

## **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 Dependent-Spouse, the Dependent-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 pro-rated 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. If the Participant does not cooperate with the Employer with regard to the establishment of an HSA to which the Employer can make contributions, the Participant will not receive any Employer contributions.

**Section H1.07 Election Changes.** As long as it is administratively practicable 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 Annual Contribution Limit.** The amount contributed to an HSA (including any Employer Contribution made on the Participant's behalf) may not 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. This amount is referred to as the Maximum Annual Contribution.

- (A) **Current Limit for Plan Year.** The HSA Maximum Annual Contribution Limit Schedule, which is attached to this Flexible Benefits Plan, identifies the Maximum Annual Contribution Limit for the current Plan Year. In the event there is a change in the Maximum Annual Contribution Limit, such Schedule may be updated by the Plan Administrator. Such update shall not constitute a plan amendment for purposes of Article VIII.

If an eligible individual does not participate in the HSA for the entire year, he/she may still contribute the Maximum Annual Contribution Limit 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.

- (B) **Catch-Up Contributions.** Individuals who are or will be age 55 or older on December 31<sup>st</sup> of the Plan Year may make an additional catch-up contribution for that Plan Year. For Plan Years beginning on or after January 1, 2009, the amount of the additional catch-up contribution may not exceed \$1,000. A catch-up contribution shall not be taken into account for purposes of applying the Maximum Annual Contribution Limit.

**Section H1.10 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. The Participant is responsible for keeping records of all HSA contributions that may be necessary for purposes of substantiating such contributions on his/her own federal tax return. A Participant who is unsure about his/her reporting obligations should seek the advice of his/her own tax advisor.

**Section H1.11 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, such Schedule may be updated by the Plan Administrator. Such update shall not constitute a plan amendment for purposes of Article VIII.

**Section H1.12 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 H1.13 Tax Treatment of HSA Contributions and Distributions.** The tax treatment of the HSA (including contributions and distributions) is governed by Code § 223.