SUMMARY PLAN DESCRIPTION

FOR THE

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION

FLEXIBLE BENEFITS PLAN

MEDICAL REIMBURSEMENT ACCOUNT

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INTRODUCTION

This document is known as a "Summary Plan Description" and is designed to provide you with general information concerning participation in the Pennsylvania State System of Higher Education Flexible Benefits Plan's (the "Plan") medical expense reimbursement component, which became effective on January 1, 2002 and has been amended and restated effective January 1, 2010.

The purpose of the Plan is to provide Eligible Employees an opportunity to set aside pre-tax funds to pay for medical expenses that arise during the Plan Year. Eligible Employees who want to participate in some or all of the benefit Plans offered by the Employer agree to have their salaries reduced by a specified amount in order to cover the cost of participation. Federal tax laws generally provide that participation in this type of benefit Plan through a salary reduction arrangement will be on a pre-tax basis. Those Eligible Employees who do not need or want to participate in this Plan simply will receive their regular unreduced compensation.

This document is designed to answer the most common questions that arise concerning the operation of the Plan. Keep in mind that in order to provide a general summary of the Plan provisions, this document is not as technical and detailed as the actual Plan and is designed only to highlight some of the Plan features that are likely to be most important to you. In many cases, the operation of Plan provisions will depend on the facts and circumstances of your particular situation.

This summary does not purport to interpret, expand, or modify the provisions of the Plan in any way. A copy of the Plan is on file in the office of the Plan Administrator and is available for your review at any reasonable time. Additionally, a copy of the Plan is available on the Employer's website for your review at any time. We urge you to read the Plan or consult with the Plan Administrator when you have questions. Should there be a conflict between any statement in this Summary Plan Description and the Plan, the terms of the Plan shall control.

The law governing employee benefit plans changes constantly as Congress enacts new legislation and as the Treasury and Labor Departments adopt new regulations. While this summary will be revised from time to time to reflect current law, the profusion of these changes and the frequency with which they occur make it impossible to keep this summary completely up to date at all times. You are urged to consult with the Plan Administrator as to possible new developments in areas which may concern you.

IDENTIFICATION AND ADMINISTRATION OF THE PLAN

THE EMPLOYER:

Name: The Pennsylvania State System of Higher Education

Address: 2986 North Second Street
Harrisburg, PA 17110

Telephone Number: (717) 720-4000

Employer Identification Number: 23-2250505

The Employer is the Plan Administrator and is also the Plan's agent for service of legal process. However, the Employer may delegate the responsibility of administrating the Plan to a third party.

THE PLAN:

Name: Flexible Benefits Plan

The records of the Plan are kept on the basis of the twelve-month Plan Year which begins on January 1 of each year.

QUESTIONS AND ANSWERS

Q-1. What is the purpose of the Plan?

A-1. The purpose of the Plan is to permit Eligible Employees to set aside funds on a pre-tax basis to reimburse them for uninsured Medical Expenses incurred during the Plan Year.

Q-2. For what types of Medical Expenses does the Plan provide reimbursement?

A-2. Generally, Medical Expenses incurred for the following items are reimbursable under this Plan:

A. Deductibles.

B. Co-pays.

C. Coinsurance.

D. Doctor's fees.

E. Dental expenses.

F. Vision care expenses.

G. Prescription glasses.

H. Contact lenses and solution.

I. Corrective eye surgery.

J. Prescription drugs and medicines.

K. Insulin and diabetic supplies.

L. Orthodontics (braces).

M. Routine physicals.

N. Medical equipment (necessary for an existing medical condition).

O. Hearing aids, including batteries.

P. Transportation expenses related to illness.

Q. Chiropractor's fees.

R. Other expenses for "medical care" meeting the definition of Code Section 213, as determined by the Plan Administrator.

For further information regarding covered Medical Expenses, you may consult IRS Publication 502, entitled "Medical and Dental Expenses" or check with the Plan Administrator.

Q-3. Are there any types of Medical Expenses for which reimbursement is strictly prohibited?

A-3. Yes. The following types of Medical Expenses are not reimbursable under the Plan:

A. Expenses for medical services and supplies received in or from a hospital owned or operated by the United States Government, through any public Plan, or which are reimbursable to the Participant or paid directly under any other Plan or insurance Plan.

B. Expenses due to sickness or injury resulting from war.

C. Expenses not incurred or paid in the year of reimbursement.

D. Expenses for unnecessary cosmetic surgery, as determined by the Plan Administrator.

Q-4. May I receive reimbursement of Medical Expenses incurred to provide medical care for a family member?

A-4. Under this Plan, you may receive reimbursement of Medical Expenses incurred to provide medical care for you, your spouse or dependents, as long as those expenses are not reimbursed to you through insurance or otherwise.

Q-5. Who is eligible to participate in the Plan?

A-5 All permanent, full-time employees of the Employer, including temporary, full-time faculty with at least an academic year contract, or permanent, part-time employees of the Employer, including temporary, part-time faculty with at least an academic year contract, who are scheduled to work every pay period for at least 50% of full-time, are eligible to participate.

Employees are eligible to participate in the Plan immediately on the first day of employment. However, rehired former participants are treated as new employees under the Plan following a separation of more than 30 days.

Q-6. How do I become a Participant in this Flexible Benefits Plan?

A-6. In order to participate in the Flexible Benefits Plan, you simply need to designate a salary reduction amount under the Plan to be deducted from your pay for Medical Expenses. Your Employer then will establish a Medical Reimbursement Account on the company's books, to which the salary reduction amount which you designated for Medical Expenses will be credited.

You must enroll in the Plan during the open enrollment period, which is the period beginning approximately 60 days before the first day of the Plan Year and ending approximately 30 days before the first day of the Plan Year. Additionally, you must re-enroll each year to continue to participate in the Plan.

Q-7. Is there a limit on how much I can designate to have as my salary reduction for this Plan?

A-7. Yes, you can elect to have a salary reduction up to $3,500 annually.

Q-8. How do I claim reimbursement for my Medical Expenses?

A-8. Generally, you must complete your Employer's designated reimbursement form, which may be found at your benefits office or on the Employer's website. You will likely need to submit a receipt or bill from the individual or organization providing the medical care and a written statement from you verifying that the expenses will not be reimbursed to you through insurance or otherwise, in order to receive reimbursement from your Account. The Employer may choose to establish a set time frame or minimum dollar amount for submitting claims for reimbursement. In any event, all claims for reimbursement of Medical Expenses must be submitted to the Plan Administrator or other individual designated by the Employer no later than 90 days after the close of the applicable Plan Year or within the applicable Grace Period, if any. [See Q&A-11.]

Q-9. Does the Employer actually put money into an account so that the funds are set aside to pay my Medical Expenses?

A-9. No. Your Medical Reimbursement Account is only a bookkeeping entry on the Employer's records. The account is set up so that the Employer can keep track of how

much you have set aside from your compensation to pay for Medical Expenses, and the Medical Expense Reimbursement Claims that you have made to date.

Q-10. If my Medical Expenses are higher than anticipated early in the Plan Year, may I receive reimbursement in excess of my current Medical Reimbursement Account balance, as long as the reimbursement does not exceed the annual dollar amount that I have set aside through salary reduction for Medical Expenses?

A-10. Yes. Your Medical Reimbursement Account is intended to function as insurance, with the full coverage amount being available for reimbursement as of the start of the Plan Year, regardless of your current account balance. As you make claims for Medical Expense Reimbursements throughout the Plan Year, the amount available to you for such reimbursements will decrease accordingly.

Q-11. After the close of the Plan Year, if there are any amounts remaining in my Medical Expense Reimbursement Account against which I have not claimed Medical Expenses, will I receive a refund of any these amounts?

A-11. No. In order to be excludable for federal income tax purposes, any unused amounts set aside by salary reduction for Medical Expenses must be forfeited by you. However, if any unused amounts remain at the end of the Plan Year, reimbursement or payment may be made for Medical Expenses incurred during the Grace Period, which is the period beginning January 1 and ending on the last day of February immediately following the close of the Plan Year.

Q-12. May I change the salary reduction amount that I have designated to be used for reimbursement of Medical Expenses during the Plan Year?

A-12. The amounts may not be changed unless you have a change in status. Except as otherwise provided under the terms of the Plan or as determined by the Plan Administrator, any of the following events constitutes a change in status:

(a) marriage;
(b) divorce, legal separation or annulment;
(c) death of your spouse or dependent;
(d) birth, adoption of a child, or placement for adoption of a child;
(e) commencement or termination of employment by you, your spouse or your dependent;
(f) change in your or your spouse's work schedule including full-time, part-time status, strike or lock out or the beginning or return from unpaid leave;

(g) you, your spouse or dependent becomes eligible for Medicare or Medicaid;

(h) your dependent satisfies or ceases to satisfy dependent eligibility requirements; or

(i) change in your residence or worksite or your spouse's or your dependent's residence or worksite including moving in or out of the territory of the health plan's service area.

Q-13. What happens if the Plan is terminated?

A-13. The Employer has reserved the absolute right to amend or terminate this Plan at anytime. However, if the Plan is amended or terminated, you will remain entitled to claim reimbursement for Medical Expenses incurred prior to the amendment or termination. Whether you actually receive reimbursement for the expenses will depend on the terms of this Plan in effect before the amendment or termination.

Q-14. Are there any other documents that govern the operation of this Plan?

A-14. Yes. The Flexible Benefits Plan document is designed to govern the terms of this Plan. This Summary Plan Description is designed to supplement the terms of the Plan and provide information in an easy-to-understand format. Therefore, any items of concern to you that are not fully addressed in this Summary Plan Description may be further explained in the Flexible Benefits Plan document. Additionally, you may ask the Plan Administrator for information concerning the operation of this Plan.