PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION
ALTERNATIVE RETIREMENT PLAN

LOAN POLICY EFFECTIVE JANUARY 1, 2015

The Pennsylvania State System of Higher Education established and adopted the Alternative Retirement Plan pursuant to Code Section 401(a) for the purpose of providing benefits for eligible employees and their beneficiaries. The Pennsylvania State System of Higher Education Alternative Retirement Plan includes a loan provision to assist Plan Participants by making accessible funds needed by them to meet financial needs. Loans will be made available to Participants in the Plan in accordance with the following rules, as well as any additional rules or limitations imposed by any Insurer that may administer a loan under the Plan:

1. Application

Although the Participant’s entire account balance and loan history will be taken into consideration in determining entitlement, a loan may be secured only from the portion of the Participant’s account which is held within a single Insurer. Each loan application will be made to the applicable Insurer. The Insurer will verify the Participant’s available account balance and, then, submit the application to the Plan Administrator for review and approval. Each application will be reviewed by the Plan Administrator on a nondiscriminatory basis, but will be judged on the applicant's account balance and loan history and the proposed terms of the loan.

2. Loan Origination and Maintenance Fees

The Plan Administrator may charge a loan origination fee to cover all or a portion of the cost of document preparation. In addition, the Insurer which is the custodian of funds from which the loan proceeds are to emanate and to which loan repayments are to be deposited may charge a loan origination fee and/or a loan maintenance fee in addition to any charge by the custodian of the fund from which the loan proceeds are to emanate. Such amount charged by the applicable Insurer shall be in accordance with its service agreement. The amount of the fees, if any, shall be disclosed on the loan application form. Any fees charged shall be deducted from the Participant's account.

3. Availability and Administration of Loan

Loans will be made available to all Participants on a reasonably equivalent basis, without regard to Participant's intended purpose. No more than 2 loans may be made to any Participant during any Plan Year, and no Participant may have more than 2 loans outstanding at any time. A Participant may only take a loan from a single Insurer; if a Participant is interested in taking a loan in excess of the amount on deposit with any particular Insurer, the Participant must either move funds to a single Insurer or apply for multiple loans. Any amounts segregated within a single Insurer are considered separate accounts for the purpose of this loan policy. Application for a loan by a Participant who, within the previous 2 years, defaulted on a loan from this plan or any other plan sponsored by the Employer shall be denied.

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4. **Loan Amount**

No loan, when aggregated with any then outstanding Participant loan(s), shall exceed the lesser of (i) $50,000 reduced by the excess, if any, of the highest outstanding balance of loans during the one year period ending on the day before the loan is made, over the outstanding balance of loans from the Plan on the date the loan is made or (ii) one-half of the value of a Participant's vested account balance. The minimum amount of any loan shall be $1,000.

5. **Repayment Procedure**

The repayment schedule of (principal and interest) shall provide for level amortization and for payments to be made no less frequently than monthly in cash or by check payable in lawful currency of the United States of America to the Insurer from which the loan was made. Principal and interest payments will be reinvested in the Participant's investment funds in accordance with the Participant's investment allocation then in effect. Notwithstanding the foregoing, the Participant's obligation to repay a loan shall be suspended during a leave of absence for Qualified Military Service, as defined in Internal Revenue Code Section 414(u).

6. **Term and Interest**

Each loan shall be repaid over a period of not more than 5 years, unless such loan is used to acquire a dwelling unit which will be used as the principal residence of the Participant. If a loan is used to acquire a Participant’s principal residence, the loan shall be repaid over a period of not more than 15 years. The rate of interest shall be the prime lending rate plus one percent or such other rate as indicated by the applicable Insurer in accordance with its service agreement.

7. **Security**

Any loan granted hereunder will require a Participant to pledge 50% of his or her vested account balance as collateral for the loan.

8. **Default**

A loan shall be deemed to be in default when a scheduled installment payment is 45 days late. If payment has not been made within 15 days of the installment due date, the applicable Insurer will send to the Participant a letter notifying him or her that payment is due within 30 days of the date of the letter. If payment is not received within such stipulated time period, the following will take place:

A. The loan is considered to be in default as of the date the last payment was due. The applicable Insurer will so notify the Plan Administrator.
B. The remaining principal and accrued interest on the loan is deemed to be due and payable as of the date the last payment was due.

C. The Participant is deemed to have received a "constructive distribution" from the Plan in the amount equal to the remaining loan balance and accrued interest, subject to personal income and penalty taxes. However, the Participant remains obligated to repay the loan. Form W-2P will be provided to the Participant for the calendar year in which the default occurs. The loan, however, will not be charged against the Participant's vested account balance until he or she terminates service, retires, dies, or otherwise qualifies for distribution under the terms of the Plan.

9. Administrator

Although loan applications, documentation, and repayments will be processed by the Insurers to which the Plan Administrator has delegated such duties, the Plan Administrator shall have final authority to approve or deny any loan application. All questions should be addressed to the Assistant Director for Group Benefit and Retirement Programs, Pennsylvania State System of Higher Education, 2986 North Second Street, Harrisburg, PA 17110.

IN WITNESS WHEREOF, this loan policy has been executed this 12th day of November, 2014.

[Signature]

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION

By: [Signature]