

Everence Federal Credit Union

Health Savings Accounts:
A guide for employers

Everence®

Everence Federal Credit Union is not allowed to provide any tax, investment, or legal advice related to HSA accounts. We recommend employers and employees consult with a tax advisor or accountant.

Thank you for choosing Everence® Federal Credit Union (EFCU) as your partner in providing health savings accounts (HSAs) to your employees. This guide will assist your Human Resources department in their responsibilities related to opening HSAs for your employees.

Credit union membership and opening an HSA

To open an HSA at EFCU, your employees must become members. This will be done at the same time they open their HSA. To become a member, they must fit one of the membership eligibility criteria and then open a share savings account (in addition to the HSA) and deposit $5 into the share savings account. The $5 must be deposited before the employee can start using the HSA. This process can happen in three easy steps.

1. Distribute the Membership and HSA Application to each employee and have them complete the form. See "HSA application tips" for more information.
2. Send completed forms to EFCU. These can be delivered to your local branch (if applicable), sent via secure email to infocu@everence.com, or mailed to:

   Everence Federal Credit Union
   Attn: HSA Department
   2160 Lincoln Hwy E, Suite 20
   Lancaster, PA 17602
3. Deposit $5 into the share saving account. There are two options to fund the initial deposit.
   - Send a $5 check along with each form.
   - When you request the account number for your employee's HSA, we will send the account numbers for both the HSA and share savings account, and you can send the $5 via ACH to fund the share savings.

   If the $5.00 is not funded within four months, the membership and HSA will be closed.

The HSA can begin receiving contributions and distributions beginning on the first of the month following enrollment in a high-deductible health plan.



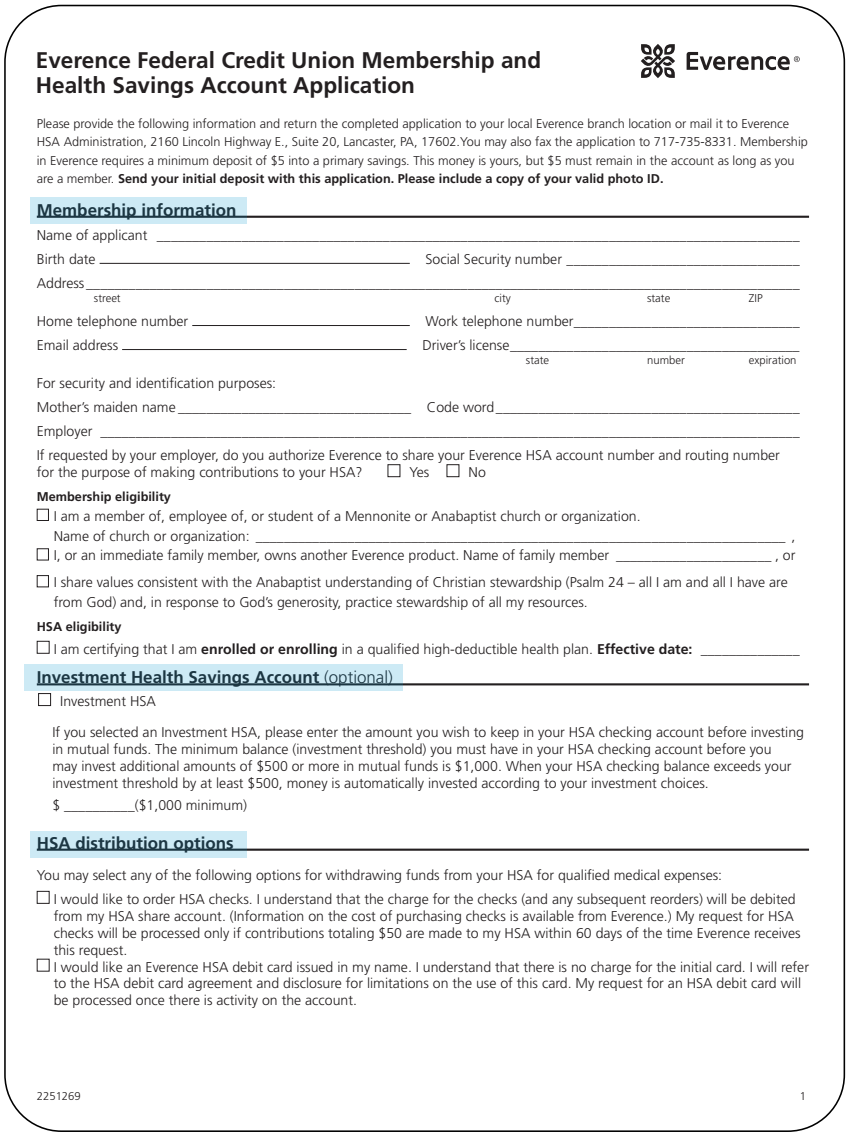
HSA application tips

MEMBERSHIP INFORMATION

- This section should be completed in full. Please be sure your company name is listed on the "Employer" line.
- Please be sure your employee checks "Yes" on the final checkbox so we can discuss HSA account information, including sending you account number information as you request it.

OPENING A HEALTH SAVINGS ACCOUNT

- Be sure to enter the effective date (enrollment date) of the qualifying high-deductible health plan.
- EFCU offers two types of HSAs – a standard HSA and an investment HSA. If you do not check that you want an investment HSA, you will be automatically placed into our standard HSA.



Everence Federal Credit Union Membership and Health Savings Account Application

Everence®

Please provide the following information and return the completed application to your local Everence branch location or mail it to Everence HSA Administration, 2160 Lincoln Highway E., Suite 20, Lancaster, PA, 17602.You may also fax the application to 717-735-8331. Membership in Everence requires a minimum deposit of $5 into a primary savings. This money is yours, but $5 must remain in the account as long as you are a member. **Send your initial deposit with this application. Please include a copy of your valid photo ID.**

Membership information

Name of applicant _____

Birth date _____ Social Security number _____

Address _____
street city state ZIP

Home telephone number _____ Work telephone number _____

Email address _____ Driver's license _____
state number expiration

For security and identification purposes:

Mother's maiden name _____ Code word _____

Employer _____

If requested by your employer, do you authorize Everence to share your Everence HSA account number and routing number for the purpose of making contributions to your HSA? ☐ Yes ☐ No

Membership eligibility

☐ I am a member of, employee of, or student of a Mennonite or Anabaptist church or organization.
Name of church or organization: _____ ,

☐ I, or an immediate family member, owns another Everence product. Name of family member _____ , or

☐ I share values consistent with the Anabaptist understanding of Christian stewardship (Psalm 24 – all I am and all I have are from God) and, in response to God's generosity, practice stewardship of all my resources.

HSA eligibility

☐ I am certifying that I am **enrolled or enrolling** in a qualified high-deductible health plan. **Effective date:** _____

Investment Health Savings Account (optional)

☐ Investment HSA

If you selected an Investment HSA, please enter the amount you wish to keep in your HSA checking account before investing in mutual funds. The minimum balance (investment threshold) you must have in your HSA checking account before you may invest additional amounts of $500 or more in mutual funds is $1,000. When your HSA checking balance exceeds your investment threshold by at least $500, money is automatically invested according to your investment choices.

$ _____($1,000 minimum)

HSA distribution options

You may select any of the following options for withdrawing funds from your HSA for qualified medical expenses:

☐ I would like to order HSA checks. I understand that the charge for the checks (and any subsequent reorders) will be debited from my HSA share account. (Information on the cost of purchasing checks is available from Everence.) My request for HSA checks will be processed only if contributions totaling $50 are made to my HSA within 60 days of the time Everence receives this request.

☐ I would like an Everence HSA debit card issued in my name. I understand that there is no charge for the initial card. I will refer to the HSA debit card agreement and disclosure for limitations on the use of this card. My request for an HSA debit card will be processed once there is activity on the account.

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HSA DISTRIBUTION OPTIONS

- Check applicable options. We highly recommend an HSA debit card for ease of use. An HSA debit card will not be ordered until there is at least $25 in the HSA.

HSA AUTHORIZED USER

- By federal law, HSAs cannot be opened in joint names. This section would allow you to designate your dependent(s) as authorized users on the HSA, to allow for a debit card in their own name to be able to transact for eligible purchases directly from the HSA.

STATEMENT OF UNDERSTANDING

- Applicant is acknowledging numerous items.
- Signatures and dates must be completed under this section. If there is an authorized user, they must sign as well.

NEW APPLICATION REQUIREMENTS

The third and most significant change involves the account-opening paperwork. Going forward, employees will be required to complete and sign two applications:

1. **Everence Health Savings Membership Application** – This form outlines Everence and credit union eligibility requirements, allows the member to select the type of HSA (Standard or Investment), and enables them to designate dependents for debit card access.
2. **Health Savings Account Application (Ascensus)** – This vendor-provided form collects account details, beneficiary designations, and the member's initial contribution, if applicable at the time of account opening.



HSA authorized user (optional)

Regulations require that only one individual may own an HSA. Because of this, you may want your dependent(s) to have the ability to write checks or be issued a debit card. In order to do this, you must designate that individual as an authorized user on your HSA. Please include a copy of their valid photo ID.

I understand that the Internal Revenue Service deems HSAs as individual owner accounts and my HSA cannot be held jointly. However, Everence Federal Credit Union permits me to designate my dependent as an authorized user of my HSA to act on my behalf in connection with this account only. By making this designation, I agree to allow my dependent to have full access to all the funds, balance information, and transactions related to this account. This designation remains in effect until I give Everence written notice of its termination, and it will not be terminated by my disability or incompetence.

Name of authorized user _____

Address _____
street city state ZIP

Social Security number or tax ID _____ Birth date _____

Mother's maiden name _____

Home telephone number _____ Work telephone number _____

Email address _____

☐ Please send my dependent an Everence HSA debit card issued in his/her name (listed above) for my HSA.

Name of authorized user _____

Address _____
street city state ZIP

Social Security number or tax ID _____ Birth date _____

Mother's maiden name _____

Home telephone number _____ Work telephone number _____

Email address _____

☐ Please send my dependent an Everence HSA debit card issued in his/her name (listed above) for my HSA.

Name of authorized user _____

Address _____
street city state ZIP

Social Security number or tax ID _____ Birth date _____

Mother's maiden name _____

Home telephone number _____ Work telephone number _____

Email address _____

☐ Please send my dependent an Everence HSA debit card issued in his/her name (listed above) for my HSA.

Name of authorized user _____

Address _____
street city state ZIP

Social Security number or tax ID _____ Birth date _____

Mother's maiden name _____

Home telephone number _____ Work telephone number _____

Email address _____

☐ Please send my dependent an Everence HSA debit card issued in his/her name (listed above) for my HSA.

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Details about the application documents

Both applications must be completed and submitted to Everence Federal Credit Union to open an HSA. The Ascensus document **ONLY** needs the following sections completed:

1. HSA owner section.
2. Beneficiaries – primary and contingent – as needed.
3. HSA owner signature.
4. If the member is married and naming someone other than their spouse as primary beneficiary, please have your spouse sign the Spousal Consent section.
   a. If spouse is primary beneficiary, this section can be left blank.

There is NO need for a witness signature at this time.

HSA Simplifier®

HEALTH SAVINGS ACCOUNT APPLICATION

PART 1. HSA OWNER

Name *(First/MI/Last)* _____

Address Line 1 _____

Address Line 2 _____

City/State/ZIP _____

Social Security Number _____

Date of Birth _____ Phone _____

Email Address _____

Account Number _____

PART 2. HSA TRUSTEE

To be completed by the HSA trustee

Name EVERENCE FEDERAL CREDIT UNION

Address Line 1 2160 LINCOLN HWY E STE 20

Address Line 2 _____

City/State/ZIP LANCASTER PA 17602

Phone (717) 735-8330 Organization Number 27719

☐ *This is an amendment to an existing HSA.*

☐ *This HSA contains managed investments as described in the Trustee Management of Investment section of the agreement.*

PART 3. CONTRIBUTION INFORMATION

Contribution Amount _____ Contribution Date _____

CONTRIBUTION TYPE *(Select one)*

☐ **1. Regular** *(Includes catch-up contributions as well as qualified HSA funding distributions from an IRA)*
Contribution for Tax Year _____ *(Qualified HSA funding distributions from an IRA must be made for the current tax year)*

☐ **2. Rollover** *(Distribution from an HSA or Archer MSA that is being deposited into this HSA)*
By selecting this transaction, I irrevocably designate this contribution as a rollover.

☐ **3. Transfer** *(Direct movement of assets from an HSA or Archer MSA into this HSA)*

PART 4. INVESTMENT AND DEPOSIT INFORMATION

INVESTMENT INFORMATION *(Complete this section as applicable.)*

Investment Description	Quantity or Amount	Investment Number	Term or Maturity Date	Interest Rate

DEPOSIT METHOD

☐ **Cash or Check** *(If the contribution type is transfer, the check must be from a financial organization made payable to the trustee for this HSA.)*

☐ **Internal Account**
Account Number _____ Type *(e.g., checking, savings, HSA)* _____

☐ **External Account** *(e.g., EFT, ACH, wire) (Additional documentation may be required and fees may apply.)*
Name of Organization Sending the Assets _____ Routing Number *(Optional)* _____
Account Number _____ Type *(e.g., checking, savings, HSA)* _____

Deposit Taken by _____

3499 / 2600H-T (Rev. 10/2018)

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Name of HSA Owner _____, Account Number _____

PART 5. BENEFICIARY DESIGNATION

I designate that upon my death, the assets in this account be paid to the beneficiaries named below. The interest of any beneficiary that predeceases me terminates completely, and the percentage share of any remaining beneficiaries will be increased on a pro rata basis. If no beneficiaries are named, my estate will be my beneficiary.

☐ I elect not to designate beneficiaries at this time and understand that I may designate beneficiaries at a later date.

PRIMARY BENEFICIARIES *(The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the HSA.)*

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

CONTINGENT BENEFICIARIES *(The total percentage designated must equal 100%. If more than one beneficiary is designated and no percentages are indicated, the beneficiaries will be deemed to own equal share percentages in the HSA. The balance in the account will be payable to these beneficiaries if all primary beneficiaries have predeceased the HSA owner.)*

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

Name_____
Address _____
City/State/ZIP _____
Date of Birth _____ Relationship _____
Tax ID *(SSN/TIN)* _____ Percent Designated_____

☐ *Check here if additional beneficiaries are listed on an attached addendum.* Total number of addendums attached to this HSA _____

PART 6. SPOUSAL CONSENT

Spousal consent should be considered if either the trust or the residence of the HSA owner is located in a community or marital property state.

CURRENT MARITAL STATUS

☐ **I Am Not Married –** I understand that if I become married in the future, I should review the requirements for spousal consent.

☐ **I Am Married –** I understand that if I choose to designate a primary beneficiary other than or in addition to my spouse, my spouse should sign below.

CONSENT OF SPOUSE

I am the spouse of the above-named HSA owner. I acknowledge that I have received a fair and reasonable disclosure of my spouse's property and financial obligations. Because of the important tax consequences of giving up my interest in this HSA, I have been advised to see a tax professional.

I hereby relinquish any interest that I may have in this HSA and consent to the beneficiary designation indicated above. I assume full responsibility for any adverse consequences that may result.

X _____ _____
Signature of Spouse — Date *(mm/dd/yyyy)*

X _____ _____
Signature of Witness — Date *(mm/dd/yyyy)*

PART 7. SIGNATURES

Important: *Please read before signing.*
I understand the eligibility requirements for the type of HSA contribution I am making, and I state that I do qualify to make the contribution. I have received a copy of the Health Savings Account Application, the 5305-B Trust Account Agreement, and the Disclosure Statement. I understand that the terms and conditions that apply to this HSA are contained in this Application and the HSA Trust Account Agreement. I agree to be bound by those terms and conditions.

I assume complete responsibility for

- determining that I am eligible for an HSA each year I make a contribution,
- ensuring that all contributions I make are within the limits set forth by the tax laws, and
- the tax consequences of any contributions (including rollover contributions) and distributions.

X _____ _____
Signature of HSA Owner — Date *(mm/dd/yyyy)*

X _____ _____
Signature of Witness — Date *(mm/dd/yyyy)*

X _____ _____
Signature of Trustee — Date *(mm/dd/yyyy)*

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HEALTH SAVINGS TRUST ACCOUNT AGREEMENT

Form 5305-B under section 223(a) of the Internal Revenue Code. FORM (Rev. October 2016)

The account owner named on the application is establishing this health savings account (HSA) exclusively for the purpose of paying or reimbursing qualified medical expenses of the account owner, his or her spouse, and dependents. The account owner represents that, unless this account is used solely to make rollover contributions, he or she is eligible to contribute to this HSA; specifically, that he or she: (1) is covered under a high deductible health plan (HDHP); (2) is not also covered by any other health plan that is not an HDHP (with certain exceptions for plans providing preventive care and limited types of permitted insurance and permitted coverage); (3) is not enrolled in Medicare; and (4) cannot be claimed as a dependent on another person's tax return.

The account owner has assigned this trust account the sum indicated on the application.

The account owner and the trustee make the following agreement:

ARTICLE I

1. The trustee will accept additional cash contributions for the tax year made by the account owner or on behalf of the account owner (by an employer, family member, or any other person). No contributions will be accepted by the trustee for any account owner that exceeds the maximum amount for family coverage plus the catch-up contribution.
2. Contributions for any tax year may be made at any time before the deadline for filing the account owner's federal income tax return for that year (without extensions).
3. Rollover contributions from an HSA or an Archer Medical Savings Account (Archer MSA) (unless prohibited under this agreement) need not be in cash and are not subject to the maximum annual contribution limit set forth in Article II.
4. Qualified HSA distributions from a health flexible spending arrangement or health reimbursement arrangement must be completed in a trustee-to-trustee transfer and are not subject to the maximum annual contribution limit set forth in Article II.
5. Qualified HSA funding distributions from an individual retirement account must be completed in a trustee-to-trustee transfer and are subject to the maximum annual contribution limit set forth in Article II.

ARTICLE II

1. For calendar year 2011, the maximum annual contribution limit for an account owner with single coverage is $3,050. This amount increases to $3,100 in 2012. For calendar year 2011, the maximum annual contribution limit for an account owner with family coverage is $6,150. This amount increases to $6,250 in 2012. These limits are subject to cost-of-living adjustments after 2012.
2. Contributions to Archer MSAs or other HSAs count toward the maximum annual contribution limit to this HSA.
3. For calendar year 2009 and later years, an additional $1,000 catch-up contribution may be made for an account owner who is at least age 55 or older and not enrolled in Medicare.
4. Contributions in excess of the maximum annual contribution limit are subject to an excise tax. However, the catch-up contributions are not subject to an excise tax.

ARTICLE III

It is the responsibility of the account owner to determine whether contributions to this HSA have exceeded the maximum annual contribution limit described in Article II. If contributions to this HSA exceed the maximum annual contribution limit, the account owner shall notify the trustee that there exist excess contributions to the HSA. It is the responsibility of the account owner to request the withdrawal of the excess contribution and any net income attributable to such excess contribution.

ARTICLE IV

The account owner's interest in the balance in this trust account is nonforfeitable.

ARTICLE V

1. No part of the trust funds in this account may be invested in life insurance contracts or in collectibles as defined in section 408(m).
2. The assets of this account may not be commingled with other property except in a common trust fund or common investment fund.
3. Neither the account owner nor the trustee will engage in any prohibited transaction with respect to this account (such as borrowing or pledging the account or engaging in any other prohibited transaction as defined in section 4975).

ARTICLE VI

1. Distributions of funds from this HSA may be made upon the direction of the account owner.
2. Distributions from this HSA that are used exclusively to pay or reimburse qualified medical expenses of the account owner, his or her spouse, or dependents are tax-free. However, distributions that are not used for qualified medical expenses are included in the account owner's gross income and are subject to an additional 20 percent tax on that amount. The additional 20 percent tax does not apply if the distribution is made after the account owner's death, disability, or reaching age 65.
3. The trustee is not required to determine whether the distribution is for the payment or reimbursement of qualified medical expenses. Only the account owner is responsible for substantiating that the distribution is for qualified medical expenses and must maintain records sufficient to show, if required, that the distribution is tax-free.

ARTICLE VII

If the account owner dies before the entire interest in the account is distributed, the entire account will be disposed of as follows:

1. If the beneficiary is the account owner's spouse, the HSA will become the spouse's HSA as of the date of death.
2. If the beneficiary is not the account owner's spouse, the HSA will cease to be an HSA as of the date of death. If the beneficiary is the account owner's estate, the fair market value of the account as of the date of death is taxable on the account owner's final return. For other beneficiaries, the fair market value of the account is taxable to that person in the tax year that includes such date.

ARTICLE VIII

1. The account owner agrees to provide the trustee with information necessary for the trustee to prepare any report or return required by the IRS.
2. The trustee agrees to prepare and submit any report or return as prescribed by the IRS.

ARTICLE IX

Notwithstanding any other article that may be added or incorporated in this agreement, the provisions of Articles I through VIII and this sentence are controlling. Any additional article in this agreement that is inconsistent with section 223 or IRS published guidance will be void.

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ARTICLE X

This agreement will be amended from time to time to comply with the provisions of the Code or IRS published guidance. Other amendments may be made with the consent of the persons whose signatures appear on the application.

ARTICLE XI

11.01 **Definitions –** In this part of this agreement (Article XI), the words "you" and "your" mean the account owner. The words "we," "us," and "our" mean the trustee. The word "Code" means the Internal Revenue Code, and "regulations" means the Treasury regulations.

11.02 **Notices and Change of Address –** Any required notice regarding this HSA will be considered effective when we send it to the intended recipient at the last address that we have in our records. Any notice to be given to us will be considered effective when we actually receive it. You, or the intended recipient, must notify us of any change of address.

11.03 **Representations and Responsibilities –** You represent and warrant to us that any information you have given or will give us with respect to this agreement is complete and accurate. Further, you agree that any directions you give us or action you take will be proper under this agreement, and that we are entitled to rely upon any such information or directions. If we fail to receive directions from you regarding any transaction, if we receive ambiguous directions regarding any transaction, or if we, in good faith, believe that any transaction requested is in dispute, we reserve the right to take no action until further clarification acceptable to us is received from you or the appropriate government or judicial authority. We will not be responsible for losses of any kind that may result from your directions to us or your actions or failures to act, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act. We will not be responsible for any penalties, taxes, judgments, or expenses you incur in connection with your HSA. We have no duty to determine whether your contributions or distributions comply with the Code, regulations, rulings, or this agreement. We have the right to require you to provide, on a form provided by or acceptable to us, proof or certification that you are eligible to contribute to this HSA, including, but not limited to, proof or certification that you are covered by an HDHP. In no event will we be responsible to determine if contributions made by your employer to your HSA meet the requirements for comparable contributions, the rules of which are set forth in the Code and IRS published guidance.

We may permit you to appoint, through written notice acceptable to us, an authorized agent to act on your behalf with respect to this agreement (e.g., attorney-in-fact, executor, administrator, investment manager), but we have no duty to determine the validity of such appointment or any instrument appointing such authorized agent. In addition, we may allow you to designate an authorized signer to perform various limited transactions on your HSA as specified in a form provided by or acceptable to us. We may rely upon this designation until such time, if any, that we receive a written revocation of the authorization. We will not be responsible for losses of any kind that may result from directions, actions, or failures to act by your authorized agent and/or authorized signer, and you agree to reimburse us for any loss we may incur as a result of such directions, actions, or failures to act by your authorized agent and/or authorized signer.

You will have 60 days after you receive any documents, statements, or other information from us to notify us in writing of any errors or inaccuracies reflected in these documents, statements, or other information. If you do not notify us within 60 days, the documents, statements, or other information will be deemed correct and accurate, and we will have no further liability or obligation for such documents, statements, other information, or the transactions described therein.

By performing services under this agreement, we are acting as your agent. Unless section 11.06(b) of this agreement applies, you acknowledge and agree that nothing in this agreement will be construed as conferring fiduciary status upon us. We will not be required to perform any additional services unless specifically agreed to under the terms and conditions of this agreement, or as required under the Code and the regulations promulgated thereunder with respect to HSAs. You agree to indemnify and hold us harmless for any and all claims, actions, proceedings, damages, judgments, liabilities, costs, and expenses, including attorney's fees arising from or in connection with this agreement.

To the extent written instructions or notices are required under this agreement, we may accept or provide such information in any other form permitted by the Code or applicable regulations including, but not limited to, electronic communication.

11.04 **Disclosure of Account Information –** We may use agents and/or subcontractors to assist in administering your HSA. We may release nonpublic personal information regarding your HSA to such providers as necessary to provide the products and services made available under this agreement, and to evaluate our business operations and analyze potential product, service, or process improvements.

11.05 **Service Fees –** We have the right to charge an annual service fee or other designated fees (e.g., a transfer, rollover, or termination fee) for maintaining your HSA. In addition, we have the right to be reimbursed for all reasonable expenses, including legal expenses, we incur in connection with the administration of your HSA. We may charge you separately for any fees or expenses, or we may deduct the amount of the fees or expenses from the assets in your HSA at our discretion. We reserve the right to charge any additional fee after giving you 30 days' notice. Fees such as subtransfer agent fees or commissions may be paid to us by third parties for assistance in performing certain transactions with respect to this HSA.

Any brokerage commissions attributable to the assets in your HSA will be charged to your HSA. You cannot reimburse your HSA for those commissions.

11.06 **Investment of Amounts in the HSA –**

a. **Grantor Management of Investment.** Unless the HSA or a portion of the HSA is a managed HSA, you have exclusive responsibility for and control over the investment of the assets of your HSA. All transactions will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearinghouse where the transaction is executed; our policies and practices; and this agreement. We will have no discretion to direct any investment in your HSA. We assume no responsibility for rendering investment advice with respect to your HSA, nor will we offer any opinion or judgment to you on matters concerning the value or suitability of any investment or proposed investment for your HSA. In the absence of instructions from you, or if your instructions are not in a form acceptable to us, we will have the right to hold any uninvested amounts in cash, and we will have no responsibility to invest uninvested cash unless and until directed by you. We will not exercise the voting rights and other shareholder rights with respect to investments in your HSA unless you provide timely written directions acceptable to us.

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You will select the investment for your HSA assets from those investments that we are authorized by our charter, articles of incorporation, or bylaws to offer and do in fact offer for HSAs (e.g., term share accounts, passbook accounts, certificates of deposit, money market accounts). We may, in our sole discretion, make available to you, additional investment offerings, that will be limited to publicly-traded securities, mutual funds, money market instruments, and other investments that are obtainable by us and that we are capable of holding in the ordinary course of our business.

b. **Trustee Management of Investment.** If any portion of this HSA is a managed HSA, as indicated on the application or any other supporting documentation, we will manage the investment of the applicable HSA assets. Accordingly, we can manage, sell, contract to sell, grant, or exercise options to purchase, convey, exchange, transfer, abandon, improve, repair, insure, lease for any term, and otherwise deal with all property, real or personal, in your HSA in such manner, for such prices, and on such terms and conditions as we will decide.

We will have the power to do any of the following as we deem necessary or advisable.

1. To invest your HSA assets in a single trust fund, and to collect the income without distinction between principal and income
2. To invest your HSA assets in a common trust fund or common investment fund within the meaning of Code section 223(d)(1)(D)
3. To invest your HSA assets into savings instruments that we offer
4. To invest your HSA assets in any other type of investment permitted by law, including, but not limited to, common or preferred stock, open- or closed-end mutual funds, bonds, notes, debentures, options, U.S. Treasury bills, commercial paper, or real estate
5. To hold any securities or other property under this agreement in our own name, in the name of a nominee, or in bearer form
6. To make, execute, acknowledge, and deliver any and all documents of transfer and conveyance (including documents for the transfer and conveyance of real estate), and any and all instruments that may be necessary or appropriate to carry out our powers
7. To employ suitable agents, attorneys, or other persons
8. To enter into lawsuits or settle any claims concerning the assets in your HSA, and to be reimbursed for any expenses or damages from you or your HSA assets
9. To exercise the voting rights and other shareholder rights with respect to securities in your HSA, provided, however, that we reserve the right to enter into a separate agreement with you governing the exercise of voting and other shareholder rights
10. To perform any and all acts that we deem necessary or appropriate for the proper administration of your HSA

All of the foregoing notwithstanding, our powers will be subject to any and all restrictions or limitations, direct or indirect, that are imposed by our charter, articles of incorporation, or bylaws; any and all applicable federal and state laws and regulations; the rules, regulations, customs, and usages of any exchange, market, or clearing house where the transaction is executed; our policies and practices; and this agreement.

11.07 **Beneficiaries –** If you die before you receive all of the amounts in your HSA, payments from your HSA will be made to your beneficiaries. We have no obligation to pay to your beneficiaries until such time we are notified of your death by receiving a valid death certificate.

You may designate one or more persons or entities as beneficiary of your HSA. This designation can only be made on a form provided by or acceptable to us, and it will only be effective when it is filed with us during your lifetime. Each beneficiary designation you file with us will cancel all previous designations. The consent of your beneficiaries will not be required for you to revoke a beneficiary designation. If you have designated both primary and contingent beneficiaries and no primary beneficiary survives you, the contingent beneficiaries will acquire the designated share of your HSA. If you do not designate a beneficiary or if all of your primary and contingent beneficiaries predecease you, your estate will be the beneficiary.

If your surviving spouse acquires the interest in this HSA by reason of being the beneficiary at your death, this HSA (or in accordance with rules established by the IRS, the relevant portion thereof) will be treated as if the surviving spouse is the account owner.

If the beneficiary is not your spouse, the HSA (or in accordance with rules established by the IRS, the relevant portion thereof) will cease to be an HSA as of the date of your death.

Upon learning of your death, we may, in our complete and sole discretion, make a final distribution to a beneficiary (other than your spouse) of his or her interest in the HSA. This distribution may be made without the beneficiary's consent and may be placed in an interest-bearing (or similar) account that we choose.

11.08 **Termination of Agreement, Resignation, or Removal of Trustee –** Either party may terminate this agreement at any time by giving written notice to the other. We can resign as trustee at any time effective 30 days after we send written notice of our resignation to you. Upon receipt of that notice, you must make arrangements to transfer your HSA to another financial organization. If you do not complete a transfer of your HSA within 30 days from the date we send the notice to you, we have the right to transfer your HSA assets to a successor HSA trustee or custodian that we choose in our sole discretion, or we may pay your HSA to you in a single sum. We will not be liable for any actions or failures to act on the part of any successor trustee or custodian, nor for any tax consequences you may incur that result from the transfer or distribution of your assets pursuant to this section.

If this agreement is terminated, we may charge to your HSA a reasonable amount of money that we believe is necessary to cover any associated costs, including but not limited to, one or more of the following.

- Any fees, expenses, or taxes chargeable against your HSA
- Any penalties or surrender charges associated with the early withdrawal of any savings instrument or other investment in your HSA

If we are a nonbank trustee required to comply with Regulations section 1.408-2(e) and we fail to do so or we are not keeping the records, making the returns, or sending the statements as are required by forms or regulations, the IRS may require us to substitute another trustee or custodian.

We may establish a policy requiring distribution of the entire balance of your HSA to you in cash or property if the balance of your HSA drops below the minimum balance required under the applicable investment or policy established.

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11.09 **Successor Trustee –** If our organization changes its name, reorganizes, merges with another organization (or comes under the control of any federal or state agency), or if our entire organization (or any portion that includes your HSA) is bought by another organization, that organization (or agency) will automatically become the trustee or custodian of your HSA, but only if it is the type of organization authorized to serve as an HSA trustee or custodian.

11.10 **Amendments –** We have the right to amend this agreement at any time. Any amendment we make to comply with the Code and related regulations does not require your consent. You will be deemed to have consented to any other amendment, unless within 30 days from the date we send the amendment, you notify us in writing that you do not consent.

11.11 **Withdrawals or Transfers –** All requests for withdrawal or transfer will be in writing on a form provided by or acceptable to us. The method of distribution must be specified in writing or in any other method acceptable to us. The tax identification number of the recipient must be provided to us before we are obligated to make a distribution. Withdrawals will be subject to all applicable tax and other laws and regulations, including but not limited to possible early distribution penalty taxes, surrender charges, and withholding requirements.

We may allow the return of mistaken distributions if there is clear and convincing evidence that the amounts distributed from the HSA were because of a mistake of fact due to reasonable cause. In determining whether this standard has been met, we may rely on your representation that the distribution was, in fact, a mistake.

In no event will we restrict HSA distributions to pay or reimburse only your qualified medical expenses. We may, however, on a case-by-case basis or as a matter of policy, place reasonable restrictions on both the frequency and the minimum amount of distributions from the HSA.

We may establish a policy whereby having a zero balance in your HSA may not cause the HSA to be closed. At our discretion, future contributions may be made to the HSA until you instruct us to close the HSA.

11.12 **Transfers from Other Plans –** We can receive amounts transferred to this HSA from the trustee or custodian of another HSA. In addition, we can accept rollovers of an eligible amount from an Archer MSA. We reserve the right not to accept any transfer or rollover.

11.13 **Liquidation of Assets –** We have the right to liquidate assets in your HSA if necessary to make distributions or to pay fees, expenses, taxes, penalties, or surrender charges properly chargeable against your HSA. If you fail to direct us as to which assets to liquidate, we will decide, in our complete and sole discretion, and you agree to not hold us liable for any adverse consequences that result from our decision.

11.14 **Restrictions on the Fund –** Neither you nor any beneficiary may sell, transfer, or pledge any interest in your HSA in any manner whatsoever, except as provided by law or this agreement.

The assets in your HSA will not be responsible for the debts, contracts, or torts of any person entitled to distributions under this agreement.

11.15 **What Law Applies –** This agreement is subject to all applicable federal and state laws and regulations. If it is necessary to apply any state law to interpret and administer this agreement, the law of our domicile will govern.

If any part of this agreement is held to be illegal or invalid, the remaining parts will not be affected. Neither your nor our failure to enforce at any time or for any period of time any of the provisions of this agreement will be construed as a waiver of such provisions or your right or our right thereafter to enforce each and every such provision.

GENERAL INSTRUCTIONS

Section references are to the Internal Revenue Code.

WHAT'S NEW

Additional Tax Increased – For tax years beginning after December 31, 2010, the additional tax on distributions not used for qualified medical expenses increases from 10 percent to 20 percent.

PURPOSE OF FORM

Form 5305-B is a model trust account agreement that has been approved by the IRS. An HSA is established after the form is fully executed by both the account owner and the trustee. The form can be completed at any time during the tax year. This account must be created in the United States for the exclusive benefit of the account owner. **Do not** file Form 5305-B with the IRS. Instead, keep it with your records. For more information on HSAs, see Notice 2004-2, 2004-2 I.R.B. 269, Notice 2004-50, 2004-33 I.R.B. 196, Pub. 969, *Health Savings Accounts and Other Tax-Favored Health Plans,* and other IRS published guidance.

DEFINITIONS

Identifying Number – The account owner's Social Security number will serve as the identification number of this HSA. For married persons, each spouse who is eligible to open an HSA and wants to contribute to an HSA must establish his or her own account. An employer identification number (EIN) is required for an HSA for which a return is filed to report unrelated business taxable income. An EIN is also required for a common fund created for HSAs.

High Deductible Health Plan (HDHP) – For calendar year 2011, an HDHP for self-only coverage has a minimum annual deductible of $1,200 and an annual out-of-pocket maximum (deductibles, co-payments and other amounts, but not premiums) of $5,950. In 2012, the $1,200 minimum annual deductible remains the same and the annual out-of-pocket maximum increases to $6,050. For calendar year 2011, an HDHP for family coverage has a minimum annual deductible of $2,400 and an annual out-of-pocket maximum of $11,900. In 2012, the $2,400 minimum annual deductible remains the same and the annual out-of-pocket maximum increases to $12,100. These limits are subject to cost-of-living adjustments after 2012.

Self-Only Coverage and Family Coverage Under an HDHP – Family coverage means coverage that is not self-only coverage.

Qualified Medical Expenses – Qualified medical expenses are amounts paid for medical care as defined in section 213(d) for the account owner, his or her spouse, or dependents (as defined in section 152) but only to the extent that such amounts are not compensated for by insurance or otherwise. With certain exceptions, health insurance premiums are not qualified medical expenses.

Trustee – A trustee of an HSA must be a bank, an insurance company, a person previously approved by the IRS to be a trustee of an individual retirement account (IRA) or Archer MSA, or any other person approved by the IRS.

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SPECIFIC INSTRUCTIONS

Article XI – Article XI and any that follow it may incorporate additional provisions that are agreed to by the account owner and trustee. The additional provisions may include, for example, definitions, restrictions on rollover contributions from HSAs or Archer MSAs (requiring a rollover not later than 60 days after receipt of a distribution and limited to one rollover during a one-year period), investment powers, voting rights, exculpatory provisions, amendment and termination, removal of trustee, trustee's fees, state law requirements, treatment of excess contributions, distribution procedures (including frequency or minimum dollar amount), use of debit, credit, or stored-value cards, return of mistaken distributions, and descriptions of prohibited transactions. Attach additional pages if necessary.

DISCLOSURE STATEMENT

REQUIREMENTS OF AN HSA

A. **Cash Contributions –** Your contribution must be in cash, unless it is a rollover contribution.

B. **Maximum Contribution –** The total amount that may be contributed to your HSA for any taxable year is the sum of the limits determined separately for each month. The determination for each month is based on whether, as of the first day of such month, you are eligible to contribute and whether you have self-only or family coverage under a high deductible health plan (HDHP). If you have self-only coverage, the maximum monthly contribution is 1/12 of $3,450 (for 2018) or $3,500 (for 2019). If you have family coverage, the maximum monthly contribution is 1/12 of $6,900 (for 2018) or $7,000 (for 2019). These limits are subject to cost-of-living increases. In addition, if you have attained age 55 before the close of the taxable year, the annual contribution limit is increased by an additional amount not to exceed $1,000 each year. The annual limit is decreased by aggregate contributions made to an Archer MSA and by any qualified HSA funding distributions from an IRA deposited into the HSA.

   If you become HSA-eligible after the beginning of the year, you may make a full year's contribution up to the statutory contribution limit as long as you maintain eligibility during the testing period. The testing period begins the last month of the initial eligibility year and ends at the end of the 12-month period following that month. If you do not remain eligible during the testing period, you must include in your gross income the contributions made for the months that you were not otherwise eligible and pay a 10 percent penalty tax on the amount.

C. **Contribution Eligibility –** You are an eligible individual for any month if you (1) are covered under an HDHP on the first day of such month; (2) are not also covered by any other health plan that is not an HDHP and that provides coverage for any benefit covered under the HDHP (with limited exceptions); (3) are not enrolled in Medicare; and (4) are not eligible to be claimed as a dependent on another person's tax return.

   In general, an HDHP is a health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. Specifically, an HDHP has an annual deductible of at least $1,350 (for 2018 and 2019) for self-only coverage and at least $2,700 (for 2018 and 2019) for family coverage. In addition, the sum of the annual out-of-pocket expenses required to be paid (deductibles, copayments, and amounts other than premiums) cannot exceed $6,650 (for 2018) or $6,750 (for 2019) for self-only coverage and $13,300 (for 2018) or $13,500 (for 2019) for family coverage. All of these dollar amounts may be adjusted annually for cost-of-living increases.

D. **Nonforfeitability –** Your interest in your HSA is nonforfeitable.

E. **Eligible Trustees –** The trustee of your HSA must be a bank, savings and loan association, credit union, or a person or entity approved by the Secretary of the Treasury.

F. **Commingling Assets –** The assets of your HSA cannot be commingled with other property except in a common trust fund or common investment fund.

G. **Life Insurance –** No portion of your HSA may be invested in life insurance contracts.

INCOME TAX CONSEQUENCES OF ESTABLISHING AN HSA

A. **HSA Deductibility –** If you are eligible to contribute to your HSA for any month during the taxable year, amounts contributed to your HSA are deductible in determining adjusted gross income up to the maximum contribution limits discussed above. The deduction is allowed regardless of whether you itemize deductions. Employer contributions to your HSA are excludable from your gross income and you cannot deduct such amounts on your tax return as HSA contributions.

B. **Contribution Deadline –** The deadline for making an HSA contribution is your tax return due date (not including extensions). You may designate a contribution as a contribution for the preceding taxable year in a manner acceptable to us. For example, if you are a calendar-year taxpayer and you make your HSA contribution on or before your tax filing deadline, your contribution is considered to have been made for the previous tax year if you designate it as such.

C. **Excess Contributions –** An excess contribution is any amount that is contributed to your HSA that exceeds the amount that you are eligible to contribute. If the excess is not corrected timely, an additional penalty tax of six percent will be imposed upon the excess amount. The procedure for correcting an excess is determined by the timeliness of the correction as identified below.

   1. **Removal Before Your Tax Filing Deadline.** An excess contribution may be corrected by withdrawing the excess amount, along with the earnings attributable to the excess, before your tax filing deadline, including extensions, for the year for which the excess contribution was made. An excess withdrawn under this method is not taxable to you, but you must include the earnings attributable to the excess in your taxable income in the year in which the contribution was made. The six percent excess contribution penalty tax will be avoided.

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2. **Removal After Your Tax Filing Deadline.** If you are correcting an excess contribution after your tax filing deadline, including extensions, remove only the amount of the excess contribution. The six percent excess contribution penalty tax will be imposed on the excess contribution for each year it remains in the HSA.

3. **Carry Forward to a Subsequent Year.** If you do not withdraw the excess contribution, you may carry forward the contribution for a subsequent tax year. To do so, you under-contribute for that tax year and carry the excess contribution amount forward to that year on your tax return. The six percent excess contribution penalty tax will be imposed on the excess amount for each year that it remains as an excess contribution at the end of the year.

You must file IRS Form 5329 along with your income tax return to report and remit any additional penalty taxes to the IRS.

D. **Tax-Deferred Earnings –** The investment earnings of your HSA are not subject to federal income tax until distributions are made (or, in certain instances, when distributions are deemed to be made).

E. **Taxation of Distributions –** Distributions taken from your HSA to pay for qualified medical expenses or to reimburse you for qualified medical expenses that you already paid are excluded from your gross income. Qualified medical expenses are amounts you pay for medical care (as defined in Internal Revenue Code Section (IRC Sec.) 213(d)) for yourself, your spouse, and your dependents (as defined in IRC Sec. 152), but only to the extent that such amounts are incurred after the HSA was established and are not covered by insurance or otherwise. For a general description of qualified medical expenses, refer to IRS Publication 502, *Medical and Dental Expenses,* available at www.irs.gov. Distributions made for purposes other than qualified medical expenses are included in your gross income and are subject to an additional 20 percent penalty tax. This additional 20 percent penalty tax will apply unless a distribution is made on account of (1) attainment of age 65, (2) death, or (3) disability.

Withdrawals from your HSA are not subject to federal income tax withholding.

F. **Rollovers –** Your HSA may be rolled over to another HSA of yours or may receive rollover contributions, provided that all of the applicable rollover rules are followed. Rollover is a term used to describe a tax-free movement of cash or other property between any of your HSAs. The general rollover rules are summarized below. These transactions are often complex. If you have any questions regarding a rollover, please see a competent tax advisor.

1. **HSA or Archer MSA to HSA Rollovers.** Assets distributed from your HSA may be rolled over to an HSA of yours if the requirements of IRC Sec. 223(f)(5) are met. A proper HSA to HSA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received. You may make only one rollover contribution to an HSA during a 12-month period.

   Assets distributed from your Archer MSA also may be rolled over to your HSA. A proper Archer MSA to HSA rollover is completed if all or part of the distribution is rolled over not later than 60 days after the distribution is received.

2. **Written Election.** At the time you make a rollover to an HSA, you must designate in writing to the trustee your election to treat that contribution as a rollover. Once made, the rollover election is irrevocable.

G. **Qualified HSA Funding Distributions –** If you are eligible to contribute to an HSA, you may be eligible to take a one-time, tax-free HSA funding distribution from your IRA and directly deposit it to your HSA. The amount of the qualified HSA funding distribution may not exceed the maximum HSA contribution limit in effect for the type of HDHP coverage (i.e., self-only or family coverage) that you have at the time of the deposit, and counts toward your HSA contribution limit for that year. If you do not remain HSA-eligible (for reasons other than death or disability) for 12 months following the transaction, the amount of the transaction is subject to taxation and a 10 percent penalty tax. For further detailed information, see IRS Publication 969, *Health Savings Accounts and Other Tax-Favored Health Plans.*

H. **Beneficiary Issues –** If you die and your beneficiary is your spouse, your HSA (or the relevant portion thereof) will become your spouse's HSA as of the date of your death.

If your beneficiary is not your spouse, the HSA (or the relevant portion thereof) will cease to be an HSA as of the date of your death.

If the beneficiary is your estate, the fair market value of the account as of your date of death is taxable on your final tax return. For other beneficiaries, the fair market value of the account is taxable to that beneficiary in the tax year that includes the date of death.

LIMITATIONS AND RESTRICTIONS

A. **Deduction of Rollovers and Transfers –** A deduction is not allowed for rollover or transfer contributions.

B. **Prohibited Transactions –** If you or your beneficiary engage in a prohibited transaction with your HSA, as described in IRC Sec. 4975, your HSA will lose its tax-exempt status and you must include the value of your account in your gross income for that taxable year. Overdrawing your HSA is considered a prohibited transaction.

C. **Pledging –** If you pledge any portion of your HSA as collateral for a loan, the amount so pledged will be treated as a distribution and will be included in your gross income for that year.

OTHER

A. **IRS Plan Approval –** The agreement used to establish this HSA has been approved by the IRS. The IRS approval is a determination only as to form. It is not an endorsement of the plan in operation or of the investments offered.

B. **Important Information About Procedures for Opening a New Account –** To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial organizations to obtain, verify, and record information that identifies each person who opens an account. Therefore, when you open an HSA, you are required to provide your name, residential address, date of birth, and identification number. We may require other information that will allow us to identify you.

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The following pages are agreements and disclosures which must be given to the applicant.

Once EFCU receives the application and the account is opened, your employee will receive a welcome packet from us, which will provide details about their new membership and HSA.

Contributions into the HSA

If you will be making contributions into your employees' accounts on their behalf, we recommend completing this via electronic funds transfer (ACH). When coding the ACH contribution, these should be coded as a checking account. As long as employees checked the appropriate box on their application, we can send you their account number at your request.

We can also accept employer contributions via check. A fully filled out HSA Group Contribution form must be completed and sent along with all check deposits. Our official form is not required if the form you submit includes the same information.

EFCU cannot help with setup or administration of the section 125 cafeteria plan.

If your employees want to contribute to their HSAs, they should reach out to the credit union for assistance.

Credit union members should personally track annual contribution amounts. The official tax form, which reports annual contributions, is not delivered until after the tax reporting season as contributions can be made at any time during that year and up to the tax filing deadline for that year, (generally April 15).

Distributions from the HSA

There are numerous ways your employees can take distributions from their HSAs. One of the easiest and most convenient is by using an HSA debit card. Please have your employees contact the credit union directly if they need help.

Account information

Your employees will receive a monthly bank statement with the details about their credit union accounts (including the HSA). We encourage them to contact us and set this up as an electronic statement.

They can also access their account information via online banking or the EFCU mobile app. Your employees can visit everence.com/online-banking to get started.

HSA advice and resources

EFCU is not allowed to provide any tax, investment or legal advice related to HSA accounts. We recommend employers and employees consult with a tax advisor or accountant.

Here are a couple helpful resources related to HSAs:

- IRS Publication 969: This explains HSA programs per the IRS.
  - https://www.irs.gov/publications/p969
- IRS Publication 502: This publication lists many of the expenses for medical care that are eligible for reimbursement from an HSA. Publication 502 is only a guide and not an exact list of qualified medical expenses.
  - https://www.irs.gov/publications/p502



Need more help?

EMPLOYEE CONTACT

If your employees need help, they should contact their local branch (everence.com/locations), or they can reach out to our National Branch:

- 800-451-5719
- infocu@everence.com

EMPLOYER CONTACT

If you, the employer, need help, please reach out to our credit union HSA specialist:

- hsa@everence.com
- 800-451-5719
  (ask for the HSA department)

Frequently asked questions

Everence Federal Credit Union and Employer HSA Guide

GENERAL INFORMATION

Q: Is there a difference between expenses eligible for distribution from an HSA and those covered by a high-deductible health plan?

A: Although they are intended to complement each other, the HSA and the high-deductible health plan differ significantly regarding eligible medical expenses. For more information on medical expenses covered by your high-deductible health plan and those that are eligible for distribution from the HSA, please review the disclosure and the Summary Plan Description or Certificate of Coverage.

Q: What are the HSA eligibility restrictions for employees?

A: Generally, employees are eligible to open and contribute to an HSA for a given month if they are covered under a qualified high-deductible health plan on the first day of the month and are otherwise eligible. Any eligible individual may establish an HSA. An eligible individual is an individual who:

- Is covered under an HDHP (High-Deductible Health Plan),
- Does not have coverage under another non HDHP,
- Is not enrolled in Medicare, and
- Is not eligible to be claimed as a dependent on another individual's tax return.

Q: What happens when an employee goes from single (self-only) to family coverage or vice versa?

A: The deductible and the HSA maximum contributions will change accordingly. The maximum contributions will be calculated by prorating the number of months of family coverage and the number of months of single (self-only) coverage.

Q: What happens when an HSA account owner dies?

A: If the spouse is named as the HSA account owner's beneficiary, the account automatically becomes the spouse's HSA. Otherwise, the account is terminated and the account balance is distributed to the HSA account owner's named beneficiary or estate.

Q: What happens when an employee leaves the company or terminates coverage under the high-deductible health plan?

A: As employees leave your employment or terminate health coverage, they can continue to access the account for qualified medical expenses, but cannot contribute to it unless they continue to be eligible.

EMPLOYER/EMPLOYEE CONTRIBUTIONS

Q: Do I need to make employer contributions to any HSAs requested by my employees?

A: No, you are allowed to make HSA contributions only to HSAs established through the HSA custodian or trustee you designate.

Q: What is the annual maximum HSA contribution?

A: The annual contribution limits, adjusted each year for inflation, are different for single and family health coverage. The annual contribution limit for single coverage is $4,300 for 2025 and $4,400 for 2026. The annual contribution limit for family coverage is $8,550 for 2025 and $8,750 for 2026. To determine the maximum contribution limits in future years, visit the IRS website (irs.gov) and review Publication 969 (Health Savings Accounts and Other Tax-Favored Health Plans).

Eligibility is generally determined on a monthly basis as of the first day of each month. Under this rule, the monthly contribution limit is prorated and is 1/12th of the annual contribution limit. The individual's maximum annual contribution depends on the number of months the individual is eligible to make contributions during the year.

The one exception to the monthly eligibility rule is that a person who is an eligible individual for the last month of the person's tax year (December for a calendar-year taxpayer) is treated as having been an eligible individual during every month of the year. The person is treated as having been a participant in the same high-deductible health plan that covers the individual in the last month.

A penalty is imposed if a contribution is made for a person under the last month eligibility rule and the person does not remain an eligible individual until the end of the following tax year. In this case, the extra contributions that were made in reliance on the last month rule (which are pretax dollars in the HSA) are treated as taxable income for the year in which the person became ineligible. These extra contributions are also subject to an additional 10 percent tax. This penalty is not imposed if ineligibility is caused by the death or disability of the eligible individual. These extra contributions are not treated as excess contributions, and they cannot be withdrawn from the HSA as an excess contribution.

Q: Is the contribution limit increased for older people?

A: An eligible individual who will reach age 55 before the end of the year for which contributions are being made can contribute an additional amount that is known as a "catch-up contribution" to his or her own HSA. Someone who meets this age requirement and is eligible for the entire year can contribute an additional $1,000. The catch-up contribution is subject to the monthly eligibility and last month eligibility rules.

Q: What if an employee and his or her spouse have health coverage under separate high-deductible health plans and both have HSAs?

A: Together they are limited to one family maximum contribution amount if at least one person has family health coverage. They may divide the maximum contribution between their HSAs in any manner they choose, except any catch-up contributions must be made to the HSA of the individual to whom it applies.





Q: What is the frequency and timing of employer HSA contributions?

A: You can make contributions for a tax year at any time during that year and up to the tax filing deadline for that year (generally April 15). However, since eligibility is determined on a monthly basis, you may wish to contribute monthly, on or after the first day of each month.

Or, you may want to make your total annual contribution to your employees' HSAs at the beginning of the year to provide for unaffordable medical care or to reduce the number of transactions. This is allowable and easy to administer, but if an employee leaves your employment before the full contribution is "earned," this money cannot be returned to you.

Q: Can employers make different contributions for different employee HSAs?

A: Employer contributions made outside of a Section 125 (cafeteria) plan must be equal as defined by the HSA comparability rules. If you are making contributions for your employees, you must contribute equally for each employee in the same category (single or family coverage, part-time or full-time – 30 or more hours per week). You must allow either the same dollar amount for everyone or the same percentage of the deductibles for each category. Employers may, however, make larger HSA contributions for non-highly compensated employees than for highly compensated employees.

Comparability rules do not apply if employees have the option to make pretax HSA contributions through your Section 125 (cafeteria) plan. In this instance, employer contributions are considered to be made through the Section 125 (cafeteria) plan and are subject to nondiscrimination rules.

Married employees

If you have two employees married to each other who are enrolled in your health plan and covered under the same agreement, you are not required to make the family contribution to each employee's HSA. You only need to make the family contribution to the primary insured's HSA.

However, this applies only if you make HSA contributions to eligible employees electing coverage under your employer sponsored-qualified high-deductible health plan. If you make HSA contributions to employees covered under any high-deductible health plan (not just yours), you must make the family contribution to both employees' HSAs.

Q: What if an employer does not contribute equally to employee HSAs (aside from those who make contributions through a Section 125 plan)?

A: Employers who fail to contribute equally are subject to penalties of up to 35 percent of their aggregate HSA contributions. Remember, once a contribution is made to an HSA, you can't get it refunded. Only the employee has access to the funds in his or her HSA.

Q: How do employees make contributions to their HSAs?

A: Employees may make after-tax contributions directly to Everence Federal Credit Union or pretax contributions through a Section 125 (cafeteria) plan if you offer one and the plan is designed to include this option. These contributions are considered to be employer contributions and must be reported as such. Or, if you do not offer a Section 125 (cafeteria) plan, you may simplify the process for them by setting up an after-tax payroll deduction.

Q: Can employees transfer funds from an IRA into an HSA?

A: Eligible individuals are entitled to one lifetime irrevocable tax-free distribution of IRA* funds to their HSA, not to exceed their maximum annual HSA contribution amount. It must be a direct trustee-to-trustee transfer. The amount transferred is not allowed as a tax deduction, but is considered an HSA contribution for that tax year. However, the individual must remain eligible for the entire month of the transfer and the following full 12 months. Otherwise, they will pay income taxes and a 10 percent penalty on the amount transferred, unless eligibility was lost due to death or disability.

The individual must fill out a Transfer of IRA Funds to an Everence HSA form, which is available at your local Everence branch office or at everence.com/hsa-forms. The form may also be requested from a service representative at 800-451-5719. This form must be sent to their IRA custodian.

**Excluding ongoing SEP or SIMPLE IRAs that will receive an employer contribution for the plan year ending with or within the individual's tax year in which the transfer is made.*

Q: Do I need to help make sure my employees don't go over the contribution limit?

A: No. We will help them keep track by sending them monthly statements on their accounts. Individuals may also call us at any time to find out how much they have contributed to their HSA.

The most important thing you can do is communicate how much your contribution will be so they can plan their contributions.

DISTRIBUTIONS

Q: Are there any rules regarding distributions I need to be aware of?

A: You may find it helpful to let your employees know that distributions may only be taken for services dated after the account is established. If they have outstanding medical bills at the time they establish the HSA, those services are not eligible for reimbursement from the account.

The established date for any additional HSA the employee opens later is considered to be the date the prior HSA was established, if the prior HSA has a balance at any time during the 18-month period ending on the date the later HSA is established.



Everence Federal Credit Union is not allowed to provide any tax, investment, or legal advice related to HSA accounts. We recommend employers and employees consult with a tax advisor or accountant.

How we help

Everence is committed to helping you in all stages of your life. Everence representatives can help you make financial decisions that reflect your faith and values.

SAVE AND INVEST

- Banking services and loans
- Socially responsible investments
- Mutual funds
- Annuities

LIVE RESPONSIBLY

- Life and long-term care insurance
- Health plans
- Disability insurance
- Trust services and administration
- Estate strategies
- Retirement strategies

GIVE GENEROUSLY

- Charitable giving plans
- Life income and estate gift plans
- Gifts of complex appreciated assets
- Volunteer time and talent

GROW AND THRIVE

- Stewardship education
- Financial planning and advice
- Sharing Fund grants
- Financial counseling
- Youth Program

BUILD YOUR BUSINESS OR ORGANIZATION

- Employee benefits
- Investment and gift management
- Business succession planning
- Endowment management

Everence helps individuals, organizations and congregations integrate finances with faith through a national team of financial professionals. Everence offers banking, insurance and financial services with community benefits and stewardship education.

Everence Federal Credit Union administrative center
2160 Lincoln Highway E., Suite 20
Lancaster, PA 17602
800-451-5719
717-735-8330

everence.com/banking

Everence corporate office
1110 N. Main St.
P.O. Box 483
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