

## **APPENDIX H HEALTH SAVINGS ACCOUNT**

This Appendix H contains the terms and conditions specific to enabling a Participant to contribute to a Health Savings Account (“HSA”) pursuant to Section 4.01(G) of the Flexible Benefits Plan. Under this provision, a Participant covered by a “high deductible health plan” may contribute, on a pre-tax basis, to an individual Health Savings Account to be used primarily for reimbursement of “qualified eligible medical expenses” as set forth in Code § 223(d)(2). Unless otherwise altered by this Appendix H, the terms and conditions of the Flexible Benefits Plan are incorporated into and made applicable to the HSA contribution option.

**Section H1.01 Eligibility.** The eligibility conditions are the same as those for the Flexible Benefits Plan. In addition, in order to contribute to an HSA, the Participant must meet the following conditions:

- (A) Must have enrolled in employee-only or family coverage (i.e., any coverage which is not “employee-only” coverage) under the “high deductible health plan” (“HDHP”) coverage option of the Farm Credit Foundations Medical Plan;
- (B) Cannot be claimed as another person’s tax dependent;
- (C) Is not entitled to (i.e., eligible for and enrolled in Medicare) Medicare benefits;
- (D) If he/she has any other health coverage *other than* coverage under the Farm Credit Foundations Medical Plan, that coverage is either: (i) HDHP coverage; or (ii) permitted non-HDHP insurance or coverage; and
- (E) If married and covering the spouse, the spouse of the Participant does not have any non-HDHP family health coverage.

**Section H1.02 High Deductible Health Plan Coverage.** High Deductible Health Plan (“HDHP”) Coverage means the high deductible health coverage option offered by the Employer that is intended to qualify as HDHP coverage under Code § 223(c)(2).

**Section H1.03 Effective Date of Election.** An election to participate in an HSA shall take effect as described in Article V of this Flexible Benefits Plan.

**Section H1.04 HSA Benefits.** An Eligible Employee can contribute on a pre-tax basis to an HSA by completing the salary reduction form provided by the Plan Administrator. The Participant’s HSA is established and maintained outside the Flexible Benefits Plan by a trustee-custodian to which the Employer will forward the contributions to be deposited. This funding feature constitutes the HSA benefit offered under this Flexible Benefits Plan.

**Section H1.05 Carryover of Unused Amounts.** Any amounts remaining in a Participant's HSA account at the end of the Plan Year may be carried forward to the following Plan Year.

**Section H1.06 Funding of HSA.** Each Plan Year, the Farm Credit Foundations Plan Sponsor Committee shall determine whether or not each Participant who opens an HSA with the service provider listed on the Schedule of Service Providers, which is attached to this Flexible Benefits Plan, and who elects to make pre-tax contributions for the Plan Year through the Flexible Benefits Plan will receive a contribution to his/her HSA from the Employer. Any such Employer Contribution will be prorated for new hires and other newly eligible Participants based on the number of months remaining in the Plan Year in which they will be eligible. Any additional contributions through this Flexible Benefits Plan to a Participant's HSA shall be funded solely with the Participant's pre-tax salary reductions. The Employer shall communicate the amount of any Employer contribution during the Annual Enrollment Period.

**Section H1.07 Election Changes.** As long as it is administratively feasible when received by the benefits staff at Farm Credit Foundations, an election to contribute to an HSA can be increased, decreased or revoked prospectively, effective the first day of the next pay period coincident with or next following the properly completed and submitted request. An election to commence contributions to an HSA, however, shall only take effect prospectively at the beginning of the month coincident with or next following the properly completed and submitted request.

**Section H1.08 HSA and Health FSA.** A Participant may not contribute to an HSA and participate in the Health FSA benefit during the same month unless the Participant is participating in the Limited Purpose Health FSA option; provided, however, that if a Participant ceases contributions to an HSA mid-month and has experienced a qualifying election change event, the Participant may commence participation in the General Purpose Health FSA option after ceasing contributions to the HSA.

**Section H1.09 Maximum Contribution Limit.** The annual contribution limit for each individual contributing to an HSA is equal to the annual benefit amount elected by the individual. In no event shall the amount elected exceed the statutory maximum amount for HSA contributions applicable to the Participant's HDHP coverage option (i.e., "single" or "family") for the calendar year in which the HSA contribution is made, as announced by the Internal Revenue Service. For 2007, the statutory maximum amount is \$2,850 for single coverage and \$5,650 for family coverage. For 2008, the statutory maximum amount is \$2,900 for single coverage and \$5,800 for family coverage. It is the responsibility of the Participant to ensure that his/her HSA maximum annual contribution limit is not exceeded.

If an eligible individual does not participate in the HSA for the entire year, he/she may still contribute the maximum annual contribution amount for the year, provided that he/she satisfies the "testing period." The "testing period" is the 13-month period beginning with December of the year for which those contributions were made and ending on the last day of the 12<sup>th</sup> month following that December. If the testing period is not satisfied, the contributions made while the individual was not eligible will be includable in the individual's gross income for the taxable year in which the individual loses eligibility (for reasons other than death or disability). In addition, a 10% additional tax will apply to the amount includible.

The maximum annual contribution shall be reduced by any Employer contribution made on the Participant's behalf.

**Section H1.10 "Catch-Up" Contributions.** In addition to the contributions that are permitted under Section H1.09, an additional contribution may be made for individuals who are (or will be) age 55 or older as of the last day of the Plan Year. This additional contribution is commonly referred to as a "catch-up" contribution. The maximum permissible "catch-up" contribution is \$800 for 2007. Thereafter, the maximum permissible "catch-up" contribution will increase by \$100 each year until 2009 and subsequent years, when the maximum permissible "catch-up" contribution will be \$1,000 per year.

**Section H1.11 Recording Contributions for HSA.** The Plan Administrator will maintain records to keep track of HSA contributions that a Participant makes through the pre-tax salary reduction agreement. The Plan Administrator will not create a separate fund or otherwise segregate assets for this purpose. The Employer has no authority or control over the funds deposited in an HSA.

**Section H1.12 HSA Providers.** The qualified HSA trustee/custodian, not the Employer, will establish and maintain the HSA. In order to make pre-tax contributions to an HSA and receive the initial funding amount from the Employer, the Participant must choose the service provider listed on the Schedule of Service Providers, which is attached to this Flexible Benefits Plan, as the qualified HSA trustee/custodian.

**Section H1.13 Trust/Custodial Agreement.** The HSA benefit consists solely of the ability to make contributions to the HSA on a pre-tax basis pursuant to a salary reduction agreement. The terms and conditions of coverage and benefits (e.g. eligible medical expenses, claims procedures, etc.) will be provided by and are set forth in the HSA documents provided by the custodian/trustee. The terms and conditions of each Participant's HSA trust or custodial account are described in the HSA trust or custodial agreement provided by the applicable trustee/custodian to each electing Participant and are not a part of this Flexible Benefits Plan.

**Section H1.14 Tax Treatment of HSA Contributions and Distributions.** The tax treatment of the HSA (including contributions and distributions) is governed by Code § 223.