Highmark Retirement Plan

Page

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The Highmark Retirement Plan

Introduction

This summary plan description describes the Highmark Retirement Plan (the "Plan") as in effect as of January 1, 2014.

Few goals are of greater long-range importance than providing for a financially secure retirement. That is why Highmark sponsors the Highmark Retirement Plan. The Plan is designed to provide you with retirement income for life based on your salary and your years of benefit service with the Company. When your retirement benefit is combined with Social Security, your Highmark Investment Plan savings and your personal savings, it offers valuable financial security for your retirement years.

> Note for Delaware Retirement Plan Participants: Effective January 1, 2014, the Highmark Delaware Retirement Plan (the "Delaware Retirement Plan") was merged into this Plan, and all participants in the Delaware Retirement Plan ("Delaware Participants") became participants in the Plan. Delaware Participants who met certain age and service requirements as of January 1, 2003 were "Grandfathered" into a different benefit formula, and remain grandfathered in that benefit formula after the merger of the plans. A separate summary plan description has been prepared for Grandfathered Delaware Participants. If you are a Grandfathered Delaware Participant, you should refer to that summary plan description for information about your benefits from the Plan. Certain Grandfathered Delaware Participants who were re-hired after January 1, 2003 will have both Grandfathered and non-Grandfathered benefits, and will need to review both this summary and the summary for Grandfathered benefits to gain an understanding of their aggregate benefits from the Plan.
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> In addition, if you had a vested benefit in the Delaware Retirement Plan but do not have an hour of service on or after January 1, 2014, many provisions of the Delaware Retirement Plan have carried over and apply to your benefits. You should consult the prior summary plan description for the Delaware Retirement Plan to understand how your benefits were calculated and how and when they will be paid. This summary plan description will generally alert you when these Delaware Retirement Plan provisions apply. You can obtain a summary plan description of the Delaware Retirement Plan by contacting the myHighmark Contact Center.
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> Finally, if you are an employee of Highmark Delaware but did not participate in the Delaware Retirement Plan because that plan was frozen as of January 1, 2012, you may qualify for participation in this Plan with benefit accruals retroactive to your date of hire. Please see page 4.
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> Note for participants who were employed at Highmark Inc. before July 2008: Remember that some important changes to the Plan went into effect in 2010. For example, your benefit now consists of two components - a Legacy Accrued Benefit (the "Legacy Benefit") that you earned before April 3, 2010, and a Retirement Accumulation Account (the "Retirement Account") that you earn on or after April 3, 2010. If you were first hired on or after July 2, 2008, you did not accrue a Legacy Benefit and your entire benefit will be based on your balance in the Retirement Account.

You should read this summary plan description carefully. The following table summarizes the main benefit features under the Plan. More information is provided throughout the rest of this summary plan description.

Your Pension Benefits at a Glance	
Plan Feature	**Description**
Benefit formula	If you are first hired after July 1, 2008, your benefit is equal to the balance in your <u>Retirement Account</u>. If you were a Delaware Participant, your "<u>PEP Balance</u>" as of December 31, 2013 is the starting balance in your Retirement Account. If you were first hired by Highmark Inc. on or before July 1, 2008, your benefit will consist of a <u>Legacy Benefit</u> based on your <u>benefit service</u> and your <u>final average compensation</u> through April 2, 2010, plus a <u>Retirement Account</u> benefit for service after April 2, 2010.
Vesting	You are 100% vested in your Plan benefits after three years of service if you work for the Company after 2009. Highmark Delaware service is credited for this purpose.
When benefits begin	If you work for the Company after 2009, you can begin receiving your Plan benefits after you leave employment with the Company and its affiliates. You can also defer commencement of your benefits up to the later of your retirement or age 65.
How benefits are paid	There are several options, including annuities that can provide monthly payments to you and your spouse for the rest of your lives. You can also receive a lump sum distribution of your <u>Retirement Account</u> and, if you work for Highmark or an affiliated company after 2009, the present value of your <u>Legacy Benefit</u> if it does not exceed $25,000.
Death benefits	If you have a vested benefit and you die before the commencement of your benefits, your surviving spouse or domestic partner can get a death benefit. If you work for Highmark or an affiliated company after 2009, you can designate a different beneficiary. However, if you are married, your spouse must consent to the designation of another person as your beneficiary. **If you were a Delaware Participant, a valid beneficiary designation you had on file with the Delaware Retirement Plan as of December 31, 2013 was carried over to the Highmark Retirement Plan. You should review and update your designation of beneficiary now through the myHighmark Contact Center.**

Eligibility and Enrollment

You are eligible to participate in the Highmark Retirement Plan on the January 1 or July 1 that falls on or after the date you reach age 21, complete a year of service with Highmark or any participating company (which are referred to collectively in this booklet as the Company), or any affiliate of the Company, and are employed by the Company. You do not have to complete an enrollment form to participate in the Plan.

You are eligible to participate in the Plan on the first January 1 or July 1 that falls on or after the date:

- you reach age 21; and
- you complete a year of service.

However, you must be employed by a participating employer to become a participant in the Highmark Retirement Plan. Enrollment in the Plan is automatic; you do not have to complete an enrollment form.

You were automatically eligible to participate in the Highmark Retirement Plan if you were a participant in the Pension Plan of Veritus, Inc. (the "Veritus Plan") or the Retirement Plan for Eligible Employees of Pennsylvania Blue Shield on December 31, 1997 and continued to be employed by Highmark Inc. after that date. These plans are referred to as prior plans in this booklet.

Defining Years of Service for Eligibility
A year of service for eligibility purposes is a computation period during which you complete at least 1,000 hours of service with the Company or any affiliate of the Company. The computation period is the 12-month period beginning on your most recent date of hire. However, if you do not complete 1,000 hours of service in the 12-month period beginning after your date of hire, the computation period changes to the calendar year. Therefore, if you do not complete 1,000 hours of service in the 12-month period after you are hired, you will begin to participate on January 1 after the first calendar year in which you complete 1,000 hours of service. Before 2010, the computation period for eligibility was each anniversary of your date of hire. **Example:** Joe is hired by Highmark on May 2, 2013 and is age 32 on his date of hire. He works less than 1,000 hours of service from May 2, 2013 through May 1, 2014, and therefore will not enter the Plan on July 1, 2014. However, Joe works more than 1,000 hours of service during the 2014 calendar year. Therefore, he will become a participant in the Plan on January 1, 2015. In addition, if you were employed in Mutual of Omaha's stop-loss line of business and became an employee of Highmark Insurance Group on January 1, 2011, your most recent period of continuous service with Mutual of Omaha prior to that date will count for eligibility and vesting purposes, provided you were continuously employed by Mutual of Omaha or a Highmark affiliate until at least January 1, 2011.

Defining Hours of Service
An <u>hour of service</u> is each hour you actually work for the Company or an affiliate of the Company, plus: ■ Each regularly scheduled work hour that you are absent due to an approved absence − up to a maximum of 501 hours of service in a computation period. Approved absences include vacation, holidays, personal leave, illness, disability, temporary layoff, jury duty, military leave (if you return to work within the period allowed by law) or other approved leave of absence. ■ Each hour for which back pay has been either awarded or agreed to by the Company or an <u>affiliate</u> (to the extent not already counted above). ■ If you participated in the Inter-County Hospitalization Plan, Inc. Pension Plan (the "ICHP Plan"), your hours of service with ICHP before 1990 count for all purposes of the Highmark Retirement Plan. ■ If you are an employee of Gateway Health Plan, L.P. or Gateway Health Plan, Inc. (collectively "Gateway"), your hours of service with Gateway count for all purposes of the Highmark Retirement Plan. ■ If you are an employee of Highmark Delaware, your hours of service with Highmark Delaware count for all purposes of the Highmark Retirement Plan.

You are not eligible to participate in the Highmark Retirement Plan if you are:

- A leased employee, independent contractor, consultant or other person who provides services pursuant to an agreement that does not provide for participation in the Highmark Retirement Plan;
- An employee whose benefits are negotiated by a collective bargaining unit, unless the collective bargaining agreement allows for participation;
- Not treated by your <u>participating employer</u> as a common law employee;
- Employed by an <u>affiliate</u> that does not participate in the Plan; or
- A non-resident alien who does not receive any income from United States sources.

If you have any questions about your eligibility status, please contact the myHighmark Contact Center at 1-855-694-4446.

<u>Special Rules for Delaware Employees</u>: Delaware Participants on December 31, 2013 automatically became participants in this Plan on January 1, 2014 as a result of the merger of the Delaware Retirement Plan into this Plan.

In addition, certain employees of Highmark Delaware did not become participants in the Delaware Retirement Plan because it was frozen to new participants in 2012. If you are a Highmark Delaware employee who otherwise met the age and service requirements to participate in the Delaware Retirement Plan, but did not become a participant because of this freeze, you became a participant in this Plan effective January 1, 2014. You will be credited with benefit accruals retroactive to the date that you would have started to earn benefit accruals in this Plan, which may be as early as your date of hire. See below under "Retirement Account" for a description of these rules.

Special Rules for Employees of Highmark West Virginia. If you transferred employment from a participating employer to Highmark West Virginia on or after January 1, 2013, you continued to participate in the Plan upon your transfer (assuming you are otherwise eligible). If you transferred from Highmark West Virginia to Highmark, your service at Highmark West Virginia is counted for the Plan. In addition, if you were eligible to receive transition credits under Highmark West Virginia's retirement plan, you will be eligible to receive transition credits in this Plan through the pay period that includes December 31, 2020 (the date transition credits under West Virginia's retirement plan are due to end).

Military Service

If you are a participant in the Plan and enter qualified military service, special rules apply to the calculation of your benefits and service under the Plan.

- If you receive differential wage payments from your participating employer during your military service, these payments will be treated as compensation and you will be an active participant under the Plan, even if you do not return to employment with the participating employer at the end of your military service.

- If, following the completion of your military service, you return to employment with the participating employer within the period provided by law, you will receive credit for benefit accruals and vesting for the period of your military service as though you had been working for the participating employer during the period of your military service.

- If you die during your military service, you will receive credit for vesting purposes (but not for the purpose of calculating your benefit) for the period of your military service.

Please contact the Plan Administrator if you have any other questions about how your military service affects your benefits under the Plan.

Who Pays for the Highmark Retirement Plan

The participating employers make contributions to the Highmark Retirement Plan on your behalf. There is no cost to you. The participating employers' contributions are held in trust to provide Plan benefits.

Vesting and Termination of Employment

You become 100% vested in your Highmark Retirement Plan benefit after three years of service. You also become 100% vested if you are an active employee at your normal retirement age (generally age 65 for participants with an hour of service after December 31, 2013). Participants who terminated prior to January 1, 2010 became vested after five years of service.

Vesting refers to your permanent right to the value of your Highmark Retirement Plan benefit. You become 100% vested in your Plan benefit when you complete three years of service (five years if you were previously a Highmark employee and you do not have an Hour of Service on or after January 1, 2010). In addition, you become vested in your benefit under the Plan when you reach normal retirement age as an active employee of the Company or an affiliate.

If you leave employment with the Company before you are vested, you will forfeit your non-vested pension benefits. If you return to employment with the Company before you have five consecutive one-year breaks in service, your pension benefits may be restored as described below.

For Synertech and HMS Employees: If you were continuously employed by Synertech between April 30, 1998 and May 29, 2008, you became 100% vested in your plan benefit on May 29, 2008. Additionally, former employees of Highmark Medicare Services, Inc. whose employment with Highmark's group of companies ended on December 31, 2011 as a result of the sale of HMS to Diversified Service Options, Inc. will be vested in their benefit even if they had not earned 3 years of service at the time of the sale.

For Highmark Delaware Employees: If you began participating in the Plan on January 1, 2014 as a result of the merger of the Delaware Retirement Plan into this Plan, your years of service for periods before January 1, 2014 were calculated under the rules provided in the Delaware Retirement Plan, including the rules relating to breaks in service. Under the Delaware Retirement Plan, if your employment with Highmark Delaware ended before January 1, 2008, you were required to complete five years of vesting service in order to be vested, or else reach age 65 while you were employed by the Company.

Defining Years of Service for Vesting
A year of service for vesting purposes is a computation period during which you complete at least 1,000 hours of service with a participating employer or any affiliate. A computation period is the 12-month period beginning on your date of hire and each anniversary of that date (your anniversary date). For vesting purposes, if you were hired by the Company on or after July 1, 1986 and before January 1, 2010, you will also get vesting credit for service with another Blue Cross/Blue Shield employer that you worked for within six months of your hire date at the Company, after you meet the eligibility criteria for the Highmark Retirement Plan. If you are hired by the Company on or after January 1, 2010, your "prior Blue service" will not be recognized under the Plan for any purpose. In addition, if you are a **Transferred SeniorCareBLUE Participant** who rejoined Highmark on February 13, 2006, your service with SeniorCareBLUE prior to that date will count to the same extent as if it were service for Highmark. For vesting purposes, if you became an employee of the Company due to the Highmark Insurance Group's acquisition of Mutual of Omaha's stop-loss line of business, your most recent period of continuous service with Mutual of Omaha prior to that date will count for vesting purposes, as long as you were continuously employed through January 1, 2011. Under the Delaware Retirement Plan, you earned a year of service for vesting prior to 2014 by working at least 1,000 hours during a calendar year. If you were an employee of Highmark Delaware on January 1, 2014 (or you terminated before then but are reemployed within a year of your prior termination), a new vesting computation period will begin on January 1, 2014 and each subsequent January 1 (unless you get a new "hire date" because you are reemployed after a break in service).

Transferring to an Affiliated Company

If you transfer to an affiliate that does not participate in the Highmark Retirement Plan, your years of service with the affiliate will still be used to determine your vesting under the Plan. Your years of service with the affiliate will not count toward the calculation of your benefit.

Forfeiting Service Under the Highmark Retirement Plan

A one-year break in service is any 12-month period beginning on your most recent date of hire or any anniversary date during which you complete less than 501 hours of service. You will incur a five-year break in service when you have at least five consecutive one-year breaks in service.

If you are not vested in your benefits under the Highmark Retirement Plan when you leave employment with the Company and you are either not rehired or are rehired after a five-year break in service, you will lose credit for your prior years of service for all purposes of the Plan. See If You Are Rehired, below.

For purposes of determining whether a one-year break in service has occurred, you are eligible to receive credit for up to 501 hours of service for an absence due to your pregnancy, the birth of your child, the placement in connection with the adoption of a child, or the need to care for your child during a period immediately following the child's birth or placement. This credit may prevent you from incurring a one-year break in service in the year in which your absence begins or in the following year to which your absence extends.

You will not incur a one-year break in service for any of the following reasons:

- You are absent from work due to a leave under the Family and Medical Leave Act, up to a maximum of 12 work-weeks;

- You are absent from work because of an authorized leave of absence for military service and you return to the participating employer within the period of time required by law; or

- You transfer to another participating company or to an affiliate that does not participate in the Plan.

For Veritus Plan Participants. If you were a participant in the former Veritus Plan and you left the Company during a computation period that began before January 1, 1998, your break in service will be measured under the terms of that Plan.

For Delaware Participants. If you were a Delaware Participant and you left Highmark Delaware before January 1, 2014, your break in service will be measured under the terms of that Plan. While these rules are similar to the Highmark Plan rules, you should consult the Summary Plan Description for the Delaware Retirement Plan for details.

If You Are Rehired

Your years of vesting service and benefit service completed before a five-year break in service may be restored, depending on your vested status and the length of your absence.

- Before you are vested. If you leave the Company before you are vested and you are rehired before incurring a five-year break in service, your vesting service and benefit service earned before you left will be restored. If you have a five-year break in service, however, you will forfeit all benefits and service earned before you left.

- After you are vested. If you leave the Company after you are fully vested and are rehired, your prior vesting service will be restored regardless of the length of your absence after you again satisfy the Plan's eligibility requirements following your re-employment. Benefit service may or may not be restored:

    - If you received a lump sum payment when you originally left the participating employer, the benefit service attributable to your original period of employment will not be restored because the Plan has already paid you for that period of service.

    - If you did not receive a lump sum payment when you originally terminated from the participating employer, your benefit service will be restored (regardless of the length of your absence).

If you are re-employed after incurring a five-year break in service, you must satisfy the Plan's eligibility requirements following your re-employment in order to begin actively participating in the Highmark Retirement Plan again.

Reemployment After Retirement

If you begin receiving retirement benefits from the Highmark Retirement Plan and are subsequently rehired by the Company or a participating employer (working at least 1,000 hours during the 12-month period after you return or any computation period after that), your benefits will be suspended during any month in which you earn at least 83⅓ hours of service. Your benefits will resume no later than the third month after you again retire from the Company or the participating employer, or you work fewer than 83⅓ hours in a month, if earlier. However, your benefits will not be suspended if you are rehired on or after January 1, 2010 and after your normal retirement date.

If you are reemployed after you begin receiving benefits after your normal retirement date and then retire, your prior distribution election will continue to apply. However, if you are reemployed after you begin receiving benefits before your normal retirement date you will need to again elect your annuity starting date and distribution option for the benefit you accrue during reemployment.

For Delaware Participants Rehired before January 1, 2014: A Delaware Participant who was in re-employment status on December 31, 2013 will have pension payments suspended if he or she works at least 83⅓ hours in a month, regardless of whether he or she has earns at least 1,000 hours in a computation period or was re-hired prior to his or her normal retirement date.

Legacy Benefits

If you were a Highmark employee before July 2, 2008, your benefit under the Plan consists of two components: (1) your Legacy Benefit, which you earned prior to April 3, 2010; and (2) your Retirement Account, which you earn on or after April 3, 2010. This section describes the Legacy Benefit. If you were not a Highmark employee before July 2, 2008, you do not have a Legacy Benefit and can skip pages 10 to 16.

If you were first hired on or after July 2, 2008, you will not have a Legacy Benefit. All of your benefits will be determined by your Retirement Account. See "Retirement Account" below.

Your Legacy Benefit is determined by a formula based on your final average compensation, covered compensation, and years of benefit service. These terms are described in more detail in the following paragraphs.

Final Average Compensation

Generally, final average compensation is the average of your 130 highest consecutive biweekly pay periods of compensation with the Company out of the last 260 consecutive biweekly pay periods of your employment. If you have less than 130 consecutive pay periods with the Company, your average will be determined using all your pay periods. However, compensation you earn after April 2, 2010 does not count towards final average compensation, since this compensation is used to compute credits to your Retirement Account.

Compensation
Compensation means your basic annual rate of salary or wages paid by the Company, including (a) contributions to the Highmark Investment Plan or Flex Plan and reimbursement of qualified transportation expenses, (b) beginning January 1, 1994, overtime, shift differentials, marketing commissions, sales incentives and bonuses, (c) beginning January 1, 1998, annual incentive compensation actually paid, and (d) beginning January 1, 2009, any differential wage payments you receive from the Company during your military service. Compensation does not include contributions to this plan, non-qualified deferred compensation, any fringe benefits, (including "opt out" payments under the Flex Plan), insurance, severance pay, pension benefits, long-term incentive pay, or reimbursement for business travel or entertainment expenses. If you participated in the Veritus Plan, your compensation for years before 1998 will be determined under the terms of that prior plan. If you are a **Transferred SeniorCareBLUE Participant** who rejoined Highmark on February 13, 2006, your compensation from SeniorCareBLUE prior to that date will count to the same extent as if it were compensation from Highmark. Please note that the IRS limits the amount of compensation that can be used for Highmark Retirement Plan purposes. Refer to Important Information About the Highmark Retirement Plan for details. Changes to this limit after April 2, 2010 do not affect the calculation of your Legacy Benefit. In 2010, the last year in which Compensation was used to calculate Legacy Benefits, the annual limit was $245,000.

Covered Compensation

Covered compensation is the average of the annual maximum Social Security taxable wage base (on which you and the Company pay Social Security taxes) in effect for each calendar year during the 35-year period ending on the last day of the calendar year in which you reach your Social Security retirement age. This amount changes from year to year based on cost-of-living adjustments to the Social Security taxable wage base, but no change in the maximum taxable wage base is taken into account in calculating your Legacy Benefit after April 2, 2010 or after you leave employment.

Covered compensation tables are published annually by the IRS and can be found on the IRS website at www.irs.gov. The Social Security taxable wage bases for prior years can be found at www.ssa.gov/OACT/COLA/cbb.html.

Benefit Service

For purposes of determining your Legacy Benefit, you will earn a year of benefit service for each 12-month period beginning on your most recent date of hire and each anniversary date during which you complete at least 1,000 hours of service with the Company. Service after April 2, 2010 does not count for this purpose, as this service is used to compute your Retirement Account.

If you earn fewer than 1,000 hours of service with the Company in any "computation year" (based on your anniversary date), you will not receive any benefit service for that year. If you earn less than 1,000 hours of service in your last computation year of employment with the Company, benefit service for that year will be prorated based on how many days you worked that year. This partial year of benefit service will equal your actual days of employment divided by 365 (or 366 in a leap year).

Also remember that for purposes of determining benefit service, you will receive credit for up to 501 hours of service for any single continuous computation period during which you are on an approved absence. See Defining Hours of Service. Service with any affiliate of the Company that is not a participating company in the Highmark Retirement Plan, or prior to the affiliate becoming a participating company, is not counted in calculating your benefits under the Plan. If you participated in a prior plan, years of benefit service earned prior to January 1, 1998 will be determined under the terms of that prior plan.

In addition, if you are a **Transferred SeniorCareBLUE Participant** who rejoined Highmark on February 13, 2006, your service with SeniorCareBLUE prior to that date will count to the same extent as if it was service for Highmark.

For Employees of Gateway Health Plan, L.P. and Gateway Health Plan, Inc.: Because the Pension Plan of Gateway Health Plan, L.P. (the "Gateway Plan") was merged into the Highmark Retirement Plan effective December 31, 2004, and the plans had identical benefit formulas, all of your salary, vesting and benefit service under the Gateway Plan will count as if it were service with Highmark. You will receive one total benefit from the Highmark Retirement Plan which includes all of the benefits earned under the Gateway Plan.

Legacy Benefit Formula

Your Legacy Benefit is calculated as an annual annuity beginning on the first of the month following your 65th birthday, provided you complete at least one hour of service after December 31, 2013. This is your normal retirement date.

If you do not complete at least one hour of service after December 31, 2013, your normal retirement date is defined below:

- If you do not complete at least an hour of service after December 31, 2009, your normal retirement date is the later of your attainment of age 65 or your completion of five years of service.
- If you complete at least an hour of service after December 31, 2009 but you do not complete an hour of service after December 31, 2013, your normal retirement date is the later of your attainment of age 65 or your completion of three years of service.

Your Legacy Benefit as of your normal retirement date is the greater of the amounts determined under Formula A or Formula B, below (not including compensation and benefit service earned after April 2, 2010):

Formula A – Integrated Formula at Normal Retirement Date
1.15% times your final average compensation up to your covered compensation times your years of projected benefit service (up to 33 years) **Plus** 1.65% times your final average compensation above your covered compensation times your years of projected benefit service (up to 33 years) **Plus** 1.65% times your final average compensation times your years of projected benefit service (above 33 years)
Formula B – Non-Integrated Formula at Normal Retirement Date
1.6% times your final average compensation times your years of projected benefit service (up to 28 years)

Your benefit service is determined when you actually retire, even if it is later than your normal retirement date.

Your normal retirement benefit is payable beginning the first of the month following the later of your normal retirement date or your actual retirement.

If you were a participant in the Veritus Plan and were credited under that Plan with benefit service for work with a prior employer, your benefit attributable to that service will be reduced by the benefit you earned under that prior employer's plan.

Minimum Benefits

- If you were a participant in the Veritus Plan, your benefit will not be less than the accrued benefit you earned under that prior plan as of December 31, 1997.
- If you were a participant in the ICHP Plan on December 31, 1989, your benefit will not be less than the accrued benefit you earned under that plan as of December 31, 1989.

- If you were a participant in the Retirement Plan for Eligible Employees of Pennsylvania Blue Shield (Medical Association of Pennsylvania) on December 31, 1988, your benefit will not be less than the accrued benefit you earned under that plan as of December 31, 1988.

- If you were a participant in the Gateway Plan, your benefit will not be less than the accrued benefit you earned under that plan as of December 31, 2004 (or, if earlier, the date you were transferred to the Company).

Your Legacy Benefit is Adjusted if You Stop Accruing Legacy Benefits Before Your Normal Retirement Date

If you leave the Company and its affiliates or stop accruing Legacy Benefits before your normal retirement date, your Legacy Benefit is adjusted.

Your accrued benefit is the Legacy Benefit you have earned through April 2, 2010, or, if earlier, the date you stop working with the Company using the benefit service you would have earned if you had continued working for the Company until your normal retirement date (including benefit service after April 2, 2010), and then multiplying that benefit amount by the fraction set forth in the formula below.

Formula for Accrued Benefit Fraction
Your years of benefit service as of the earlier of the date you leave the Company or April 2, 2010 **divided by** Your projected years of benefit service at your normal retirement date as if you had continued working for the Company until your normal retirement date (including benefit service after April 2, 2010). The fraction cannot be more than 1.

In addition to reducing your benefit by multiplying it by the fraction above, your normal retirement benefit under the Legacy Benefit formula will be reduced if you begin receiving payments before age 65 (or before age 62, if you have 20 or more years of benefit service and retire at or after reaching age 55). The amount of the reduction depends on your age and benefit service with the Company, as follows:

- If you begin receiving your Legacy Benefit on or after age 55 and either left employment before age 55 or have less than 20 years of benefit service, your Legacy Benefit will be reduced by 6% for each year (or .5% for each month) that payments begin before age 65.

- If you both retire from employment and begin receiving your Legacy Benefit on or after age 55, and you have at least 20 years of benefit service, your Legacy Benefit will be reduced by 6% for each year (or .5% for each month) that payments begin before age 62; there is no reduction for payments received at or after age 62.

- If you begin receiving your Legacy Benefit before age 55, your Legacy Benefit will be further reduced using the actuarial factors provided in the Plan. Note that if you terminated employment before January 1, 2010, you cannot begin receiving your Legacy Benefit before you reach age 55.

To determine the early retirement adjustment that will apply to you if you begin your payments on or after age 55, consult the following tables:

Age at which you start payments	Early Retirement Adjustment Factor *	
	Column A: If you left the Company after age 55 with at least 20 years of benefit service	Column B: If you left the Company before age 55, or you had less than 20 years of benefit service
55	58%	40%
56	64%	46%
57	70%	52%
58	76%	58%
59	82%	64%
60	88%	70%
61	94%	76%
62	100%	82%
63	100%	88%
64	100%	94%
65	100%	100%
* Early retirement adjustment factor interpolated for partial year.		

In addition, if you work an hour of service after January 1, 2010, you may elect to begin receiving your Legacy Benefit before you reach age 55. If you do, your Legacy Benefit will first be reduced to age 55 using the early retirement adjustment factors shown in Column B of the above table. Your Legacy Benefit will then be further reduced so that your early retirement benefit is actuarially equivalent to the benefit that you would have received on the first of the month following your 55th birthday. The actuarial early retirement adjustment for commencement prior to age 55 will be based on the "PPA 2010" mortality table and an annual interest rate of 7%.

If you were a participant in a prior plan on December 31, 1997, in no event will your early retirement benefit under this Plan be less than your accrued early retirement benefit you earned under the prior plan as of January 1, 1998.

Example 1: Your Legacy Benefit

Assume you decide to retire in 2015 at age 65 with 40 years of benefit service, 35 of which are earned under the Legacy Benefit formula. Also assume your final average compensation as of April 2, 2010 is $6,500 per month. Based on your 2015 retirement date, your monthly covered compensation is $6,160. Therefore, your monthly final average compensation above covered compensation is $340. Also, your monthly accrued benefit under the prior plan as of January 1, 1998 was $1,600. Here's how your Legacy normal retirement benefit is determined:

Step 1 - Determine Your Projected Legacy Benefit.

Your projected normal retirement benefit is the benefit you would have at your normal retirement date based on your current compensation record, assuming you continued to work until age 65.

Formula A - Integrated Benefit Formula	
1.15% of final average compensation up to covered compensation x years of benefit service projected up to age 65 (up to 33 years) = .0115 x $6,160 x 33 years	$2,337.72
1.65% of final average compensation above covered compensation x years of benefit service projected up to age 65 (up to 33 years) = .0165 x $340 x 33 years	+ 185.13
1.65% of final average compensation x years of benefit service projected up to age 65 (above 33 years) =.0165 x $6,500 x 7 (40 years - 33 years)	+ 750.75
Total	$3,273.60

Formula B - Non-Integrated Benefit Formula	
1.6% of final average compensation x years of benefit service projected up to age 65 (up to 28 years) = .016 x $6,500 x 28 years	$2,912.00

Your Legacy accrued benefit will be based on the higher of these projected benefits, in this case, the Formula A amount of $3,273.60.

Step 2 - Determine Your Accrued Benefit.

To calculate your accrued benefit, your projected normal retirement benefit calculated in Step 1, is multiplied by your accrued benefit percentage. The numerator of this percentage is your actual years of benefit service up to the earlier of April 2, 2010 or the day you leave the Company. The denominator is your projected years of benefit service at your normal retirement date (including years of benefit service earned after April 2, 2010). This fraction cannot be more than 1.

In our example, you had 40 years of benefit service when you left the Company in 2015, 35 of which are earned under the Legacy Benefit formula. Your projected benefit service at your normal retirement date is 40. Therefore, your accrued benefit percentage is 87.5% (35 years / 40 years):

Formula A - Integrated Benefit Formula	
Projected Legacy Normal Retirement Benefit	$3,273.60
Accrued Benefit Percentage	x .875
Total	$2,864.40

If you were a participant in the Veritus Plan, this amount is compared to your grandfathered benefit under the Veritus Plan (let's assume that amount was $1,600), and the higher benefit is your accrued benefit. Accordingly, $2,864.40 is the amount payable to you each month for life beginning at age 65. Keep in mind that your monthly payment will be adjusted if you elect to receive it in any other payment form – for example, in monthly payments over your lifetime and the lifetime of your spouse. See How Benefits are Paid and Optional Forms of Payment. Of course, if you continue in employment with the Company after April 2, 2010, your Legacy Benefit will not increase, but you earn benefits in your Retirement Account if you work at least 1,000 hours in a calendar year, as described below.

Example 2: You Begin Your Legacy Benefit Before Age 65

Assume you decide to retire from active employment in 2015 at age 55 with 18 years of benefit service, 13 of which are covered under the Legacy Benefit formula. Also assume that after calculating your accrued benefit as in the example above, your accrued benefit, the amount payable to you each month for life beginning at age 65, is $1,000 per month.

Because you retired from active employment at or after age 55 and have less than 20 years of benefit service, your benefit is reduced by 6% for each year (or .5% for each month) by which payments begin before age 65.

$ 1,000 (accrued benefit if you begin at age 65)	$ 1,000
minus 60% (early retirement reduction factor is (6% x 10 years))	- $ 600
Benefit commencing at age 55	$ 400

In the example above, your early retirement benefit under the Legacy Benefit formula at age 55 is $400. This is the amount payable to you each month for life beginning the first of the month on or after age 55. If you defer your benefit until age 65, you would receive $1,000 each month. Keep in mind that your monthly payment will be further reduced if you elect to receive it in any other payment form – for example, in monthly payments over your lifetime and the lifetime of your spouse.

Also, if you terminated before January 1, 2010, benefits will be reduced for the cost of the pre-retirement death benefit coverage if you are married (or have a Declaration of Domestic Partnership on file) and you do not waive the pre-retirement death benefit after your employment terminates.

Note: If you have more than 20 years of benefit service at your retirement, your early commencement reduction is measured from age 62, not age 65.

If you were a participant in the Veritus Plan, your early retirement benefit will never be less than the early retirement benefit you had accrued under that plan as of December 31, 1997.

Retirement Account

For periods of service on or after April 3, 2010, you will accrue benefits through credits to your Retirement Account. Your Retirement Account benefit is always equal to the balance in your Retirement Account. See below for special rules that apply to Delaware Participants.

Points

Credits to your Retirement Account are based on the number of "points" that you have earned at the beginning of each Plan Year, except that if you were hired before July 2, 2008, your pay credit (and transition credit, if you qualify to receive it) for the 2010 plan year were determined based on your points on April 3, 2010. If you were hired after July 1, 2008, your pay credit for 2010 will be determined based your points on January 1, 2010.

Calculating Points
Your points for each Plan Year equal the sum of the following: • Your age, plus • Your years of benefit service. Points are determined as of January 1 of each plan year, except for the purpose of determining your eligibility for transition credits. In computing your points, fractions of years for benefit service and your age are counted. For example, if on January 1 of a Plan Year you have 12.451863 years of benefit service and your age is 45.700900, your points for the year will be 58.152763. For **Highmark employees**, points for eligibility for transition credits are determined on April 3, 2010. For **Highmark Delaware employees**, your benefit service under the Delaware Retirement Plan counts for purposes of determining your points. Your eligibility for transition credits is determined based on your points as of January 1, 2014. You earn a year of benefit service under the Retirement Account benefit formula if you earn at least 1,000 hours of service during the plan year, which is the calendar year. For 2010, all hours of service during the year will count for this purpose, including hours of service before April 3, 2010. The same rules apply to the crediting of years of benefit service for transition credits. You will receive a pay credit for the year of your hire and the year of your termination even if you do not earn a year of service in that year. If you are a Delaware Participant, service before January 1, 2014 was determined under the terms of the Delaware Retirement Plan. You may refer to that plan's SPD for details on how service was calculated. ***Note:*** The Delaware Retirement Plan took into account your Years of Service with BCBS Organizations through December 31, 2002. If your Years of Service with BCBS Organizations are included in computing your opening PEP balance, the Plan's actuary will calculate a corresponding offset for the amount of your pension benefit from the other BCBS organization, so that you will not receive benefits from the Plan and another BCBS organization pension plan for the same period of service. When your employment with the Company ends, the Plan's actuary will also calculate your benefit without including your Years of Service with BCBS Organizations and the corresponding offset and your opening Retirement Account balance will be the larger of the two amounts.

Pay Credits

If you earn a year of benefit service during the plan year (which is the calendar year), you earn a pay credit in the Plan. The pay credit is credited to your Retirement Account as of the last day of the plan year (or, if earlier, when you leave employment and take a distribution of your Retirement Account).

The pay credit equals a percentage of your compensation for the year (but not including compensation prior to April 3, 2010). The percentage is determined by the points that you have at the beginning of the year, determined as follows:

Points as of January 1	Percentage of Compensation
Less than 40	3%
At least 40 but less than 55	4%
At least 55 but less than 70	5%
At least 70 but less than 80	6%
80 or more	7%

In addition, if your compensation is above the maximum social security taxable wage base, you will receive an additional pay credit equal to 3% of the amount by which your compensation exceeds the maximum taxable wage base, regardless of your number of points. In 2014, the maximum social security taxable wage base is $117,000. This amount may change from year to year because of cost of living adjustments.

If you were first hired on or after July 2, 2008 and you earned a year of service in both the 12-month period after your date of hire and during the calendar year in which you entered the Plan, you will receive pay credits from your date of hire, even though you were not a participant in the Plan for part of that period. For example, if you are hired on May 1, 2012 and you earn a year of service for eligibility on May 1, 2013, you will begin participating in the Plan on the next entry date, which is July 1, 2013. If you also earn a year of service in 2013, you will receive a pay credit for your service from May 1, 2012 through December 31, 2013. Your Retirement Account will be credited as of December 31, 2013.

For Delaware Participants. When the Delaware Retirement Plan was merged into this Plan effective January 1, 2014, your PEP balance in the Delaware Retirement Plan as of December 31, 2013 became your opening Retirement Account balance in this Plan. You are eligible to accrue additional credits in your Retirement Account based on your service after December 31, 2013. In addition, if you transferred employment from Highmark Delaware to a participating employer between August 19, 2010 and December 31, 2013, your opening Retirement Account balance in this Plan was your ending PEP balance from the Delaware Retirement Plan, plus any additional credits that may have been credited to your Retirement Account with respect to service since your transfer.

If your opening account balance in the Delaware Retirement Plan was based in part on your Primary Social Security Benefit (because you participated in the Delaware Retirement Plan on December 31, 2002), your account in the Plan is based on an estimate of your Social Security earnings, using your actual earnings with Blue Cross Blue Shield of Delaware ("BCBSD") and assuming you had earnings before you joined BCBSD that increased at the national average used by Social Security to estimate benefits.

You can provide evidence of your actual Social Security earnings history to the myHighmark Contact Center, and if the Plan's actuary determines that your benefit is greater by using your actual Social Security earnings, rather than the estimated earnings described in the previous paragraph, you will receive the larger benefit.

To obtain a copy of your actual Social Security earnings from the Social Security Administration so that you can provide this information to the myHighmark Contact Center, log onto the Social Security website at www.SocialSecurity.gov and set up an account if you do not already have one. Once your account is established, you can print a PDF of prior earnings and submit to the Plan for processing. In general, it takes approximately 10 minutes to collect your actual Social Security earnings.

It is prudent for you to submit your Social Security earnings history at the time your employment ends or at the time you elect to receive your benefit from the Plan, to see if your PEP balance may be increased. Please note that your benefit will not be reduced if your actual Social Security earnings history would result in a lower benefit than the estimated earnings previously used.

If you were a Highmark Delaware employee who was not eligible to participate in the Delaware Retirement Plan due to its freeze in 2012, and you became a participant in the Plan on January 1, 2014 (see pages 4-5), you will be credited with benefit accruals retroactive to the date that you would have started to earn benefit accruals in this Plan, which may be as early as your date of hire.

Transition Credits

Certain participants are also eligible to receive transition credits from April 3, 2010 through the end of the payroll period that includes April 2, 2020 (special rules that apply to Delaware Participants are described below). In order to be eligible for transition credits, you must meet all of the following requirements as of April 3, 2010:

- You must be an active employee of a participating employer or an affiliate;
- You must be eligible to receive a Legacy Benefit under the Plan;
- You must have at least 50 points; and
- You must have at least 10 years of benefit service under the Legacy Benefit formula.

If you did not meet these requirements on April 3, 2010, you will not be eligible for transition credits, even if you meet them on a later date. If you met these requirements as of April 3, 2010, and then terminate employment and then are subsequently re-hired before April 2, 2020, you will be eligible to earn transition credits after your reemployment, up to April 2, 2010.

If you qualify for transition credits, you will receive a transition credit for each plan year (from April 3, 2010 until the payroll period that includes April 2, 2020) in which you earn a year of benefit service. The transition credit equals a percentage of your compensation for the plan year (but not including compensation before April 3, 2010). The percentage is determined by the points that you have as of January 1 of each plan year, determined as follows:

Points as of January 1	Percentage of Compensation
At least 50 but less than 55	3%
At least 55 but less than 70	4%
At least 70 but less than 80	5%
80 or more	6%

Your transition credit for the 2010 plan year was determined based on your points on April 3, 2010.

Transition credits are credited to your Retirement Account as of the last day of the plan year in which you earn the credits (or, if earlier, when you leave employment and take a distribution of your Retirement Account).

For Delaware Participants. For Delaware Participants, eligibility for transition credits is different. To be eligible for transition credits, you must meet all of the following requirements:

- You must be an active participant in the Delaware Retirement Plan on December 31, 2013, and an active employee of a participating employer as of January 1, 2014;
- You must have at least 50 points as of January 1, 2014; and
- You must have at least 10 years of benefit service under the Delaware Retirement Plan immediately prior to the merger of the Delaware Retirement Plan into this Plan on January 1, 2014.

Delaware Participants who meet these requirements can earn transition credits for the 10-year period beginning on January 1, 2014 and ending on December 31, 2023. You must earn at least 1,000 hours of service during a plan year to earn a transition credit for that year.

For West Virginia Participants. If you were eligible to receive transition credits under Highmark West Virginia's retirement plan and you transferred to a participating employer, you will be eligible to receive transition credits in this Plan, provided that you continue to meet the requirements to earn them, through the pay period that includes December 31, 2020 (the date transition credits under West Virginia's retirement plan are due to end).

Compensation

Compensation is defined as your basic annual rate of salary or wages paid by the Company, including (a) contributions to the Highmark Investment Plan or Flex Plan and reimbursement of qualified transportation expenses, (b) overtime, shift differentials, marketing commissions, sales incentives, (c) bonuses, and annual incentive compensation actually paid, (d) any differential wage payments you receive from the Company during your military service, and (e) beginning March 1, 2011, salary continuance under an employer-sponsored short-term disability plan. Of course, compensation above the IRS annual maximum ($260,000 in 2014) is not counted for determining pay credits or transition credits. Compensation does not include contributions to this plan, non-qualified deferred compensation, any fringe benefits, insurance, severance pay (including unused vacation payouts), pension benefits, long-term incentive pay, or reimbursement for business travel or entertainment expenses.

If you were first hired before July 2, 2008, your pay credit and transition credit in 2010 will be based on compensation earned after April 2, 2010. In computing your pay credits and transition credits in 2010, the IRS limit on compensation and the Social Security taxable wage base will be pro-rated over the year. Similarly, in the first and last years in which any participant earns pay credits and transition credits, the IRS limit on compensation and the Social Security taxable wage base will be pro-rated for the portion of the year in which the participant earns credits.

Interest Credits

In addition to receiving pay credits and transition credits, your Retirement Account will grow by receiving interest credits each year. Interest credits are calculated based on the balance in your Retirement Account as of the first day of the plan year and will be credited to your Retirement Account as of the last day of each plan year. For the plan year in which you begin to receive distributions of your Retirement Account, interest credits will be credited up to the date the distributions begin. For Participants who were receiving Legacy Benefits, because the first pay credits and transition credits were credited on December 31, 2010, the first interest credits were made on December 31, 2011.

The interest rate that is used to determine interest credits is the 10-year U.S. Treasury rate, as published in the Wall Street Journal on the first business day of the Plan Year, compounded quarterly. However, the interest rate cannot be less than 3% or more than 8%.

You will continue to receive interest credits after you leave employment with your participating employer, even though you will no longer receive pay credits and transition credits. Interest credits stop when you begin receiving distribution of your Retirement Account.

Examples of How Your Retirement Account Grows

Example 3 - Participant with Legacy Benefit and Transition Credits

Assume that on April 3, 2010, you were age 40 and have 16 years of benefit service. That means that you had 56 points. Because you were entitled to receive a Legacy Benefit and had at least 50 points and 10 years of service on April 3, 2010, you were also eligible for transition credits. Also assume that for the period of April 3, 2010 through December 31, 2010, your compensation was $75,000, which is less than the pro-rated maximum Social Security taxable wage base. Here's how the credits to your Retirement Account in 2010 are determined:

Pay Credit for 2010	
Compensation times Pay Credit Percentage = $75,000 x 5%	$3,750
Transition Credit for 2010	
Compensation times Transition Credit Percentage = $75,000 x 4%	$3,000
Total Credits for 2010	**$6,750**

The total credit of **$6,750** will be applied to your Retirement Account as of December 31, 2010.

As of January 1, 2011, you had 58 points (age 41 plus 17 years of service), so the percentages for computing your pay credits and transition credits were the same as in 2010. Assume that in 2011, your compensation was $120,000 and that the 2011 Social

Security taxable wage base was the same as in 2010 ($106,800). As we know from the previous calculation, your Retirement Account balance on January 1, 2011 was $6,750. The interest crediting rate in 2011 was 3.34%, so here's how the credits to your Retirement Account in 2011 are determined:

Pay Credit for 2011	
Compensation times Pay Credit Percentage = $120,000 x 5%	$6,000
Compensation in excess of taxable wage base times 3% = ($120,000 - $106,800) x 3%	+ 396
Total Pay Credit =	$6,396
Transition Credit for 2011	
Compensation times Transition Credit Percentage = $120,000 x 4%	$4,800
Interest Credit for 2011	
January 1, 2011 Retirement Account balance times interest crediting rate = $6,750 x 3.34%	$225
Total Credits for 2011	**$11,421**
Retirement Account balance as of January 1, 2011	+ $6,750
Retirement Account balance as of December 31, 2011	**$18,171**

Example 4 - Participant with Only a Retirement Account

Assume that you were hired on April 1, 2012, on your 45th birthday. That means that you start with 45 points and have a pay credit percentage of 4%. If you earned a year of service from April 1, 2012 to April 1, 2013, you will begin participation in the Plan on July 1, 2013. If you are also credited with at least 1000 hours during the 2013 calendar year, you will receive Pay Credits retroactive to your date of hire and interest credits for 2013. Let's assume that for your 9 months of employment in 2012, your compensation was $80,000, which was less than the pro-rated maximum Social Security taxable wage base for the year. Your compensation for 2013 was $112,000, which is less than the Social Security taxable wage base for the year. The interest crediting rate for 2013 is 3.034%. Here's how the credits to your Retirement Account on December 31, 2013 are determined:

Pay Credit for 2012	
Compensation times Pay Credit Percentage = $80,000 x 4%	$3,200
Pay Credit for 2013	
Compensation times Transition Credit Percentage = $112,000 x 4%	$4,480
Interest Credit for 2013	
Prior year's pay credit times 2013 interest crediting rate = $3,200 x 3.034%	$97
Retirement Account Balance as of December 31, 2013	**$7,777**

Continuing the example, as of January 1, 2014, you will have 48.5 points (age 46.75 plus 1.75 years of service), so your pay credit percentage will continue to be 4%. Assume that in 2014, your compensation will be $118,000, and the 2014 Social Security taxable wage base is $117,000. As we know from the previous example, your Retirement Account balance on January 1, 2014 was $7,777. The interest crediting rate for 2014 3.065 %. Here's how the credits to your Retirement Account in 2014 are determined:

Pay Credit for 2014	
Compensation times Pay Credit Percentage = $118,000 x 4%	$4,720
Compensation in excess of taxable wage base times 3% = ($118,000 - $117,000) x 3%	+ 30
Total Pay Credit =	$4,750
Interest Credit for 2014	
January 1, 2014 <u>Retirement Account</u> balance times interest crediting rate = $7,777 x 3.25%	$238
Total Credits for 2014	**$4,988**
Retirement Account balance as of January 1, 2014	+ $7,777
Retirement Account balance as of December 31, 2014	**$12,765**

Example 5 - Delaware Participants

If you were a non-Grandfathered Delaware Participant, your benefit under the Delaware Retirement Plan was frozen as of December 31, 2013, and your PEP balance became the starting balance for your Retirement Account as of January 1, 2014. You received a "Personal Retirement Statement" that provided an estimate of your December 31, 2013 PEP balance. For information on how your benefit in the Delaware Retirement Plan was calculated, please refer to your summary plan description for non-Grandfathered participants in the Delaware Retirement Plan. A copy of this summary is available from myHighmark.

The following example assumes that your "Final Average Earnings" under the Delaware Retirement Plan as of December 31, 2013 was $125,000, your date of birth is December 15, 1961, your first day of employment with the Highmark Delaware was at age 41 on January 5, 2003 (so that you have no Opening Pension Equity Credits). Here is how your PEP balance as of December 31, 2013 was calculated under the Delaware Retirement Plan:

Step One: Add Up Your Base Pension Equity Credits:

From age:	You will earn this Base Pension Equity Credit percentage each year:	For a total Base Pension Equity Credit of:
40 — 44	7%	21%
45 — 49	8%	40%
50 — 54	10%	30%
Your Total Base Pension Equity Credits: 91%		

Step Two: Multiply Final Average Earnings as of December 31, 2013 times your Base Pension Equity Credit Total:

Multiply Final Average Earnings ($125,000) times your Base Pension Equity Credit Total (91%). The result is $113,750.

Step Three: Add Up Your Additional Pension Equity Credits:

From age:	You will earn this Additional Pension Equity Credit percentage each year:	For a total Additional Pension Equity Credit of:
40 — 44	4%	12%
45 — 49	5%	25%
50 — 54	6%	18%
Your Total Base Pension Equity Credits: 55%		

Step Four: Multiply the difference between Final Average Earnings and the Social Security Wage Base times your Additional Pension Equity Credit Total:

Final Average Earnings as of December 31, 2013 ($125,000) minus the Social Security Wage Base for 2013 ($113,700) equals $11,300. Multiply this amount ($11,300) times your Additional Pension Equity Credit Total (55%). The result is $6,215.

Step Five: Add the result from Step Two ($113,750) and Step Four ($6,215). The result is $119,965.

This amount, $119,965, is your December 31, 2013 PEP account balance under the Delaware Retirement Plan, and it becomes the starting balance in your Retirement Account. Here's how your account might grow in 2014 (provided you are credited with at least 1,000 hours of service in 2014 so that you will earn pay and transition credits (where applicable) for the year). Assume that your compensation in 2014 is $160,000 (remember, beginning in 2014, your annual credits are based on compensation for the year rather than *average* annual earnings). On January 1, 2014, you were age 52.043836 with 10.986301 years of service, meaning that you had 63.030137 points. Your 2014 pay credit percentage is 5%. In addition, you met all of the requirements to qualify for transition credits. Your transition credit percentage is 4%. The interest rate for calculating interest credits in 2014 is 3.065%.

Pay Credit for 2014	
Compensation times Pay Credit Percentage = $160,000 x 5%	$8,000
Compensation in excess of taxable wage base times 3% = ($160,000 - $117,000) x 3%	+ 1,290
Total Pay Credit =	$9,290
Transition Credit for 2014	
Compensation times Transition Credit Percentage = $160,000 x 4%	$6,400
Interest Credit for 2014	
January 1, 2014 Retirement Account balance times interest crediting rate = $119,965 x 3.065%	$3,677
Total Credits for 2014	**$19,367**
Retirement Account balance as of January 1, 2014	+$119,965
Retirement Account balance as of December 31, 2014	**$139,332**

Your benefit in the Plan will always be based upon the greater of the Retirement Account balance that you earn before terminating employment or the PEP balance benefit that you had earned under the Delaware Retirement Plan benefit formula as of December 31, 2013 (or your date of transfer to a participating company, if earlier), with interest at the rate that was provided under the Delaware Retirement Plan.

Your Benefit based on your Retirement Account

When you leave the Company and all affiliates, you will be eligible to receive your vested Retirement Account plus your vested Legacy Benefit under the Plan. You can receive your Retirement Account as soon as you leave the Company. You can also defer receiving your Retirement Account until age 65, continuing to earn interest credits until you receive a distribution.

You can choose to receive your Retirement Account in a lump sum payment or in one of the annuity forms available under the Plan. Remember that if you are married, you must obtain your spouse's written consent to elect a form of benefit that is different from the normal form of benefit.

If you chose to receive an annuity, your Retirement Account balance will be converted into an annuity using actuarial assumptions specified in the Plan. The amount of the monthly payment will depend on the type of annuity you choose and your age (and your beneficiary's age, if applicable) when the annuity begins. Similar to Legacy Benefits, the earlier the annuity begins, the less the monthly benefit will be. If you take a lump sum distribution, your distribution will be equal to the value of the Retirement Account on your date of distribution.

For Delaware Participants. Your benefit in the Plan will always be based upon the greater of the Retirement Account balance that you earn before terminating employment or the PEP account benefit that you earned under the Delaware Retirement Plan benefit formula as of December 31, 2013 (or your date of transfer to a participating company, if earlier), with interest at the rate that was provided under the Delaware Retirement Plan.

Other Situations Affecting Your Benefits

Postponed Retirement Benefits

You will continue to earn retirement benefits if you work beyond your normal retirement date.

If you continue working for the Company past your normal retirement date, you will receive a retirement benefit beginning on the first day of the month after you retire, calculated as described above, but taking into account your benefit service and compensation after age 65.

You may begin receiving benefits on the April 1 following the year in which you reach age 70½ – even if you are still working at the time. If you continue to work after you begin receiving your benefit, your benefit will be recalculated yearly to include additional benefits that you earn, but this accrual is offset by the actuarial equivalent value of benefit payments you receive during the year.

If you defer receiving benefits until your retirement after April 1 following the year you reach age 70½, your benefit will not be less than the greater of:

- your normal retirement benefit on the day you begin receiving benefits; or
- the actuarial equivalent of your benefit determined as of April 1 following the year in which you reach age 70½.

If you were a participant in a prior plan, in no case will your postponed retirement benefit be less than your normal retirement benefit under the prior plan.

If You Become Disabled

If you become disabled while an employee of the Company and have 10 or more years of benefit service with the Company when your disability begins (3 or more years of benefit service if you were a Delaware Participant, to the extent that you were disabled under the terms of that Plan as of December 31, 2013), you will continue to earn years of benefit service and credits to your Retirement Account until the earliest of the date:

- You begin receiving your retirement benefits;
- Your disability ends;
- You die; or
- You reach normal retirement age or the fifth anniversary of your disability, if later.

Years of benefit service earned while you are disabled will be added to service earned prior to your disability for purposes of determining your benefit. However, final average compensation used to compute your Legacy Benefit will be determined as of your disability retirement date (or April 2, 2010, if earlier). Benefit service after April 2, 2010 will not count toward your Legacy Benefit.

If you earn benefit service due to disability after April 2, 2010 (even if you became disabled before then), you will receive credits to your Retirement Account, as described above, based on your compensation for the calendar year preceding your disability retirement date.

You may elect to retire and receive a benefit before normal retirement age. If you receive benefits in the form of an annuity, note that the Plan's early retirement adjustment factors will apply to your Legacy Benefit.

If you become disabled and have earned a vested benefit but have less than 10 years of benefit service (3 or more years of benefit service if you were a participant in the Delaware Retirement Plan, to the extent that you were disabled under the terms of that Plan as of December 31, 2013), you will not earn additional vesting service or benefit service. You will be vested in the benefit that you had earned as of your last day of active employment. If you become disabled and have not earned a vested benefit, you will not be entitled to a benefit from the Highmark Retirement Plan.

Defining Disability and Disability Retirement Date

For purposes of the Highmark Retirement Plan, the terms "disabled" and "disability retirement date" have the following meanings.

- Disabled or disability means a physical or mental condition that renders you eligible for benefits under the Company's Long Term Disability Plan for a period of at least 12 consecutive months (except that the 12-month requirement does not apply to a Delaware Participant who was disabled under that plan as of December 31, 2013). You will continue to be disabled as long as you remain eligible for such benefits.

- Your disability retirement date is the date that the Company determines that you are disabled using the following criteria:

  - You become disabled while an employee of the Company, but prior to your normal retirement date; and

  - You become disabled after you completed 10 years of benefit service.

- If you were disabled under the Delaware Retirement Plan as of December 31, 2013, the definition in the Delaware Retirement Plan will continue to apply to your disability as long as you remain eligible for disability benefits under a Highmark Delaware short-term or long-term disability plan.

If you recover from disability, you will keep the benefit service credited during the period of time that you were disabled. If you are eligible for early retirement, you can elect to begin your benefit payments. Alternatively, you can return to the Company or a participating employer and continue to earn benefits under the Highmark Retirement Plan.

No Duplication of Benefits

If the Company (or an affiliate) has contributed to another qualified pension plan on your behalf for a period of time for which you receive benefit service under the Highmark Retirement Plan, your benefit from the Plan will be reduced to assure that you do not benefit under both plans for the same period of service. This includes benefit service under the Delaware Retirement Plan that was granted for service with other Blue Cross/Blue Shield organizations.

How Benefits Are Paid

The Highmark Retirement Plan is designed to offer you the flexibility you need. You can receive your benefits under several different payment options.

The Highmark Retirement Plan allows you to receive your retirement benefits in a variety of ways – either through the Plan's normal forms of payment or through one of the optional forms of benefit. You choose the method that best fits your personal financial needs.

Normal Forms of Payment

If you are single on the date benefit payments are scheduled to begin, your retirement benefit is payable as a straight life annuity. A straight life annuity provides monthly benefits to you for life. When you die, payments end. No income will be paid to anyone else.

If you are married on the date your benefit payments are scheduled to begin, your retirement benefit is payable as a spousal 50% joint and survivor annuity. This joint and survivor annuity provides a monthly benefit to you for your lifetime, and after your death, your surviving spouse will receive 50% of your monthly benefit for his or her lifetime. The monthly benefit you receive will be less than a straight life annuity because it will be paid over two lifetimes – your lifetime and your spouse's lifetime. The amount of the reduction depends on your age and the age of your spouse when benefit payments begin.

Benefits Under $5,000. If the value of your straight life benefit is $5,000 or less, your benefit will be paid in a lump sum. The lump sum form of payment applies whether you are single or married.

Benefits Payable to Your Estate. If a benefit from the Plan is payable to your estate, it will always be paid in a lump sum.

Optional Forms of Payment

If the value of your benefit is more than $5,000, you can receive your retirement benefit in one of the optional forms described below. Keep in mind that benefit payments under any optional form will be equal in value to a straight life annuity. If the value of your monthly benefit is less than $25, the Plan may automatically pay your benefit on an annual basis.

If you are married, your spouse must provide written consent if you choose an optional form of benefit (other than a joint and survivor annuity option where your spouse is your beneficiary). Your spouse's consent must be witnessed by a notary public or Plan representative.

Here are your optional forms of payment:

- Lump Sum Option. You can always receive your Retirement Account in a lump sum payment, regardless of its value. If the present value of your Legacy Benefit is $25,000 or less, you can receive your Legacy Benefit in a single lump sum payment. If you take a lump sum distribution, you may be able to rollover the distribution tax-free. See "How Taxes Affect Your Benefits" below for more information on rollovers.

- Straight Life Annuity Option. This is the normal form of benefits if you are single. You may elect a straight life annuity if you are married with your spouse's consent as described above. Electing to have your benefit paid as a straight life annuity provides monthly benefits during your lifetime only. Payments do not continue to a beneficiary after your death.

- Joint and Survivor Annuity Options. These options are similar to the normal form of benefit for married participants, and are available whether you are single or married. This option allows you to receive a reduced straight life annuity during your lifetime and then provides benefits to another person, your beneficiary, after your death. The amount by which your benefit is reduced depends on the percentage you choose and the difference between your age and your beneficiary's age on the date benefit payments are scheduled to begin. If your beneficiary dies before you, you cannot name another beneficiary, nor will your payment level increase. If you elect a joint and survivor annuity and your beneficiary dies before you, benefits would end upon your death.

  Under the joint and survivor annuity option, you can choose to have either:

  - 50% of your reduced monthly income continue after your death for the lifetime of your beneficiary;
  - 66⅔% of your reduced monthly income continue after your death for the lifetime of your beneficiary; or
  - 75% of your reduced monthly income continue after your death for the lifetime of your beneficiary; or
  - 100% of your reduced monthly income continue after your death for the lifetime of your beneficiary.

  Under the joint and survivor annuity options, if you elect a non-spouse beneficiary, federal regulations may limit the joint and survivor options available to you if the age difference between you and your non-spouse beneficiary exceed certain thresholds.

- 5- or 10-Year Certain and Life Option. The 5-year or 10-year certain and life option pays reduced monthly benefits to you for life, with guaranteed payments for a period of 60 or 120 months, as you elect. If you die within the guaranteed period, your designated beneficiary(s) will receive your monthly benefit for the balance of the period. If you receive monthly benefits for the full guaranteed period during your lifetime, no benefits will be paid after you die. The amount by which your benefit is reduced depends on the option you choose and your age. Under this option, you may designate a new beneficiary at any time before you die, such as if your beneficiary dies before you, (subject to spousal consent rules if you are married).

- Social Security Level Income Option. If you retire before reaching age 65, you can choose the Social Security Level Income option. This option is designed to level out monthly payments throughout your lifetime. You receive higher Plan payments before you are eligible to receive Social Security retirement benefits. Then, once you begin receiving Social Security benefits, your income from the Plan is decreased so that, in combination with Social Security, your total monthly income remains approximately the same. Benefits are payable for your lifetime only. After you die, no further payments will be made to anyone else. The Plan offers level income options at ages 62, 63, 64 and 65. Please note that, depending on your individual circumstances, it is possible that the benefit that is payable to you beginning at age 62 (or 63, 64, or 65, depending on your election) could be $0.

Optional Forms of Payment For Delaware Participants

Certain rules apply to Delaware Participants. These rules are described below. Remember, the normal forms of payment described above continue to apply, and if you are married, your spouse must provide written consent if you choose an optional form of benefit (other than a joint and survivor annuity option where your spouse is your beneficiary). Your spouse's consent must be witnessed by a notary public or Plan representative.

- If you were a Delaware Participant and you do not earn an hour of service on or after January 1, 2014, if you elect to begin receiving benefits before age 55, the only optional forms of benefit available to you are an immediate lump sum payment and an immediate 75% joint and survivor annuity.

- If you were a Delaware Participant and you begin to receive benefits after attaining age 55, in addition to the optional forms of payment generally available to Highmark participants as described above, you also have the following options available to you:

  - 15-year Certain and Life Option. This option is similar to the 5 and 10-year certain and life options described above, but the guaranteed period is 180 months.

  - Joint and Survivor Social Security Level Income Option. If you retire before reaching age 62, you can choose the Joint and Survivor Social Security Level Income option. This option is designed to both level out monthly payments throughout your lifetime and to provide a survivor annuity. Payments during your lifetime are reduced to provide a death benefit after you die. However, you receive higher Plan payments before you are first eligible to receive Social Security retirement benefits. Then, beginning at age 62, your income from the Plan is decreased so that, in combination with Social Security, your total monthly income remains approximately the same. Benefits are payable for your lifetime. After your death, if your beneficiary survives you, he or she will receive a benefit of 50% of your monthly post-age 62 benefit for the rest of his or her life. Please note that, depending on your individual circumstances, it is possible that the benefit that is payable to you beginning at age 62 could be $0.

- In addition, if you were a Delaware Participant and you elect to commence benefits prior to July 1, 2014 (and after age 55), the following options are also available:

  - 10-year or 15-year Certain Joint and Survivor Option. Under this option, you will receive a reduced monthly benefit for life, and a 50% survivor's benefit will be paid to your beneficiary following your death. If your beneficiary dies before a total of 120 monthly payments (under the 10-year option) or 180 monthly payments (under the 15-year option) have been made, monthly payments will continue to be made to a contingent beneficiary through the end of the guaranteed period.

  - 20-year Certain and Life Option. This option is similar to the 5, 10 and 15-year certain and life options described above, but the guaranteed period is 240 months.

  - Social Security Level Income Joint and Survivor Option. If you retire before reaching age 62, you can choose the Joint and Survivor Social Security Level Income option. This option is designed to both level out monthly payments throughout your lifetime and to provide a survivor annuity. Payments during your lifetime are reduced to provide a death benefit after you die. However, you receive higher Plan payments before you are first eligible to receive Social Security retirement benefits. Then, beginning at age 62, your income from the Plan is decreased so that, in combination with Social Security, your total monthly income remains approximately the same. Benefits are payable for your lifetime. After your death, if your beneficiary survives you, he or she will receive a benefit of 66⅔%, 75% or 100% of your monthly post-age 62 benefit for the rest of his or her life. Please note that, depending on your individual circumstances, it is possible that the benefit that is payable to you beginning at age 62 could be $0.

Commencement of Benefits at Age 70½

If you are still an active employee when you reach age 70½, you can elect to begin receiving distributions by April 1 of the year following the year in which you reach age 70½, but you must receive either the normal form of payment or a 75% joint and survivor annuity while you remain an active employee. When you terminate employment, you will be able to elect a new form of distribution for your remaining benefit.

Electing a Payment Method

Regardless of the payment method you choose, you must submit a written request for benefits at least 30 days, but not more than 180 days, before your benefit payments are scheduled to begin. You may be able to elect an optional form of payment within the 30-day period prior to your actual retirement date if you complete and return the appropriate forms to the myHighmark Contact Center. You may change your choice of payment method, with spousal consent, if applicable, until your accrued benefits begin to be paid to you. You may contact the myHighmark Contact Center toll free at **1-855-694-4446** or log into www.myHighmark.net to request information or to obtain copies of forms.

As you approach retirement, you will receive more specific information about your benefit options and payment amounts from the myHighmark Contact Center. It is to your advantage to consult a financial planner or tax advisor before deciding which payment option best meets your financial needs.

Keep in mind that, if you are married, certain optional payment forms require your spouse's written consent, and must be witnessed by a notary public or Plan representative.

If you were entitled to receive a portion of your accrued benefit from a 1974 insurance and annuity contract, you may elect, with your spouse's consent, to receive that portion of your benefit as a lump sum. If you do, the remaining portion of your benefit will be reduced to reflect the lump sum distribution.

You will be asked to provide copies of your birth certificate, and, if applicable, a spouse's birth certificate and marriage license, and may be asked to provide proof of a divorce or a spouse's death certificate.

Elections if you have a Legacy Benefit and a Retirement Account
If you have both a Legacy Benefit and a Retirement Account, you will generally be required to have both benefits begin at the same time and be paid in the same form (annuity or lump sum). However, if your Legacy Benefit has a lump sum value of more than $25,000 – so that it cannot be paid as a lump sum – you can elect to have your Retirement Account paid in a lump sum, but defer starting your Legacy Benefit annuity until a later date.

Elections for Delaware Participants with Grandfathered and non-Grandfathered Benefits
If you had both a Grandfathered Benefit (or a pre-2003 final average pay benefit that was not used to calculate your opening PEP balance) in the Delaware Retirement Plan and a non-Grandfathered benefit as a result of being re-hired by Highmark Delaware or another participating employer, you will receive separate benefit elections for each component of your total benefit. Therefore, you may receive your Grandfathered benefit in one form and your non-Grandfathered benefit in a different form.

Restrictions Based on Plan Funding

Tax rules limit the ability of the Plan to pay lump sums if the Plan's funding levels are below certain limits. These limits currently do not apply to the Plan, and the Plan Administrator will provide you with a notice if these limits do apply in the future.

Survivor Benefits

If You Die Before Retirement Benefits Begin

Although the Highmark Retirement Plan is designed to benefit employees, under certain circumstances, your beneficiary will receive a retirement benefit if you die before benefits begin.

If you die before your retirement benefits begin and are vested in your Highmark Retirement Plan benefit, your beneficiary will be eligible to receive a pre-retirement death benefit from the Highmark Retirement Plan. Your beneficiary may be eligible for this benefit even if you are no longer working for the Company when you die — as long as you were vested when you left.

Participants who have Service on or after January 1, 2010

If you have service with the Company or a participating company on or after January 1, 2010, and you die after you have become eligible for a vested accrued benefit from the Plan but before you begin receiving benefit payments, the amount of the pre-retirement death benefit will be equal to:

- the balance of your Retirement Account; plus

- if applicable, the Legacy Benefit that would have been payable to your beneficiary if you elected to receive your Legacy Benefit under the Plan in the form of a 50% joint and survivor annuity and then died.

This benefit is normally paid as a straight life annuity for the rest of your beneficiary's life, but your beneficiary may also elect to receive the Legacy Benefit portion of the pre-retirement death benefit in a lump sum. Your beneficiary can elect to receive a lump sum distribution of your Retirement Account no matter what its value is. If the actuarial value of the total pre-retirement death benefit is $5,000 or less, it will automatically be distributed in a lump sum payment.

Your beneficiary's benefits will begin as follows:

- Your spouse may elect to begin receiving the pre-retirement death benefit at any time after your death up to when you would have attained age 65 (or your date of death if you die after age 65).

- A non-spouse beneficiary who elects an annuity distribution will begin receiving payments as soon as practicable following your death. A lump sum distribution to a non-spouse beneficiary must be made no later than the end of the year which contains the fifth anniversary of your death.

- If the present value of the survivor's benefit is $5,000 or less, it will automatically be paid in a lump sum as soon as practicable following your death.

- If you are not married at the time of your death and have not designated a beneficiary (or if your beneficiary dies before you), the value of your Retirement Account will be paid to your estate in a lump sum. In addition, the actuarial value of your Legacy Benefit (if any) will be paid in a lump sum to your estate.

If your beneficiary receives a lump sum distribution, he or she may roll it over to an IRA (or an inherited IRA, in the case of a non-spouse beneficiary). See "How Taxes Affect Your Benefits" below for more information on rollovers.

Your Beneficiary's Elections if you have a Legacy Benefit and a Retirement Account
If you have both a Legacy Benefit and a Retirement Account, your beneficiary will generally be required to have both benefits begin at the same time and be paid in the same form (annuity or lump sum).

Highmark Participants who Terminated Employment before January 1, 2010

If you were a Highmark participant who terminated employment prior to January 1, 2010, and you die after you have become eligible for a vested accrued benefit from the Plan but before you begin receiving benefit payments, pre-retirement death benefits are subject to different rules.

Keep in mind that participants with no hours of service on or after January 1, 2010 will not have a Retirement Account. If you have no hours of service on or after January 1, 2010, a pre-retirement death benefit is only available to your spouse or domestic partner, provided that you have been married or had a declaration of domestic partnership on file for at least one year before your death. If your spouse or domestic partner qualifies to receive this benefit, it is equal to the amount that he or she would receive if you elected to receive your Legacy Benefit under the Plan in the form of a 50% joint and survivor annuity and then died.

The Company paid the full cost of this death benefit coverage while you were an active employee of the Company, an affiliate, or another Blue Cross company in Pennsylvania that is not participating in this Plan. If you terminated employment before January 1, 2010, the cost for this coverage is deducted from your benefit.

For purposes of this pre-retirement death benefit, your spouse includes a same-sex spouse, if your marriage is recognized under the laws of the state or country in which the marriage was entered into. The domestic partner benefit is not available for participants who were already in pay status on January 1, 2007.

Your spouse or domestic partner's benefit is based on the benefit you have accrued at the time of your death, as follows:

- Before eligibility for retirement. The amount of your spouse or domestic partner's benefit is 50% of the benefit you would have received if you had terminated employment with the Company on the date of your death (or your actual termination date, if earlier), survived to early or normal retirement, as applicable, and retired on that date with a spousal 50% joint and survivor annuity.

- After eligibility for retirement. The amount of your spouse or domestic partner's benefit is 50% of the benefit you would have received if you had retired from the Company on the day of your death (or your actual termination date, if earlier) and elected a 50% joint and survivor annuity with your spouse or domestic partner.

- Automatic Lump Sum. If the lump-sum value of the death benefit is $5,000 or less, your spouse or domestic partner will automatically receive that amount in a single lump sum.

Your beneficiary may be able to rollover this distribution tax-free. See "How Taxes Affect Your Benefits" below for more information on rollovers.

Unless you waive the pre-retirement death benefit as described below, the amount of your benefit is reduced to pay for the death benefit coverage during any period you are married or have a Declaration of Domestic Partnership on file (for at least one year) and are no longer an employee of the Company or a non-participating Blue Cross company in Pennsylvania. This reduction also does not apply to employees who have at least one hour of service on or after January 1, 2010. The amount of reduction is based on the number of months the coverage is in effect, as follows:

Pre-Retirement Death Benefit Table	
Age of Participant	**Reduction**
Under age 35	.05% per year
Between ages 35 and 44	.1% per year
Between ages 45 and 54	.2% per year
Between ages 55 and 59	.5% per year
Between ages 60 and 65	.7% per year

If you do not want to pay for the pre-retirement death benefit after you leave the Company, you may waive the benefit with your spouse's consent. (Consent is not needed in the case of a domestic partner.) The election period begins on your termination of employment and ends when you die. You may revoke your election to waive death benefits at any time during the election period. Your waiver (and any revocation of a waiver) must be made on a form provided by the Plan Administrator, and consented to by your spouse. Your spouse's consent must be in writing and witnessed by a Plan representative or a notary public. The Plan Administrator will provide you with a written explanation of your spouse/domestic partner's death benefit coverage when you terminate employment with the Company.

Survivor's benefits for Highmark participants with no hours of service on or after January 1, 2010 begin as follows:

- If you die after becoming eligible for benefits and are at least age 55, your surviving spouse may begin receiving death benefits on the first day of the month on or after your death.

- If you die before your normal retirement age, your spouse may elect to defer receiving death benefits until the date you would have reached your normal retirement date if you had survived.

- If you die before becoming eligible for early or normal retirement benefits, your surviving spouse may begin receiving death benefits on or after the date you would have reached your early retirement date.

- *Special Rule for domestic partner*. The rules listed above apply only for spouses. If you die before you reach age 55 and are survived by a domestic partner, the value of the death benefit will be paid in a lump sum as soon as practicable after your death. If you die after reaching age 55, your domestic partner's monthly benefits must begin no later than one year after the date of your death.

The pre-retirement death benefit is reduced if payment begins before your normal retirement date to reflect the longer payment period.

If You Die After Retirement Benefits Begin

If you die after you have started receiving your retirement benefit, payments will continue only if you elected a payment form that provides for a survivor benefit to be paid to your designated beneficiary.

Special Survivor Benefits for Prior Plan Participants
Former Veritus Plan Participants. If you were a participant in the Veritus Plan on December 31, 1997, in no event will the survivor benefit be less than the survivor benefit determined under the prior plan based on your accrued benefit in effect on January 1, 1998. **Former ICHP Pension Plan Participants.** If you had accrued a benefit in the Plan on December 31, 1989, and die after retiring or after reaching normal, early, or deferred retirement under that prior plan, your spouse will be eligible to receive a one-time special survivor benefit – which is in addition to your survivor benefit under the Highmark Retirement Plan. The amount of this special benefit will equal 24 times your accrued monthly benefit as of December 31, 1989, but will not be less than $2,000 or more than $10,000. **Delaware Participants.** If you are Delaware Participant and do not have an hour of service on or after January 1, 2014, any entitlement to a pre-retirement death benefit will be determined under the terms of the Delaware Retirement Plan. Therefore, your benefit is based upon your accumulated PEP Account at the time of your death, and your beneficiary can elect a single life annuity or a lump sum payment. If you have an hour of service on or after January 1, 2014, the pre-retirement death benefit payable will not be less than the greater of (1) your accrued benefit under the Delaware Retirement Plan as of December 31, 2013 or (2) the actuarial equivalent of the survivor benefit that would have been payable under the Delaware Retirement Plan as of December 31, 2003, determined using the applicable actuarial factors in the Delaware Retirement Plan. You may obtain more information about these benefits by contacting myHighmark. In addition, if you had a Grandfathered Benefit or a pre-2003 benefit that was not used to calculate your beginning PEP balance, the pre-retirement death benefit you earned under the Highmark Delaware Plan, which is only payable to your surviving spouse and is 50% of the monthly pension that you would have been eligible to receive if you retired and elected a straight life annuity. This pre-retirement death benefit is paid as a straight life annuity to your spouse. More information about this benefit can be obtained by reviewing the summary plan description for Grandfathered Delaware Participants.

How Taxes Affect Your Benefits

You are responsible for paying applicable taxes on your benefit when you receive it.

Under current tax law, your retirement benefit is not taxable while it remains in the Highmark Retirement Plan. When you or your beneficiary receive a payment from the Plan, you are responsible for paying applicable income taxes. If you receive payment of your benefit in the form of an annuity, you may elect whether or not to have taxes withheld. If you do not make any election, federal income tax will be withheld automatically as if the payments were wages (although employment (FICA) taxes do not apply). If you elect not to have withholding apply, or even if you do elect withholding but the amount withheld is insufficient, you may owe additional taxes on the payments.

If a lump sum payment is made, you may also owe a 10% penalty tax if the benefit is paid before you reach age 59½ and you have terminated employment with the Company before the beginning of the year in which you reach age 55. This additional 10% penalty tax does not apply if the payment is made because of your death, permanent disability or a QDRO. See Non-assignment of Benefits.

You can defer paying taxes if your lump sum payment is rolled over or transferred directly to another eligible plan that will accept rollovers, such as a qualified retirement plan, traditional IRA, Section 403(b) annuity or Section 457 governmental plan.

The rollover option is also available to your spouse. A domestic partner or other beneficiary may also elect to have a lump sum distribution transferred to an IRA that is established specifically to accept such distribution, and which is treated as an "inherited IRA" subject to minimum distribution rules.

If you do not elect a direct transfer of the entire lump sum distribution, the Plan is generally required to withhold 20% of the taxable portion of the amount distributed. If you are eligible for a lump sum distribution, you will receive additional information on rolling over your benefit when you terminate employment with the Company. The Company does not have to withhold federal income taxes or allow a rollover distribution if the distribution amount is less than $200.

You can now also roll over a payment from the plan to a Roth IRA. If you roll over the payment to a Roth IRA, the amount of the payment rolled over will be taxed (although Highmark is not required to withhold tax on the distribution). However, the 10% additional income tax on early distributions will not apply unless you take the amount rolled over out of the Roth IRA within 5 years, counting from January 1 of the year of the rollover. If you roll over the payment to a Roth IRA, later payments from the Roth IRA that are qualified distributions will not be taxed, including earnings after the rollover.

If you are a Pennsylvania resident when you receive your distribution (including annuity payments), your benefit payment is not subject to Pennsylvania income taxes, provided the distribution is made on or after you reach age 55. This exemption does not apply to distributions made to you before you reach age 55. Payments to your beneficiary are also generally exempt from Pennsylvania income tax. Tax laws change from time to time, and the tax impact of receiving payments from the Plan will vary with your individual situation. Because the Company does not give individual tax advice or counsel, you should consult a professional tax advisor or financial expert for specific advice about your circumstances.

How to Apply for Benefits

In general, you must apply for benefits under the Highmark Retirement Plan. This section describes how to request pension estimates, file a claim and appeal.

Estimated Projected Pension Payments

You may request estimates of your projected plan benefit at Normal, Early or Late Retirement by calling the myHighmark Contact Center at 1-855-694-4446. You may want to request these projections to help you determine when you want to retire. You will also want to obtain a current estimate within 180 days of the date on which you wish to retire and begin payment.

You can change your election of a method of payment during the 180-day period ending on the date prior to your retirement date. If you are married, your spouse must provide written and notarized consent to your election change. Once your retirement date occurs, you cannot later change the method of payment.

Filing a Claim

There are specific procedures for filing claims and settling disputes. The myHighmark Contact Center (at 1-855-694-4446) can explain these to you.

To receive benefits from the Highmark Retirement Plan, you or your beneficiary must submit a request in writing to the myHighmark Contact Center. To obtain the necessary forms, contact the myHighmark Contact Center by calling the toll free number at **1-855-694-4446** or log onto www.myHighmark.net. You should contact the myHighmark Contact Center at least 90 days before you want to begin receiving your benefits.

If Your Claim Is Denied

If you file a claim for benefits under the Plan and your claim is denied in whole or in part, you will be notified in writing. The notification will include:

- The reason for the denial;
- The specific Plan provisions on which the denial was based;
- A description of any additional information needed to process your claim; and
- An explanation of the claims review procedure.

Ordinarily, you will receive this written notice within 90 days after your claim is filed. However, this deadline may be extended for up to an additional 90 days if Highmark's Director, Benefits Design determines that an extension is necessary. If the deadline is extended, you will be notified in writing during the first 90 days following the receipt of your claim. This notice will set forth the reasons for the extension and the date a decision is expected.

If you disagree with the decision, you have the right to appeal. To do so, you, your beneficiary, or your authorized representative must submit a written request to the Director of Benefits Design within 60 days of receiving the notice of denial or the date the claim is deemed to be denied. You may review relevant documents or records (as defined in Department of Labor regulations) and submit your comments in writing. Your appeal will be forwarded to the Employee Benefits Fiduciary Committee for review. You, your beneficiary, or your authorized representative will have the right to review all relevant Plan documents.

You will receive a written decision on your appeal within 60 days of the date the Employee Benefits Fiduciary Committee receives your request unless special circumstances require an extension of time, in which case you will be provided with written notified of the extension during the 60 days following the receipt of your request. You will be notified in writing of the final decision, and this notice shall state the specific reasons for the decision, referring to Plan provisions that set forth those reasons.

If a claim for benefits is denied, you have certain rights under the law. For more information, see the section in this handbook entitled ERISA Rights.

Important Information About the Highmark Retirement Plan

Following is general information about the Highmark Retirement Plan, certain federal laws, and your rights under the Plan. Please read this section carefully, paying particular attention to how the Plan is governed by federal law.

Internal Revenue Service Limits

Government regulations put a cap on the amount of income an employee may receive under a qualified pension plan.

Federal law limits the amount that can be considered as compensation for Plan purposes each year. For 2014, the compensation limit is $260,000. In addition, the IRS sets certain limitations on the amount that employees can receive from the Plan.

The IRS may adjust these limits from time to time to reflect changes in the cost of living. You will be notified before you retire if you are affected by these limits.

Non-assignment of Benefits

The Highmark Retirement Plan is maintained for the exclusive benefit of its participants and their beneficiaries. You cannot assign the benefits payable to you from the Plan to another person. In addition, your benefits under this Plan are not subject to claims of your creditors or creditors of your spouse or other beneficiaries. However, benefits will be paid according to a valid Qualified Domestic Relations Order (QDRO).

A QDRO is an order from a state court that meets certain legal specifications and directs Highmark's Personnel and Compensation Committee (or its designee) to pay all or a portion of a participant's Plan benefits to a spouse, former spouse, or dependent child. Under federal law, a domestic partner cannot be assigned benefits under a QDRO.

The Plan Administrator is legally required to comply with the terms of a valid QDRO. You will be notified immediately if a request is made to require that your benefits be paid to another person through a court order. A copy of Highmark's QDRO Procedures detailing how domestic relations orders are reviewed to determine if they are QDROs and will be sent to you if an order that is claimed to be a QDRO is received by the Plan Administrator. You may obtain a copy of the Company's QDRO Procedures without charge by requesting them from the myHighmark Contact Center at 1-855-694-4446.

Payment to Minors

If anyone entitled to income from the Plan is a minor or is judged to be physically or mentally incompetent, Highmark's Personnel and Compensation Committee (or its delegate) may pay the income to someone else for the benefit of the recipient (to a legal guardian, for example).

Top-Heavy Rules

Under current tax law, if a qualified retirement plan provides more than 60% of its benefits to "key" employees, that plan is considered to be "top heavy." Both "top-heavy" and "key" employees are terms defined under the Internal Revenue Code.

At present, the Highmark Retirement Plan is not top-heavy. In the unlikely event that it becomes top-heavy, you will be notified, your benefits may be adjusted, and your vesting may be accelerated to keep the Plan qualified under IRS regulations.

Continuance of the Highmark Retirement Plan

Although the Company presently intends to continue the Highmark Retirement Plan indefinitely, the Company reserves the right to amend or terminate (end) the Highmark Retirement Plan at any time and for any reason by action of the Company's Board of Directors or its delegate.

If the Company terminates the Highmark Retirement Plan for any reason, the assets in the Plan will be used for the exclusive purposes of paying benefits of Plan participants and their beneficiaries and defraying the reasonable expenses of the Plan. Any funds that remain after all benefit liabilities to participants and beneficiaries have been satisfied as described in Section 4044 of ERISA will revert to the Company. If you are affected by a termination of the Highmark Retirement Plan, you will become 100% vested in your Plan benefit, to the extent funded. Plan funds can be returned to the Company only if any assets remain after all liabilities under the Plan have been satisfied.

Although we expect the Plan to have enough money to pay benefits to all participants at termination, if there is not enough money, the Plan assets will be allocated in the order required by law.

Plan Insurance

If the Highmark Retirement Plan were terminated, certain benefits would be insured through the federal government.

Your pension benefits under the Highmark Retirement Plan are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the Plan terminates without enough money to pay all benefits, the PBGC will step in to pay pension benefits. Most people will receive all of the pension benefits they would have received under the Plan, but some people may lose certain benefits.

The PBGC guarantee generally covers:

- Normal and early retirement benefits:
- Disability benefits if you become disabled before the Plan terminates; and
- Certain benefits for your survivors.

The PBGC guarantee generally does not cover:

- Benefits greater than the maximum guarantee amount set by law for the year in which the Plan terminates;
- Some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than 5 years at the time the Plan terminates;
- Benefits that are not vested because you have not worked long enough for the Company;
- Benefits for which you have not met all of the requirements at the time the Plan terminates;
- Certain early retirement payments (such as supplemental benefits that stop when you become eligible for Social Security) and that result in an early retirement monthly benefit greater than your monthly benefit at the Plan's normal retirement age; and
- Non-pension benefits, such as health insurance, life insurance, certain death benefits, vacation pay and severance pay.

Even if some of your benefits are not guaranteed, you may still receive some of those benefits from the PBGC depending on how much money the Plan has and on how much the PBGC collects from employers.

For more information on PBGC and the benefits it guarantees, ask your Plan Administrator or contact the PBGC's Technical Assistance Division 1200 K Street, N.W., Suite 930, Washington, D.C. 20005-4026 or call (202) 326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000. Additional information about the PBGC's pension insurance program is available through the PBGC's website on the Internet at http://www.pbgc.gov.

ERISA Rights

When you become a participant in the Highmark Retirement Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). The following is a summary of those rights:

- You may examine, without charge, all Plan documents, including insurance contracts and a copy of the latest annual report (Form 5500 series) filed by the Plan with the U.S. Department of Labor and available at the public disclosure Room of the Employee Benefits Security Administration. These documents are available at the Plan Administrator's office during regular business hours.
- You may obtain copies of all documents governing the operation of the plan, and copies of the latest annual report (Form 5500 series) and updated summary plan description by writing to the Plan Administrator. There may be a reasonable charge for duplicating documents.
- Each year you will receive a notice of the funding status of the Plan, including a summary of the Plan's assets and liabilities, the number of participants in the Plan, and the Plan's funding and investment policies.
- Upon your written request, you may obtain a statement telling whether you have a right to receive a benefit under the Plan at normal retirement age, and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a benefit, the statement will tell how many more years you have to work to get a right to a benefit. This statement is not required to be given more than once every 12 months. It is provided free of charge.
- If your claim for a benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any claim, all within certain time schedules.

In addition to creating rights for Plan participants, ERISA imposes duties on the people who are responsible for the operation of employee benefit plans. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to operate the Plan prudently and in the interest of all Plan participants and beneficiaries. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit or exercising your rights under ERISA.

Under ERISA, there are steps you can take to enforce these rights. For instance, if you request a copy of plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Plan Administrator's decision or lack thereof concerning the qualified status of a domestic relations order, you may file suit in a state or federal court.

If it should happen that the Plan fiduciaries misuse the Retirement Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and legal fees. If you lose, the court may order you to pay these costs and fees; for example, if it finds that your claim is frivolous.

If you have any questions about the Highmark Retirement Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, DC 20210.

Administrative Information

Plan Sponsor

The Plan sponsor is:

Highmark Inc.
120 Fifth Avenue
Suite FAP 922
Pittsburgh, PA 15222-3099

Name of Plan

The name of the plan is the Highmark Retirement Plan.

Employer Identification Number (EIN)

The employer identification number (EIN), as assigned by the IRS, is 23-1294723.

Plan Number

333

Plan Type

The plan is a defined benefit pension plan.

Plan Year

The plan year is the calendar year (January 1 to December 31).

Plan Administrator

The Plan Administrator is the Employee Benefits Fiduciary Committee. The Plan Administrator has the sole authority to interpret the provisions of the Plan. All determinations, interpretations and decisions regarding Plan provisions, eligibility to participate in the Plan, eligibility to receive payment of benefits under the Plan and the amount of benefits payable under the Plan are in the sole discretion of the Plan Administrator. The decisions of the Plan Administrator are final and binding with respect to all questions relating to the Plan.

However, day-to-day plan recordkeeping is handled by Mercer. You can contact the Employee Benefits Fiduciary Committee at the following address:

Employee Benefits Fiduciary Committee
c/o Benefits Administration
Highmark Health
Suite 1935
Fifth Avenue Place
Pittsburgh, PA 15222

(855) 694-4446

You can contact Mercer by calling the myHighmark Contact Center at 1-855-694-4446 or by visiting www.myHighmark.net.

Agent for Service of Legal Process

For disputes arising under the Plan, service of legal process can be made upon the Employee Benefits Fiduciary Committee at the following address:

Employee Benefits Fiduciary Committee
c/o Benefits Administration
Highmark Health
Suite 1935
Fifth Avenue Place
Pittsburgh, PA 15222

(855) 694-4446

Service of legal process may also be made upon the Plan's trustee.

Plan Trustee

The name and address of the Highmark Retirement Plan's Trustee is:

Mellon Bank, N.A.
Plan Trustee for the Highmark Retirement Plan
Room 151-3325
One Mellon Bank Center
Pittsburgh, PA 15258

Participating Companies

The following is a list of companies participating in the Highmark Retirement Plan:

Highmark Health
Highmark Inc.
Gateway Health Plan, L.P.
Gateway Health Plan, Inc.
United Concordia Dental Plans of California, Inc.
United Concordia Companies, Inc.
Caring Foundation
HM Insurance Group, Inc.
HM Benefits Administrators, Inc.
HM Life Insurance Co. of New York
HM Life Insurance Co.
Standard Property Corporation
Highmark BCBSD, Inc.
Highmark Health Solutions Inc.
Highmark West Virginia, Inc. (for employees who transfer from a participating employer on or after January 1, 2013).

A Final Word

This booklet provides a summary description of the Highmark Retirement Plan. It highlights the main provisions of the Highmark Retirement Plan but is subject to the terms and provisions of the legal Plan document. If this booklet and the official Plan document vary in the description of the Plan, the Plan document is the final authority.

This description of your retirement benefits is not an employment contract or any type of employment guarantee.