beneficiary card is required.

You may convert this life insurance at age 65 to any plan of insurance commonly offered by the insurance carrier, other than term insurance, even if you are in poor health. You would pay the age 65 rate depending on the type of policy you elect. Further information is available by contacting a Corporate Medical/Dental Welfare Plans representative.

SOCIAL SECURITY

Employees age 62 or older are eligible to receive Social Security benefits. You should apply for Social Security two to three months before you want benefits to begin. You can make application by phone or you can go to your local Social Security office. (In Kalamazoo, the number is 381-2590). You will need your birth certificate, your W-2 forms for the two years before application and an estimate of earnings for the year you apply for benefits.

You will be provided a letter addressed to the Social Security Administration (SSA) outlining the final payments you received at retirement. This letter should be submitted to the SSA when you complete the earnings report that will be sent to you by the SSA in January or February following the year you retire. This is necessary since not all of the earnings reported on your W-2 form are applied to the earnings test conducted by the SSA for the year you retired.

Your local Social Security office can provide further information pertaining to individual situations, the annual earnings limit, taxes, Medicare and survivor benefits.



FINAL PAYMENT INFORMATION

Unless you are leaving early and using vacation to carry you to your retirement date, your last day of work will be the last day of the month preceding your retirement date.

You will be paid for unused vacation (including Preference Holidays and the previous year carry-over) at retirement. In addition, next year's vacation will be paid on a prorated basis (except if retiring January 1 or 2, the entire next year's vacation is paid).

Retiring employees are eligible to receive a Retirement Award equivalent to four week's pay (non-exempt employees) or one month's pay (exempt employees). No Retirement Award is paid if an employee receives a separation payment or is placed on a Leave of Absence.

Final payments are mailed to your home address approximately 10 days after your retirement date. Taxes will be withheld from these payments.

Corporate Payroll should be contacted if you have questions after receiving these payments.

MISCELLANEOUS COMPENSATION PLANS

Profit Sharing Plan:

Participants in the Profit Sharing Plan are eligible to receive payment of a prorated bonus based on earnings during the year of retirement and are payable in March of the year following retirement.

Incentive Compensation:

Participants in the Profit Incentive Plan or Incentive Compensation Plan are eligible for payment of a prorated incentive at the time payments are normally made under these plans. Questions should be referred to Compensation at extension 3-5374 in Kalamazoo or 1-800-253-8600 (extension 3-5374) if outside.

Deferred Compensation:

Participants who voluntarily deferred compensation will be paid according to their annual election form for each year in which they voluntarily deferred compensation. The mandatory deferred compensation portion of the Incentive Compensation Plan will be paid following retirement in accordance with their earlier election. Questions should be referred to Compensation at extension 3-5374 in Kalamazoo or 1-800-253-8600 (extension 3-5374) if outside.

Stock Options:

Questions regarding Stock Options should be directed to the Stock Option Office at 3-5049 in Kalamazoo or 1-800-253-8600 (extension 3-5049) if outside.



OPTIONAL SERVICES AVAILABLE

PRE-RETIREMENT HEALTH EVALUATION: (Kalamazoo Employees Only)

Pre-Retirement health evaluations are offered through Employee Health Services. Appointments may be made by calling: Downtown (Building 126) at 385-7336 or Portage (Building 41) at 323-6900 after 1:30 p.m.

EMPLOYEE HEALTH SERVICES AVAILABLE TO RETIREES LOCATED IN THE KALAMAZOO AREA:

When ordered by your physician:

Laboratory tests, x-rays, electrocardiograms, hearing tests, lung function tests, and mammograms.

Clinic Nursing Services:

Allergy injections, blood pressure monitoring, minor health concerns, and visiting nurse services.

Other Services:

Diet/Nutrition information, medication counseling, pamphlets on specific health concerns.

Available to retiree and spouse: Immunizations (tetanus, influenza, travel),

Classes Available:

Coping with Grief, Stress Management, Weight Control, and Smoking Cessation.

CAFETERIA PRIVILEGES:

Retired employees may use the cafeterias or snack bars for free while visiting the company.

PERSONAL INTERVIEW:

A representative from the Corporate Pension/Savings Plan area is available, if necessary, to provide assistance with your retirement papers and answer your questions.

If you are interested in an exit interview to discuss job-related issues, you should contact the Human Resources Administrator in your area. Employees located outside Kalamazoo may receive a telephone exit interview if desired.

EMPLOYEE RESPONSIBILITY

Your Responsibility Regarding Your Benefits:

After reading this booklet, you need to complete and return the following to Corporate Pension/Savings Plans, Unit 5035-203-13, 7000 Portage Road, Kalamazoo, Michigan, 49001, **NO LATER THAN 15 DAYS PRIOR TO YOUR RETIREMENT DATE:**

- Retirement Information Request - This is essential because it tells Corporate Benefits which method of payment you have elected and the final pay information needed in order for you to receive payment promptly.
- Retirement Forms - The required documents listed on the reverse side of the Retirement Information Request must be received prior to retirement based on the method of payment you elect.

We encourage you to provide this information as soon as possible so that your retirement can be processed in a timely manner.

Your Responsibility Regarding Your Supervisor:

The following is your responsibility as it relates to your supervision:

- We encourage you to inform your supervisor of your decision to retire in order to facilitate recruiting/training of replacement and/or transition of responsibilities.
- Company credit cards, telephone cards, keys, and any other company property should be returned to your supervisor by your last day of work.
- For employees located in Kalamazoo, your employee badge should be exchanged for your retiree badge.

NOTIFICATION/INFORMATION AFTER RETIREMENT

KEEPING US INFORMED:

Corporate Benefits should be notified of any future changes that may affect your benefit programs, such as an address change, change in marital status, or death.

INTERCOM:

The Upjohn *INTERCOM* will continue to be mailed to your home.

RETIREE FEEDBACK QUESTIONNAIRE:

To assist Corporate Pension/Savings Plan in measuring the service quality provided by their staff, please complete and return the Retiree Feedback Questionnaire.