

Health Savings Account (HSA) Fact Sheet for Administrators

This fact sheet provides information about health savings accounts (HSAs) and instructions on how to fund accounts when using J. P. Morgan Chase (Chase) or Bank of NY Mellon (Mellon), the banking partners of our High Deductible Health Plan (HDHP) vendors. Save this guide and share it with parishes and institutions who are also funding member HSAs.



As the administrator for a group offering a High Deductible Health Plan/Health Savings Account (HDHP/HSA) through the Medical Trust, you may choose to provide funding for your members' HSAs.

HSA Basics

- Accounts are owned by the employee
- Accounts are portable from employer to employer
- Unused funds roll over from year to year
- HSA funds can earn interest
- Funds in the HSA may be invested (once minimum thresholds are met). Members can request this information directly from their bank.
- Withdrawals from the HSA are not subject to federal income tax when they are used to pay for qualified medical expenses
- Employees who are 65 years or older and are eligible for Medicare may no longer fund an HSA.

HSA Overview

A qualified HDHP, such as the Cigna HDHP and Empire BCBS HDHP offered through the Medical Trust, allows employees to open an HSA. Employees pay no federal income taxes on contributions (and earnings thereon) to their HSAs

up to the annual limit established by the IRS. Withdrawals from an HSA are not subject to federal income tax when they are used to pay for qualified medical expenses. Employees may choose to pay for expenses out-of-pocket and let the tax-favored funds grow in their HSA for future healthcare expenses, or employees may choose to use them as needed. Additional information about HSAs may be found in our HDHP/HSA Fact Sheet for Members available on www.cpg.org/mtdocs.

Because of the tax favored nature of the HSA there are IRS requirements and reporting related to them. We have provided some information in this document; however, we recommend you work with your tax, accounting and legal resources to ensure all requirements are being met regarding funding and tax reporting.

Contributions

The employer and the employee may contribute to the employee's HSA on an annual basis.

IRS limits on annual contributions for 2012:

Individual Coverage: \$3,100
Family Coverage: \$6,250

- The employee is responsible for ensuring the maximum annual contribution limit is not exceeded.
- Employees who are at least age 55 or older by the end of the year may make an additional contribution, up to \$1000 for 2012.
- The deadline for making HSA contributions is the filing deadline for an individual's federal income tax return without extensions (e.g., 2012 contributions must be made no later than April 15, 2013).

Employee contributions can be made on a pretax basis.

- Through salary reductions pursuant to a cafeteria plan, if elections are made prior to the beginning of the year, and/or
- As an adjustment to income on the employee's annual federal income tax return

Employer contributions can be made on a pretax basis.

- Employer contributions must be "comparable" for similarly situated employees.

More information on comparability appears in IRS reference section of this document.

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Employer HSA Contributions

Each employer (parish, diocese, or other Episcopal organization) is responsible for defining its own contribution strategy and ensuring it meets IRS requirements. You may need to work with your own tax experts to ensure compliance with tax requirements.



The contribution strategy will define the amount of funds, if any, the employer will be depositing to the employee's HSA, the frequency with which these contributions will be made (biweekly, weekly, monthly, quarterly, or annually), and who will be eligible for any such contributions. The employer is responsible for communicating its contribution information to employees on an annual basis.

HSA Contribution Timing

Contributions can only be deposited into a member's account,

1. if the member is an eligible individual (i.e., has qualifying HDHP coverage and does not have other disqualifying health coverage), and
2. after the member's HSA is opened, and
3. the qualifying HDHP coverage is in force.

HSA Member Set-Up

For the administration of their HSA, members may choose their own bank or use one of the following financial institutions who work in partnership with the Medical Trust.

- Bank of N.Y. Mellon for the Empire BCBS HDHP
- J.P. Morgan Chase for the Cigna HDHP

If the member uses Bank of N.Y. Mellon or J.P. Morgan Chase as the HSA trustee, set-up and maintenance fees are waived while the member is employed with a participating Church employer (other fees may apply). If a member's employment is terminated or the member is no longer enrolled in an HDHP, he or she will be responsible for all fees.

If a member does not wish to use Mellon or Chase as the HSA trustee, the member can choose, after consulting with his or her employer, to establish an HSA with any appropriate institution (e.g., those qualified to administer IRAs), but he or she will be responsible for all fees.

Empire BCBS HDHP Bank of N.Y. Mellon HSA

Members in the Empire BCBS HDHP can activate their HSA accounts by completing and returning the application and signature card that Mellon Bank will mail to their homes.

Alternatively, members may activate their account online via the Empire BCBS website at www.empireblue.com on the date their HDHP becomes effective.

If members register online they will receive only a debit card. However, if they return the signature card to Mellon, they will receive a debit card and checkbook.

Cigna HDHP J.P. Morgan Chase HSA

Members in the Cigna HDHP can activate their HSA accounts by completing and returning the application that Chase will mail to their homes.

Or for faster enrollment they can submit their banking application online at: <https://preenroll.healthcare.cigna.com/healthcare/preenroll/app/bank/welcome.do>

Once the account is open, members will receive a debit card and a checkbook.

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Employer Submission of Contributions to HSAs

The Medical Trust can only collect and transfer contributions for members who use J.P. Morgan Chase or Bank of N.Y. Mellon (as applicable) for their HSA administration.

For Chase and Mellon, contributions can be submitted either by check or by an electronic wire transfer. We recommend that employers use the electronic wire transfer method for faster transfer of funds into the employees' accounts. (See instructions below.)

HSA Remittance Form – Revised for 2012

An HSA Funding Remittance Form must accompany each contribution whether you are making contributions via wire-transfer or check. This is required to ensure funds are dispersed appropriately to your respective members.

For 2012 we have added a column for “plan year.” This field is important to ensure that

1. any member contributions related to the prior year are allocated accordingly
2. members do not exceed the maximum annual contribution limits, and
3. the tax reporting and contributions are in sync.

We have provided a copy of the form with a legend of field requirements and definitions of those fields.

Submitting HSA Contributions by Wire-Transfer

To expedite the transfer of funds, the Medical Trust recommends making contributions via wire transfers that are deposited directly into our dedicated account with Northern Trust for HSA funds. To ensure that we properly identify your wire transfers, please notify the Medical Trust in advance via e-mail at HSAcoordinator@cpg.org, and provide us with the name of your organization's banking institution. You will need to note on the transfer that the wire is for HSA funds and provide your banking institution with the following information to direct the wire transfer.

Bank: The Northern Trust Company
Account Name: Episcopal Church Clergy & Employees Benefit Trust
Account Number: 35101777
ABA#: 071 000 152

With each HSA contribution submission you must also e-mail a copy of the HSA Funding Remittance Form to HSAcoordinator@cpg.org to ensure proper allocation of the funds into each member's account. Without the HSA Funding Remittance Form, the Medical trust will not be able to fund your members' HSAs.

Funds are transmitted from Northern Trust to Chase or Mellon when the wire transfers are received and have cleared Northern Trust. Please allow three business days for processing of funds into members' accounts.

Submitting HSA Contributions by Check

Employer-submitted contributions by check (whether employer or employee funds), are deposited into our dedicated account with Northern Trust for HSA funds that will be forwarded to Chase or Mellon. This account is only for submitting HSA funds to Chase or Mellon. **Do not use it to transmit any other funds to the Medical Trust or CPG.**



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When submitting funds via check, the Northern Trust lockbox address for HSA contributions is as follows:

Episcopal Church Clergy &
Employees' Benefit Trust
75 Remittance Drive - Suite #6923
Chicago, IL 60675-6923

Checks should be made payable to the Episcopal Church Medical Trust and a completed HSA Funding Remittance Form must be included with all contributions sent to the lockbox to ensure proper allocation to individual employees' accounts. Once funds have cleared Northern Trust please allow a one-week processing period for funds to appear in members' HSAs. Without a completed HSA Funding Remittance Form we will not be able to fund your members' HSAs.

Funding Concerns

We stand ready to assist you with any funding-related concerns with J.P., Morgan Chase or Bank of N.Y. Mellon. In most instances these are related to timing.

To aid us in resolving any issues your members may have with their account funding, we request you follow these procedures:

1. Determine whether the funds have cleared your bank
2. If so, provide us with the following information via e-mail at HSACoordinator@cpg.org:
 - The lockbox or bank account number where the funds were sent
 - Whether employer or employee contributions

- Date the check cleared or wire was transmitted
- Check amount and check number (if applicable)
- Other members on remittance form (is it related to one employee or all employees included on the remittance form?)



Actions Which May Delay Disbursement of Funds

- Incorrect social security number
- Social security number is replaced with employee identification number
- Providing a prior year's HSA Funding Remittance Form, instead of the current year's form
- Sending HSA contributions via check to the incorrect lockbox
- Wiring HSA contributions to the incorrect bank account or omitting the written notation that the wire is for HSA funds.
- Not attaching or e-mailing the HSA Funding Remittance Form to HSACoordinator@cpg.org
- Employee's HSA has not been opened
- Omitting information for required fields on the HSA Remittance Form

Special Information for Same Sex Spouses

Although a same sex spouse may enroll in an employee's HDHP, the IRS does not permit an employee's HSA funds to be used to cover the healthcare expenses of his or her same sex spouse, unless the same sex spouse otherwise qualifies as the employee's federal tax code dependent. The employee's same sex spouse may open his or her own HSA, which you as the employer may or may not choose to fund.

Special Information for Domestic Partners

If your group allows domestic partners to be covered as dependents on your health plan, then an employee's domestic partner can be enrolled in the HDHP. However, the IRS does not permit an employee's HSA funds to be used to cover the healthcare expenses of domestic partners, unless the domestic partner otherwise qualifies as the employee's federal tax code dependent. The domestic partner can open his or her own HSA, which you as the employer may or may not choose to fund.

Important Tax Related Information

You must include contributions made to employees' HSAs on their form W-2s. If you have a Section 125 cafeteria plan in place, employees' contributions to their HSAs can be made on a pretax basis, and reported on their W-2s.

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Form W-2 Reporting Requirements

IRS regulations require contributions to an HSA account be included in box 12 of the Form W-2 filed for each employee. Enter code “W” in box 12. The figure recorded in Box 12 includes any funds contributed through a cafeteria plan. Do not include employee contributions to an HSA in Box 12. The employee will report them on Form 8899.

Comparable Contributions

If you decide to make employer HSA contributions, you must make comparable contributions to all comparable participating employees HSAs. Your contributions are comparable if they are either:

- The same amount, or
- The same percentage of the annual deductible limit under the HDHP covering the employees.

The comparability rules do not apply to contributions made through a cafeteria plan.



Comparable Participating Employees Defined

Comparable participating employees:

- Are covered by your HDHP and are eligible to establish an HSA
- Have the same category of coverage (either self-only or family coverage), and
- Have the same category of employment (part-time, full-time, or former employees).

To meet the comparability requirements for eligible employees who have not established an HSA by December 31 or have not notified you that they have an HSA, you must meet a notice requirement and a contribution requirement.

You will meet the notice requirement if by January 15 of the following calendar year you provide a written notice to all such employees. The notice must state that each eligible employee who, by the last day of February, establishes an HSA and notifies you that she or he has established an HSA, will receive a comparable contribution to the HSA for the prior year. For a sample of the notice, see Treasury Regulation 54.4980G-4 A-14(c) at <http://www.regulationdocs.com/regulations/26cfr/54.4980G-4/>

You will meet the contribution requirement for these employees if by April 15th of the following calendar year, you contribute comparable amounts plus reasonable interest to the employee’s HSA for the prior year.



Note. For purposes of making contributions to HSAs of non-highly compensated employees, highly compensated employees shall not be treated as comparable participating employees.

Excise Tax

If a participating Church employer makes contributions to employees’ HSAs that are not comparable, the employer must pay an excise tax of 35% of the amount contributed to the IRS.

Employment Taxes

Employer contributions to their employees’ HSAs are generally not subject to employment taxes (e.g. Social Security and Medicare).





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Resource Materials

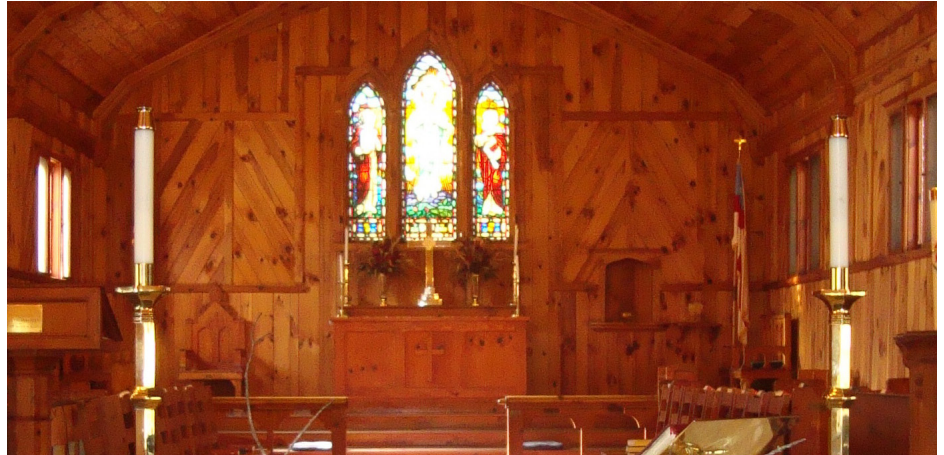
U.S. Treasury Department
HSA Information

www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx

IRS Publication 502 provides a list of qualified medical expenses.

IRS Publication 969 is a thorough explanation of HSAs and how the IRS treats them.

IRS Notice 2004-2, IRS Notice 2004-50 and IRS Notice 2008-52 provide guidance on Health Savings Accounts.



The Church Pension Group Services Corporation (“CPGSC”), doing business as the Episcopal Church Medical Trust (the “Medical Trust”) maintains a series of benefit plans (the “Plans”) for employees (and their dependents) of the Protestant Episcopal Church in the United States of America (hereinafter referred to as “the Church”). The Medical Trust serves only ecclesiastical societies, dioceses, missionary districts, or other bodies subject to the authority of the Church. The Plans that are self funded are funded by the Episcopal Church Clergy and Employees’ Benefit Trust (“ECCEBT”), a voluntary employees’ beneficiary association within the meaning of section 501(c)(9) of the Internal Revenue Code.

This document contains only a partial description of the Plans intended for informational purposes only. It should not be viewed as a contract, an offer of coverage, or investment, tax, medical, or other advice. In the event of a conflict between the information contained in this document and the official Plan documents (schedule of benefits, Summary Plan Description, booklet, booklet-certificate), the official Plan documents will govern.

The Church Pension Fund and its affiliates, including but not limited to the Medical Trust and ECCEBT (collectively, “CPG”), retain the right to amend, terminate, or modify the terms of the Plans, as well as any post-retirement health subsidy, at any time, with or without notice, for any reason.

The Plans are church plans within the meaning of section 3(33) of the Employee Retirement Income Security Act and section 414(e) of the Internal Revenue Code. Not all Plans are available in all areas of the United States, and not all Plans are available on both a self-funded and fully insured basis. The Plans do not cover all health care expenses, and Members should read the official Plan documents carefully to determine which benefits are covered, as well as any applicable exclusions, limitations, and procedures.

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