Appendix C
Health Savings Accounts

Contents

Introduction .................................................. C-2
About the HSAs ........................................... C-3
  What is an HSA?........................................ C-3
Who is eligible to open and contribute to an HSA ................. C-3
  Who is eligible to contribute to an HSA ........ C-3
  How to open an HSA................................. C-4
Contributions .............................................. C-4
  Contribution limits................................. C-4
  Making payroll contributions ...................... C-4
  HSA contribution flexibility ...................... C-5
  Catch-up contributions............................. C-5
  Full-Purpose Health Care FSA grace period..... C-5
  Health and wellness contributions............... C-5
  Other ways to contribute to your HSA.......... C-5
Qualified medical expenses .................................. C-5
Using the HSA for nonqualified expenses ............... C-6
Additional information about the HSA.................. C-6
Introduction

Please note that this appendix is included in the overall Benefits Book solely for your convenience. Although this appendix provides you with information regarding health savings accounts (HSAs), this appendix itself is not part of the official Summary Plan Description (SPD) for the Wells Fargo & Company Health Plan (or its benefit options, including the HSA-Based Medical Plan – Gold or HSA-Based Medical Plan – Silver (including Out of Area options), and HDHP – Kaiser medical plans) or for any ERISA-covered employee benefit plans maintained by Wells Fargo & Company.

This appendix to the Benefits Book describes some key features of the HSA that you can open in conjunction with a high-deductible health plan, such as the HSA-Based Medical Plan – Gold or HSA-Based Medical Plan – Silver (including Out of Area options), and HDHP – Kaiser medical plans. In particular, and except as otherwise indicated, this appendix will address the HSA and not the associated high-deductible health plans. The HSA-Based Medical Plan – Gold or HSA-Based Medical Plan – Silver (including Out of Area options), and HDHP – Kaiser medical plans are generally referred to in this appendix as “HSA-compatible medical plans.”

Wells Fargo has entered into an agreement with Health Benefit Services (HBS), a division of Wells Fargo Bank, N.A., to provide certain administrative and custodial services for the HSAs. HBS is located at MAC N9305-091, 90 South 7th St., 9th floor, Minneapolis, MN 55402.

Neither Wells Fargo nor HBS insures the HSAs described in this appendix. It is Wells Fargo’s intention to comply with U.S. Department of Labor guidance set forth in Field Assistance Bulletin Numbers 2004-01 and 2006-02, which specifies that an HSA is not subject to ERISA when the employer’s involvement is limited.

Establishment of an HSA is completely voluntary on your part:

• Wells Fargo does not limit your ability to move your funds to another HSA or impose conditions on usage of HSA funds beyond those permitted under the Internal Revenue Code of 1986. However, Wells Fargo will only support ongoing payroll deductions and provide funding of health and wellness dollars for HSAs opened at HBS.

• Wells Fargo does not make or influence the investment decisions with respect to funds contributed to an HSA.

• Wells Fargo does not represent that the HSA is an ERISA-covered employee benefit plan established or maintained by the employer.

An HSA is an individually owned account. Your HSA will continue to be your account, even if you leave Wells Fargo or change your medical coverage.
About the HSAs
An HSA is a tax-advantaged savings vehicle funded by you, your employer, or any other person on your behalf. An HSA can help you to cover, on a tax-free basis, qualified medical expenses that you pay out of pocket, such as deductibles or coinsurance. It may be used to pay for, among other things, certain medical expenses not covered under the medical plan design. Amounts may be distributed from the HSA to pay nonmedical expenses; however, these amounts are subject to income tax and may be subject to an additional 20% tax. There are specific requirements for opening an HSA and making contributions to it as described later in this appendix, including enrolling in a high-deductible health plan.

Note: Tax references are at the federal level. Some state taxes may apply. Please consult your tax advisor.

Who is eligible to open and contribute to an HSA

You must be covered under one of the Wells Fargo-sponsored high-deductible health plans to contribute to an HSA. Eligibility to participate in the HSA-compatible medical plans is described in “Chapter 1: An Introduction to Your Benefits” in this Benefits Book.

You cannot contribute to an HSA if:

- You are covered under a non-HSA-compatible medical plan. Note that coverage under a “general purpose” health care flexible spending account (FSA) or health reimbursement account (HRA) through Wells Fargo or your spouse’s employer is disqualifying coverage. In addition, individuals covered as dependents under a parent’s “general purpose” health care FSA or HRA are not eligible to contribute to an HSA. A “general purpose” FSA or HRA covers more than dental, vision, preventive care, or post-deductible expenses.

- By contrast, coverage under a vision, dental, or other plan designated as permitted insurance by the IRS will not make you ineligible to contribute to an HSA. This means that coverage under a “limited purpose” FSA or HRA will not make you ineligible. A “limited purpose” FSA or HRA typically covers only dental, vision, preventive care, or post-deductible expenses.

- You are entitled to benefits under Medicare (that is, you are enrolled in Medicare).

- You are eligible to be claimed as a dependent on another person’s tax return. Please note that generally a spouse is not considered a dependent for this purpose.

- You have received medical benefits from the Department of Veteran Affairs (VA) at any time during the previous three months (with an exception starting in 2016 for receipt of VA hospital care or medical services in connection with a service-related disability).

- You have received medical services at an Indian Health Service (IHS) facility at any time during the previous three months.

Note: You are responsible for determining if you are eligible to contribute to an HSA. Consult your tax advisor with questions.

What is an HSA?
An HSA is a tax-advantaged savings vehicle that participants in an HSA-compatible medical plan can use to pay for qualified medical expenses that they or their spouse and eligible dependents incur. After you lose eligibility to contribute to an HSA, you can continue to use your HSA to pay for expenses (even those incurred after the coverage stopped), but you will not be able to continue to make contributions.

HSA funds at HBS:
- Accumulate in an interest-bearing deposit account and may be invested* upon meeting target deposit account balance requirements
- Are portable
- Can be used to pay for qualified medical expenses tax-free or for nonmedical expenses on a taxable basis (are subject to income tax and may be subject to an additional 20% tax)

* INVESTMENT PRODUCTS: NOT FDIC INSURED, NO BANK GUARANTEE, MAY LOSE VALUE
How to open an HSA

If you enroll in one of the HSA-compatible medical plans sponsored by Wells Fargo and do not already have an HSA with HBS, Wells Fargo will facilitate opening an HSA with HBS for you. To open an HSA with HBS, you must:

• Have a physical address as your home address.
• Provide Wells Fargo benefits with a home phone number.
• Appoint Wells Fargo & Company as your agent for account opening purposes as part of the online enrollment process.

Please be aware that HSAs are standard bank accounts and, as such, are subject to standard risk and customer due diligence screening both before being opened and during the life of the account. In some circumstances, HBS may request additional information from you or Wells Fargo benefits to open your HSA. It is possible that HBS could decline to open your HSA or could close your HSA. You will receive additional information from HBS once they have opened your HSA.

Contributions

Contribution limits

The contribution limits for individual and family high-deductible health plan coverage are set by federal law.

• For the 2016 tax year, the maximum HSA contribution is:
  – $3,350 for people with individual coverage
  – $6,750 for people with family coverage

• If you are age 55 or older you may contribute an additional $1,000 per year to your HSA.

Any contribution that is made to your HSA by Wells Fargo counts toward the maximum HSA annual amount as set by federal law. Because you may have the opportunity to earn health and wellness dollars, the Wells Fargo maximum HSA employee annual payroll contribution amounts for 2016 are:

  – $2,550 You only
  – $5,150 You + spouse or domestic partner
  – $5,950 You + children
  – $5,150 You + spouse or domestic partner + children

These Wells Fargo maximum employee annual payroll contribution amounts will apply to you even if you’re not eligible for, or do not receive, health and wellness dollars. For more information on making contributions to an HSA outside of payroll, refer to the “Other ways to contribute to your HSA” section on page C-5 of this appendix.

For more information about the maximum limits set by law, see the IRS website at irs.gov.

Your personal contribution limit may be lower than the maximum contribution limits listed above. Contribution limit rules are complex and should be carefully considered. For example, contribution limits are generally prorated if you are only eligible to contribute to an HSA for part of the year. However, if you become HSA-eligible midyear and are still eligible for an HSA on December 1 of that year, you may be allowed to contribute the maximum amount set by law for that year as long as you remain HSA-eligible during a 13-month “testing period” (beginning with the December of the year of the midyear enrollment and ending at the end of the following December). If you do not satisfy the testing period, you will face tax consequences. Consult your tax advisor to determine how midyear eligibility changes affect your contribution limit.

Note: Amounts that exceed your personal contribution maximum are not tax-deductible and will be subject to a 6% excise tax. This excise tax can be avoided if you withdraw the excess contribution (and net income attributable to such contribution) before the last day for filing your federal income tax return for the year (generally April 15 of the following year).

If you have contributed amounts in excess of the allowable maximum contribution, please call HSA Customer Service at 1-866-884-7374, Monday through Friday, 7:00 a.m. to 8:00 p.m. Central Time.

Neither HBS nor Wells Fargo monitors whether you have exceeded your personal contribution limit. You are solely responsible for monitoring your personal contribution limit. Consult your tax advisor with questions.

Making payroll contributions

You can make contributions to your HSA through payroll deductions on a before-tax basis. You can make an HSA contribution election during your designated enrollment period or the Annual Benefits Enrollment period. You can also make or change your HSA contribution election by calling the HR Service Center at 1-877-HRWELLS (1-877-479-3557), option 2, anytime throughout the year.

Once you elect your annual HSA payroll contribution, your total payroll contribution election will be divided by the number of remaining pay periods for the year. You may, however, change how your contribution is distributed over pay periods, as described in the “HSA contribution flexibility” section on page C-5.

Note: If coverage under an HSA-compatible medical plan terminates, no further payroll contributions may be made to your HSA.
HSA contribution flexibility
You have the flexibility to select the pay periods from which your annual HSA contribution election is taken.

Once you make your annual HSA contribution election, you can allocate your contribution over specific pay periods by using the Manage Health Savings Account Deductions tool in Your Benefits on Teamworks anytime throughout the year.

If you change your annual HSA contributions election midyear by calling the HR Service Center, any payroll contributions and pay dates you originally selected going forward will be canceled. Your annual HSA contribution election will be divided evenly over the remaining pay periods for the year. If you want to select pay dates from which your new HSA contribution election will be taken, you will need to use the Manage Health Savings Account Deductions tool in Your Benefits on Teamworks.

More information on this process is provided on the Manage Health Savings Account Deductions tool in Your Benefits on Teamworks.

Catch-up contributions
If you are age 55 or older during the 2016 calendar year and are otherwise eligible to contribute to an HSA, you can make an additional $1,000 payroll contribution on a before-tax basis. This contribution is often referred to as a “catch-up contribution.” If you elect to make a catch-up contribution through payroll deduction, the amount will be divided by the number of remaining pay periods, unless you adjust the payroll contribution election by using the Manage Health Savings Account Deductions tool in Your Benefits on Teamworks.

Full-Purpose Health Care FSA grace period
Important: If you were enrolled in the 2015 Full-Purpose Health Care Flexible Spending Account (FSA) and had a balance in that account on December 31, 2015, you cannot contribute to your HSA until April 2016. That means that neither you nor Wells Fargo can make contributions toward your HSA (including earned health and wellness dollars) until April 1, 2016.

Health and wellness contributions
You and your covered spouse or domestic partner may be able to earn health and wellness dollars to be deposited to your HSA after completing certain health- and wellness-related activities. For more information, refer to the “Health and wellness activities” section in “Chapter 2: Medical Plans.”

Other ways to contribute to your HSA
In addition to making contributions via payroll deduction, there are other ways to contribute to your HSA through HBS to meet your personal contribution limit. For example, you can:

• Contribute money directly to your HSA at any time through Wells Fargo Online. To make a one-time contribution or schedule recurring contributions to your HSA, follow these steps:
  1. Access your account by signing on to Wells Fargo Online at https://online.wellsfargo.com/login
  2. From the Account Summary screen, select your account
  3. Under Manage Your HSA, select Deposit to HSA
• Visit a Wells Fargo store.
• Detach a contribution coupon from your monthly HSA statement and mail it in with a check.

All funds placed into your HSA are owned and controlled by you and subject to the terms and conditions of the Custodial Agreement provided by HBS.

Qualified medical expenses
The funds in your HSA will be available to help you pay your or your eligible dependents’ out-of-pocket costs, including annual deductibles and coinsurance under an HSA-compatible medical plan. You may also use your HSA funds to pay for medical care that is not covered under an HSA-compatible medical plan but is eligible under Section 213(d) of the Internal Revenue Code of 1986 (“the Code”), as amended from time to time. Expenses that are for “medical care” under Section 213(d) of the Code are “qualified medical expenses.” HSA funds used for such purposes are not subject to income or excise taxes.

Qualified medical expenses only include your and your eligible dependents’ medical expenses, meaning your spouse and any other family members whom you are allowed to file as dependents on your federal tax return, as defined in Section 152 of the Code.

Examples of what constitutes “qualified medical expenses” are available in IRS Publication 502, which is available from any regional IRS office or the IRS website. They are also available at wellsfargo.com/hsa, or at https://www.wellsfargo.com/investing/hsa/qualified-expenses/. Note that Publication 502 lists expenses that are deductible — which aren’t necessarily the same as expenses that are HSA-eligible. For example, although taxpayers may deduct health insurance premiums on their tax returns if certain requirements are met, reimbursement of such
premiers through an HSA is restricted. HSAs may only reimburse limited categories of insurance premiums on a tax-favored basis (for example, premiums for COBRA coverage).

**Important**

Be sure to keep your receipts and medical records. If these records verify that you paid qualified medical expenses using your HSA, you can exclude these HSA distributions from your taxable income when filing your tax return. However, if you cannot demonstrate that you used your HSA to pay qualified medical expenses, you may need to report the distribution as taxable income on your tax return. Wells Fargo and HBS do not verify that distributions from your HSA are for qualified medical expenses. Consult your tax advisor to determine how your HSA affects your unique tax situation.

The IRS may request receipts during a tax audit. Wells Fargo and HBS are not responsible for maintaining receipts or liable if you use HSA funds for nonqualified medical expenses.

**Using the HSA for nonqualified expenses**

A nonqualified medical expense is generally one that is not eligible under Section 213(d) of the Code. Any funds used from your HSA to pay for nonqualified expenses will be subject to income tax and a 20% additional tax unless an exception applies to the additional tax (that is, your death, your disability, or your attainment of age 65). In general, you may not use your HSA to pay for health insurance premiums without incurring an income tax and a penalty tax. (You may use your HSA to pay for COBRA, Medicare, and certain other premiums.) In addition, with the exception of insulin, you cannot use HSA funds to reimburse expenses for over-the-counter medicines and drugs unless you have a prescription.

**Additional information about the HSA**

If you do not use all of the funds in your HSA during the calendar year, the balance remaining in your HSA will carry over to the following year. If your employment terminates for any reason or your enrollment in an HSA-compatible medical plan ends, you will continue to own and control the funds in your HSA, whether or not you elect COBRA coverage for the HSA-compatible medical plan, as described in this Benefits Book.

If you choose to roll over the HSA funds to another HSA trustee or custodian, you must do so within 60 days from the date that HSA funds are distributed to you to avoid paying taxes on the funds.

You will need to make sure to update any personal home address changes after your initial enrollment with HBS. You are responsible for notifying HBS directly of any changes and for all maintenance of the HSA.

Wells Fargo pays the monthly service fee for the HSA as long as you are enrolled in a Wells Fargo HSA-compatible medical plan. Wells Fargo does not pay other fees associated with the HSA, as outlined in the HSA Custodial Agreement and Accountholder Fee Schedule provided in your welcome kit or available on the HBS website at [https://www.wellsfargo.com/hsa](https://www.wellsfargo.com/hsa). You will be responsible for the monthly service fee and all other fees for your HSA if you are no longer enrolled in an HSA-compatible medical plan.


Note: The tax rules for HSAs are complex. This appendix only describes some of the rules. You should review information provided by HBS and the IRS, as well as the Code provisions for HSAs. Wells Fargo does not provide tax advice, and you may want to consult with your tax advisor. All tax references are at the federal level; state taxes may vary.
Page intentionally left blank