

THE PENNSYLVANIA STATE UNIVERSITY RETIREMENT HEALTHCARE SAVINGS PLAN

Preparing for your retirement just got a little easier: Penn State will establish a retirement healthcare plan on your behalf to help you pay for medical expenses in retirement.

The Employee Benefit Research Institute estimates that, on average, a 65-year-old today needs approximately \$300,000 to cover the cost of health insurance and out-of-pocket medical expenses until age 90.* To help address this growing concern, we are offering a benefit plan to provide you with a tax-advantaged way to pre-fund your retiree health benefits.

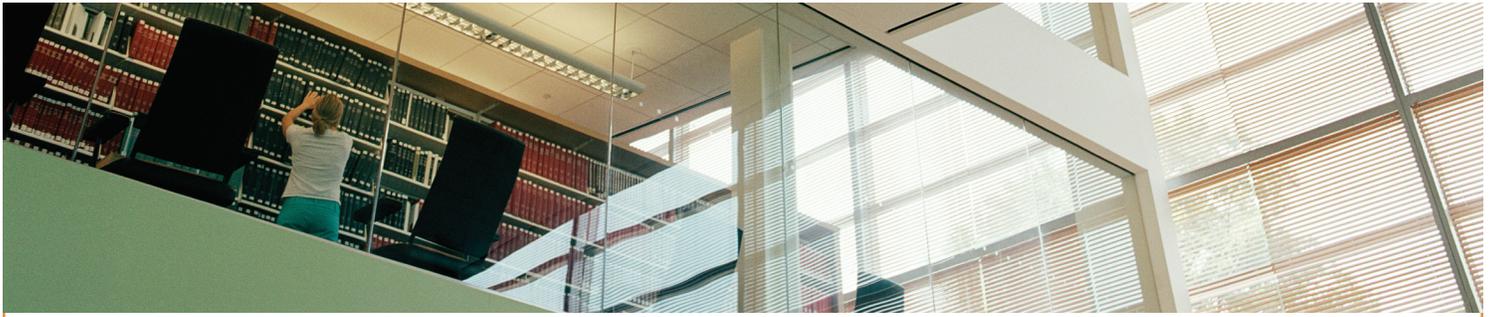
RETIREMENT HEALTHCARE SAVINGS PLAN

The University will contribute \$144 per month, on your behalf, to the retirement healthcare savings plan to help you pay for qualified healthcare expenses at retirement. Contributions will be made by the University, on your behalf, beginning the first full month after you have started employment with Penn State. Unlike your regular retirement account, you will not be required to make any contributions to the healthcare savings plan. The retirement healthcare savings plan will help you prepare for your healthcare expenses at retirement and plan for a financially secure future. Penn State's Retirement Healthcare Savings Plan provides a tax-advantaged way for you to accumulate funds to pay for qualified medical and health-related expenses in retirement, including the purchase of a health insurance policy.

RETIREMENT HEALTHCARE SAVINGS PLAN ADVANTAGES

- Money is set aside for your healthcare expenses at retirement while you are working.
- Money accumulated in your account can be used for a variety of healthcare expenses, such as healthcare insurance, co-payments, deductibles and long-term care insurance for you, your eligible spouse or partner and dependents.
- Realize significant tax advantages:
 - Tax-free growth on any earnings on the contributions Penn State makes on your behalf.
 - Tax-free reimbursement of qualified healthcare expenses at retirement.
- Contributions are directed to TIAA-CREF Lifecycle Funds, that provide a diversified asset allocation that is based on an expected retirement age of 65.
- When you meet the eligibility provisions that qualify you for retirement from Penn State, you will have secure, online access to your healthcare savings account. You will be able to check the status of a claim, submit a premium payment to your health insurance provider and access several health and wellness tools.

* Employee Benefit Research Institute (EBRI) Issue Brief No. 317: May 2008



RETIREMENT HEALTHCARE SAVINGS PLAN FEATURES

When you meet the eligibility provisions to use your account, you will enjoy a user-friendly process for accessing account information, submitting claims and accessing your benefits.

- Your Healthcare Payment Card allows you to pay for qualified healthcare expenses at eligible healthcare providers with a payment card that debits your account, eliminating the need to pay out of pocket and submit a claim for reimbursement later.
- A Secure Online Account lets you manage your claims online.
- Fast and Accurate Online Claims Processing is designed to ensure that your claims are promptly processed and you are reimbursed quickly.
- Health Education Tools provide you with care guides, hospital comparisons, healthy living tips, and more.
- Health Advocates are available to provide you with in-person healthcare assistance.
- Customer Claims service is available 24 hours a day, 365 days a year.

THE PENNSYLVANIA STATE UNIVERSITY RETIREMENT HEALTHCARE SAVINGS PLAN BENEFITS OVERVIEW

Participants	Full-time active employees hired on or after January 1, 2010 will be automatically enrolled by the Penn State Office of Human Resources Employee Benefits Division - no forms are required.
Eligibility Provisions	You are eligible to access your healthcare account when you are no longer actively employed at Penn State and have either (1) completed 25 years of continuous service and are at least age 60, or (2) completed a minimum of 15 years of continuous service and are at least age 65.
Contribution Schedule	Penn State contributes \$144 per month after the first full month following your employment date. (This amount may be adjusted periodically.)
Investments	Contributions made on your behalf will be allocated to a TIAA-CREF Lifecycle Fund based on an assumed retirement age of 65.
Qualified Healthcare Expenses	<ul style="list-style-type: none">▪ Qualified healthcare expenses are IRS section 213(d) expenses such as premiums on a health insurance policy, co-pays, deductibles, prescription drugs and other out-of-pocket related costs.▪ Hospital and surgical expenses, physical therapy, psychotherapy, dental care, weight control programs, eye exams and eyeglasses, special equipment.▪ Premiums for Medicare supplemental plans, long-term care insurance and Medicare Parts B and D. Please refer to IRS Publication 502 for a complete list of expenses.

We are pleased to offer this exciting plan as part of your benefits package through Penn State, and we look forward to helping you to and through retirement. Please contact Penn State HR Services at 814-865-1473 for more information.