SUMMARY PLAN DESCRIPTION

FOR THE

PENNSYLVANIA STATE SYSTEM OF HIGHER EDUCATION
DEPENDENT CARE REIMBURSEMENT ACCOUNT PROGRAM
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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 Dependent Care Reimbursement Account Program (the “Program”) which became effective on January 1, 2002.

The purpose of the Program is to permit Eligible Employees to set aside pre-tax funds to be used to reimburse them for Dependent Care Expenses incurred during the Plan Year. Specifically, Eligible Employees who want to participate in this Dependent Care Assistance Program will specify a salary reduction amount under the Cafeteria Plan to be used for Dependent Care Expenses. Each pay period, the salary reduction amount specified will be credited to an account on the books of the Employer and will be used to reimburse the participant for Dependent Care Expenses as they arise during the Plan Year. Those Eligible Employees who do not need or want to participate in this Dependent Care Assistance Program will simply receive their regular unreduced compensation.

This document is designed to answer the most common questions that arise concerning the operation of the Program. Keep in mind that in order to provide a general summary of the Program provisions, this document is not as technical and detailed as the actual Program and is designed only to highlight some of the Program features that are likely to be most important to you. In many cases, the operation of Program 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 Program in any way. A copy of the Program is on file in the office of the Plan Administrator and is available for your review at any reasonable time. We urge you to read the Program 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 Program, the terms of the Program 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 PROGRAM

THE EMPLOYER:

Name: The Pennsylvania State System of Higher Education

Address: 2986 North Second Street
         Harrisburg, Pennsylvania 17110

Telephone Number: (717) 720-4000

Employer Identification Number: 23-2250505

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

THE PROGRAM

Name: Flexible Benefit Plan

The records of the Program 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 Program?

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

Q-2. Who qualifies as my Dependent for purposes of this Program?

A-2. Any individual in your family who is under age 13 and whom you could claim as a dependent on your federal income tax return qualifies as your Dependent. Also, any other dependent or your spouse who is physically or mentally incapable of caring for himself or herself qualifies as your Dependent. Note that you may claim reimbursement of Dependent Care Expenses for the care of an individual described in the preceding sentence only if he or she spends at least 8 hours a day in your home.

Q-3. What are Dependent Care Expenses?

A-3. Dependent Care Expenses are the expenses that you incur for the care of one or more dependents so that you may work outside the home. For example, if you have dependent children under age 13 who go to a Day Care Center while you are at the office, charges for their care would qualify as Dependent Care Expenses.

Q-4. Who is eligible to participate in the Plan?

A-4. 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-5. If I decide to participate in this Program, may I still claim the Dependent Care Tax Credit on my federal income tax return?

A-5. If you claim the Dependent Care Tax Credit (on IRS Form 2441), every dollar of your salary that you have put into your Dependent Care Reimbursement Account will reduce by one dollar the amount you may claim for this Tax Credit. Thus, you may not add the advantages of the Dependent Care Tax Credit to the use of a Dependent Care
Reimbursement Account. You should carefully examine your own tax situation in deciding whether use of the Dependent Care Tax Credit or participation in the Dependent Care Assistance Program is more advantageous to you. You may wish to consult with a qualified tax professional on this matter.

Q-6. How do I become a Participant in the Dependent Care Reimbursement Account Program?

A-6. In order to participate in the Dependent Care Reimbursement Account Program, you simply need to designate a salary reduction amount under the Cafeteria Plan to be deducted from your pay for Dependent Care Expenses. The Employer then will establish a Dependent Care Reimbursement Account on the company’s books, to which the salary reduction amount which you designated for Dependent Care Expenses will be credited.

Q-7. Does the Employer actually put money into an account so that the funds are set aside to pay my Dependent Care Expenses?

A-7. No. Your Dependent Care 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 Dependent Care Expenses and the Dependent Care Reimbursement Claims that you have made to date.

Q-8. If my Dependent Care Expenses are higher than anticipated early in the Plan Year, may I receive reimbursement in excess of my current Dependent Care Reimbursement Account balance, as long as the reimbursement does not exceed the annual dollar amount that I have agreed to set aside through salary reduction for Dependent Care Expenses?

A-8. No. You may never receive reimbursement in excess your current Dependent Care Reimbursement Account balance as of the time that the reimbursement claim is to be paid. However, as long as the Dependent Care Expenses are incurred in the current Plan Year, you may receive reimbursement for such charges as soon as your account balance is sufficient to pay the charges.

Q-9. How do I claim reimbursement for my Dependent Care Expenses?

A-9. Generally, you must submit a receipt or bill from the individual or organization providing the Dependent Care Services 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 Dependent Care 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.

Q-10. Are there any restrictions on whom I may use as a Dependent Care Provider?
A-10. In order for the Dependent Care Reimbursement Amounts that you receive from the Employer to be excludable for federal income tax purposes, you must provide the name, address and tax identification number of the person performing the Dependent Care Services on your federal income tax return.

Additionally, if Dependent Care Services are provided outside of your home by a facility, such as a Day Care Center, that cares for six or more individuals and receives payment for providing services, the facility must comply with all applicable state and local laws and regulations. You also should be aware that Dependent Care Expenses for care provided by one of your dependents or a child of yours who is under the age of 19 are not reimbursable under this Program.

Q-11. After the close of the Plan Year, if there are any amounts remaining in my Dependent Care Reimbursement Account against which I have not claimed Dependent Care 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 Dependent Care Expenses must be forfeited by you.

Q-12. If I cease to be a Participant in the Flexible Benefits Plan, as a result of termination of my employment or otherwise, will I still be allowed to submit claims against the balances in my Dependent Care Reimbursement Account?

A-12. Generally, yes. Even if you cease to be a Participant, you will still be allowed to submit claims against the balances in his Dependent Care Reimbursement Account for qualified expenses incurred through the end of the Plan Year, as explained in the Flexible Benefits Plan.

Q-13. May I change the salary reduction amount that I have designated to be used for reimbursement of Dependent Care Expenses during the Plan Year?

A-13. Generally, no. The amount may not be changed unless you have a change in family status, as explained in the Flexible Benefits Plan.

Q-14. What happens if the Program is terminated?

A-14. The Employer has reserved the absolute right to amend or terminate the Program at any time. However, if the Program is amended or terminated, you will remain entitled to claim reimbursement for Dependent Care Expenses incurred prior to the amendment or termination. Whether you will receive reimbursement for the expenses will depend on the terms of this Program in effect before the amendment or termination.
Q-15. Are there any other documents that govern the operation of this Program?

A-15. Yes. The Flexible Benefits Plan is designed to supplement the terms of this Plan. 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, particularly questions relating to how the salary reduction agreement works. Or, you may ask the Plan Administrator for information concerning the operation of this Program.