HEALTH SAVINGS ACCOUNT

PACKET FOR EMPLOYEES, INDIVIDUALS & FAMILIES

2011 / 2012

This packet contains documents helpful in establishing a new Health Savings Account with Community Bank.

EFFECTIVE: MAY 15, 2011

This PDF file is 11 pages long and includes the following:

- ✓ **Health Savings Account Features and Fees**
- ✓ **Comparison of IRS Guideline Changes – 2011 vs 2012**
- ✓ **2011 / 2012 Health Savings Account Worksheet**
- ✓ **Privacy Policy**
- ✓ **Participant and Beneficiary Information Form**
- ✓ **Using Your Health Savings Account**

Locally Owned. Locally Managed.

Community Bank of San Joaquin

Main Office
22 West Yokuts Avenue
Stockton, CA 95207-5715
(209) 956-7000

Waterloo Office
4426 East Waterloo Road
Stockton, CA 95215-2306
(209) 373-4300

www.cbsjbank.com

MEMBER FDIC EQUAL HOUSING LENDER

Health Savings Account (HSA)

Effective: May 15, 2011

Introducing Community Bank's interest-bearing HSA checking account and Visa® Check Card for eligible individuals or families with High Deductible Health Plans (HDHPs).

Features

- HSA Checking Account*
  (Free of monthly service charge)
- Visa® Check Card*
- e-Banking for Easy Recordkeeping
- 24-Hour Telephone Banking
- Statement Savings or Short-Term CD, optional

Fees

- $35 Set Up Fee *if a member of an employer group of 5 or more; otherwise $50 set up fee for an individual participant.*
- $18 Annual Plan Fee
- $2 Excess Transfer Fee
  (per manual transfer, if from a savings account and more than 4 times per month)
- $25 Trustee-to-Trustee Transfer Fee
  (outbound)

Contact us for more information or visit our
HSA Information Center online at **www.cbsjbank.com/hsa/**

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*For those who qualify. See our *Fee Schedule & Account Information* and *Agreement & Disclosure* for further details. Please see our standard deposit interest rate sheet for current interest rates and annual percentage yields on HSA Checking accounts.

CBOSJ BR073 (06-03-2011)

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Health Savings Account (HSA)

HSA - Comparison of IRS Guideline Changes

	2011	2012*
Maximum annual HSA contribution		
Individual	$3,050	$3,100
Family	$6,150	$6,250
Catch-up (55-64 years of age)	$1,000	$1,000
Minimum annual HDHP deductible		
Self coverage	$1,200	$1,200
Family coverage	$2,400	$2,400
Maximum annual HDHP out-of-pocket expenses		
Self coverage	$5,950	$6,050
Family coverage	$11,900	$12,100

*****For details on annual limits, refer to IRS Revenue Procedure 2011-32
(http://www.irs.gov/pub/irs-drop/rp-11-32.pdf)

Other Related IRS Documents:
Health Savings Accounts and Other Tax-Favored Health Plans, IRS Publication 969
(http://www.irs.gov/pub/irs-pdf/p969.pdf)

Medical and Dental Expenses, IRS Publication 502
(http://www.irs.gov/pub/irs-pdf/p502.pdf)

Contact us for more information or visit our
HSA Information Center online at **www.cbsjbank.com/hsa/**

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Health Savings Account (HSA)

2011 / 2012* HSA Worksheet

Health Savings Accounts (HSAs) are designed for individuals or families *insured by a High Deductible Health Plan (HDHP) only.*

HDHP Type	Minimum Annual Deductible*		Maximum Annual Contribution*	
Individual Plan	$1,200 (2011)	$1,200 (2012)	$3,050 (2011)	$3,100 (2012)
Family Plan	$2,400 (2011)	$2,400 (2012)	$6,150 (2011)	$6,250 (2012)
*For details on annual limits, see *IRS Revenue Procedure 2011-32*.				

1. An HDHP participant does not qualify to open a Health Savings Account if he or she is covered by additional insurance, such as a plan offered by the spouse's employer. Do you qualify to open an HSA? ☐ Yes ☐ No
2. Account Titling: Community Bank of San Joaquin CUST FBO _____ HSA
   (please print your name)
3. HDHP Type: ☐ Individual ☐ Family
4. HDHP Effective Date: _____
   Typically, full annual contribution is allowed as long as the HDHP became effective on or before December 1st of the current year and the participants remain in an HDHP through December 31st of the following calendar year.
5. Employer Contribution? ☐ Yes ☐ No
   a. If "yes" please provide name of employer: _____
   b. *If "yes" you authorize Community Bank of San Joaquin to provide your HSA Checking/Savings/CD account number to your employer for contribution purposes only.*
   c. If "yes", how much will your employer contribute for the current tax year? _____
6. Eligible for "Catch Up" contribution? (Please check all that apply.)
   Persons age 55 through 64 may make up to $1,000 in "Catch Up" contributions in 2011/2012, ***if not enrolled in Medicare.***

   Self – Yes, I may make up to $1,000 in "Catch Up" contributions in ☐ 2011 ☐ 2012.

   Spouse (Family Plan) – Yes, my spouse may make up to $1,000 in "Catch Up" contributions in ☐ 2011 ☐ 2012.

   No, no one is qualified for "Catch Up" contributions during ☐ 2011 ☐ 2012.
7. If this is a Family Plan and both spouses are eligible for "Catch Up" contributions in the same tax year, two separate HSA plans must be opened. Please indicate how contributions and disbursements are to be processed:
   d. "Catch Up" contributions
      i. "Catch Up" contributions for _____ to be made to the account in his/her name.
      ii. "Catch Up" contributions for _____ to be made to the account in his/her name.
   e. In addition, $_____ from each contribution is to be directed to the account that belongs to _____ _____ (name of spouse). The remainder will be deposited to the account that belongs to _____ (name of primary plan holder).
   f. Distributions are to be made from _____ account first, then when funds are depleted distributions are to be made from _____ account.

Signature:_____ Date:_____

Signature:_____ Date:_____

Bank Use:
- ☐ Owner and Beneficiary information (copies of DL)
- ☐ Checking, Savings or Certificate (based on frequency of distributions)
- ☐ Access for Spouse requested?
  - ☐ If so, DL information obtained?
- ☐ Checks?
  - ☐ If yes, whose name on checks? (order packet)
- ☐ Visa Check Card ordered?
  - ☐ If yes, whose name on card? (only issue one card)
- ☐ e-Banking Agreement?
- ☐ Automatic Transfer Authorization
- ☐ Combine Statements

NOTES:

Contribution Calculator

	STANDARD MAXIMUM 2011 OR 2012 ANNUAL CONTRIBUTION
+	ANNUAL INDIVIDUAL "CATCH UP" ALLOWANCE (NOT SPOUSE)
–	ANNUAL AMOUNT YOUR EMPLOYER CONTRIBUTES
=	AMOUNT YOU CAN ADD TO YOUR HSA WITHOUT EXCEEDING ANNUAL LIMIT

Community Bank
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Rev. June 2010

FACTS	WHAT DOES COMMUNITY BANK OF SAN JOAQUIN DO WITH YOUR PERSONAL INFORMATION?
Why?	**Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.**
What?	**The types of personal information we collect and share depend on the product or service you have with us. This information can include:** **• Social Security number** **• Income** **• Assets** **• Account balances** **• Transaction or loss history** **• Credit history** **When you are *no longer* our customer, we continue to share your information as described in this notice.**
How?	**All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customer's personal information; the reasons Community Bank of San Joaquin chooses to share; and whether you can limit this sharing.**

Reasons we can share your personal information	Does Community Bank of San Joaquin share?	Can you limit this sharing?
For our everyday business purposes – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	**Yes**	**No**
For our marketing purposes – to offer our products and services to you	**Yes**	**No**
For joint marketing purposes with other financial companies	**No**	**We don't share**
For our affiliates' everyday business purposes – information about your transactions and experiences	**No**	**We don't share**
For our affiliates' everyday business purposes – information about your creditworthiness	**No**	**We don't share**
For our affiliates to market to you	**No**	**We don't share**
For our non-affiliates to market to you	**No**	**We don't share**

Questions?	Call (209) 956-7000 or go to http://www.cbsjbank.com/privacy.shtml

Community Bank
of San Joaquin

Rev. June 2010

Who we are	
Who is providing this notice?	**Community Bank of San Joaquin**
What we do	
How does Community Bank of San Joaquin protect my personal information?	**To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.** **In addition, our employees are restricted from accessing your personal information unless there is a business reason to do so.**
How does Community Bank of San Joaquin collect my personal information?	**We collect your personal information, for example, when you** **• open an account, or** **• apply for a loan, or** **• give us your contact information, or** **• show your government-issued ID, or** **• make deposits or withdrawals from your account** **We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.**
Why can't I limit all sharing?	**Federal law gives you the right to limit only** **• sharing for affiliates' everyday business purposes - information about your creditworthiness** **• affiliates from using your information to market to you** **• sharing for non-affiliates to market to you** **State laws and individual companies may give you additional rights to limit sharing.**
Definitions	
Affiliates	**Companies related by common ownership or control. They can be financial and nonfinancial companies.** **• Our affiliate is Bank On It, Inc.**
Non-affiliates	**Companies not related by common ownership or control. They can be financial and nonfinancial companies.** **• Community Bank of San Joaquin does not share with non-affiliates so that they can market to you**
Joint Marketing	**A formal agreement between nonaffiliated financial companies that together market financial products or services to you.** **• Community Bank of San Joaquin doesn't jointly market**

Community Bank
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Participant and Beneficiary Information Form

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 institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Plan Owner (Employee, if employer funded)

Name:		**SSN:**	
Residence Address: *(Street)*			
City:	**State:**	**Zip:**	
Mailing Address, if different *(Street or P.O. Box)*			
City:	**State:**	**Zip:**	
Home Phone:	**Work Phone:**		
Home Fax:	**Cell Phone:**		
Email:			
Birth Date:	**Mother's Maiden Name:**		
Driver's License #:	**State of Issue:**	**Issue Date:**	**Expiration Date:**
Second ID:	**Lived in what state for the last 5 years?**		
Name of Employer: *(If employer funded)*			

Primary Beneficiary (Can inherit the funds)

Name:		**SSN:**	
Street Address:			
City:	**State:**	**Zip:**	
(H) Phone:	**(W) Phone:**	**Email:**	
Birth Date:	**Mother's Maiden Name:**		
Driver's License #:	**State of Issue:**	**Issue Date:**	**Expiration Date:**
Relationship to Plan Owner: *(Driver's License information required if spouse)*			

Please Provide Contingent Beneficiary Information On Next Page

Community Bank
of San Joaquin

Participant and Beneficiary Information Form

First Contingent Beneficiary

Name:		**SSN:**	
Street Address:			
City:	**State:**	**Zip:**	
(H) Phone:	**(W) Phone:**	**Email:**	
Birthdate:	**Mother's Maiden Name:**		
Driver's License #:	**State of Issue:**	**Issue Date:**	**Expiration Date:**
Relationship to Plan Owner: *(Driver's License information required if spouse)*		**Percentage of Plan Ownership:**	%

Second Contingent Beneficiary

Name:		**SSN:**	
Street Address:			
City:	**State:**	**Zip:**	
(H) Phone:	**(W) Phone:**	**Email:**	
Birthdate:	**Mother's Maiden Name:**		
Driver's License #:	**State of Issue:**	**Issue Date:**	**Expiration Date:**
Relationship to Plan Owner: *(Driver's License information required if spouse)*		**Percentage of Plan Ownership:**	%

Third Contingent Beneficiary

Name:		**SSN:**	
Street Address:			
City:	**State:**	**Zip:**	
(H) Phone:	**(W) Phone:**	**Email:**	
Birthdate:	**Mother's Maiden Name:**		
Driver's License #:	**State of Issue:**	**Issue Date:**	**Expiration Date:**
Relationship to Plan Owner: *(Driver's License information required if spouse)*		**Percentage of Plan Ownership:**	%

Using Your Health Savings Account (HSA) in 2011

Workshop presented by Community Bank of San Joaquin
Tuesday, January 11, 2011

Marti Denk	Josef Britschgi	Kathy Robbins
Chief Operating Officer	Electronic Banking & Marketing Manager	Deposit Services Manager
(209) 955-8710	(209) 955-8714	(209) 955-8706

FREQUENTLY ASKED QUESTIONS

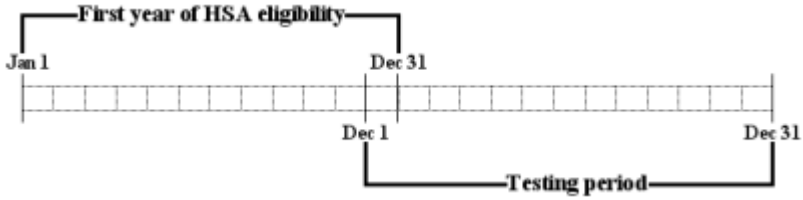
The following information was originally used for discussion at workshops conducted by Community Bank of San Joaquin in January 2011. The yellow highlights indicate additional points that were added to this document based on the questions and feedback of attendees at each session.

- **How have HSAs changed in 2011?**
  Two primary changes impact Health Savings Accounts in 2011. These changes are:
  - A change to the definition of "qualified medical expenses" eliminates the use of HSA funds for the purchase of non-prescription ***medications***, but still allows over-the-counter ***medical devices and supplies***.

    Refer to *Affordable Care Act: Questions and Answers on Over-the-Counter Medicines and Drugs.* IRS, Dec. 23, 2010. (http://www.irs.gov/newsroom/article/0,,id=227308,00.html)
  - Penalties for improperly using HSA money have doubled. If the IRS decides to audit a participant and that participant cannot prove a distribution was used for "qualified medical expenses", the amount of distribution is subject to a 20% penalty.
- **Does healthcare reform (sometimes called "Obama Care") impact HSAs?**
  - Yes. So far, only in the sense that the definition of "qualified medical expenses" has changed and a 20% penalty can now be assessed for misuse of funds.
  - As the healthcare reform laws are defined and debated, more changes may come to any health plan or tax law. However, for now, the tax laws governing HSAs remain in place and there is no plan to discontinue Health Savings Accounts.
- **What are qualified medical expenses?**
  - The IRS has updated their *Publication 502* for tax year 2010 which lists both "medical expenses that are includible" and "medical expenses that are not includible" for tax purposes. In general, these lists also serve as a guide for users of Health Savings Accounts. Some items appear in both categories with *Publication 502* explaining the reasons.
  - Health insurance plan may also provide information.
  - It appears that, in general, if taken internally (medicines), a prescription is required to be considered a "qualified medical expense". If used externally (equipment and supplies), it may still be considered a "qualified medical expense" without a prescription.

    Refer to *Affordable Care Act: Questions and Answers on Over-the-Counter Medicines and Drugs.* IRS, Dec. 23, 2010. (http://www.irs.gov/newsroom/article/0,,id=227308,00.html)
- **What if HSA money is used for online shopping, gas, food, cellular/utility bills, or other non-qualified expenses?**
  - Participants should have receipts for "qualified medical expenses" that equal the total amount of HSA money withdrawn throughout the year and declared on IRS Form 8889 when taxes are filed.
  - If the Internal Revenue Service audits a participant and he or she cannot prove a withdrawal of HSA money was used for "qualified medical expenses", the amount withdrawn will be subject to a 20% penalty.

- **Do I have to use all of my HSA money by the end of the year?**
  - No. There is no requirement that the money be used by a certain date. It will simply remain in the account until the participant needs it for "qualified medical expenses".
  - If the money has not been used by the time the participant turns 65 or becomes disabled, the money can then be used for other purposes without penalties.
- **Can I make a maximum HSA contribution for the first full year even if I only enrolled in a qualified health plan toward the end of the year?**
  - An insured participant qualifies for the full annual HSA contribution *if he or she is covered by an HSA-eligible insurance plan by the first day of the last month of their tax year,* usually December 1st. This is called the "last month rule".
  - If contributions were made based on the "last month rule" *the participant must remain in an HSA-eligible insurance plan through the last day of the next tax year,* this is called a "testing period". In our example, this period would end December 31st of the following year.



- **What happens if I turn 65 this year?**
  - At the age of 65, a person is usually automatically enrolled in Medicare. A person enrolled in Medicare as primary insurance cannot contribute to a Health Savings Account.
  - The money contributed before turning 65 remains available to the participant.
  - Any contributions to a Health Savings Account during the year when the participant turns 65 must be done before the 65th birthday and will be pro-rated from January 1 through the month before the participant turns 65.
  - Extra planning may be needed if the person that turns 65 is the primary insured party of a family plan. Talk with your insurance broker or human resources personnel to determine how the insurance needs for the rest of the family will be provided at that time.
- **What is a "catch-up" contribution?**
  - Insured participants age 55-64 can contribute up to $1,000 more than the standard annual limit.
- **Are "catch-up" contributions available for a spouse covered by a Family Plan?**
  - Yes. If the participant has a Family Plan that covers his or her spouse, the spouse qualifies for an additional (separate) $1,000 "catch-up" contribution when he or she is between the age of 55-64.
  - A separate Health Savings Account must be opened in the spouse's name for this additional "catch-up". The spouse's "catch-up" contribution ***cannot*** be deposited into the participant's Health Savings Account.
- **Can a Health Savings Account be established for someone under 18 years of age?**
  - No. A person that is either under 18 years old or that is claimed as a dependent on someone's taxes does not qualify to open a separate Health Savings Account in his or her own name.

- **What happens to the money in a Health Savings Account if insurance or employment changes?**
    - Money in a Health Savings Account remains the property of its owner – the original individual or family participant. That means that it's portable. You take it with you wherever you go, and can continue to use the funds for "qualified medical expenses".
    - However, if your new insurance is not a qualified High Deductible Health Plan (HDHP), contributions can no longer be added to the account.
    - Money can still be used for "qualified medical expenses" even if the account's owner is no longer covered by a HDHP.
    - It may be of benefit not to close out the account, since full annual contributions can be made into an existing HSA anytime the participant becomes covered again by a qualified HDHP. (Otherwise, the participant would be treated as a brand new HSA participant and be subject to a "testing period" for the first year of the new account.)
- **Do I have to do anything special if a "life changing event" occurs – such as the birth of a child or change in my job or marital status?**
    - Yes. You should notify the Bank of any such changes to make sure your account remains accessible and the correct contribution limits are established.
    - There are also special allowances in current tax law to accommodate some plan changes for "life changing events".
- **<u>For employers</u>: What if an employee's address, contribution amount, or employment status changes?**
    - Be sure to notify the Bank whenever an employee's address, contribution amount, or employment status changes.
    - Be sure to notify the Bank whenever a newly hired employee is added to your HDHP group health insurance.
- **<u>For employers</u>: What if you stop offering HSA-eligible insurance as part of your employee benefits or if an employee changes from a HDHP to a HMO or other plan that is not HSA-eligible insurance?**
    - Be sure to notify the Bank of any such change.
    - Make sure any automated contribution, such as a payroll deduction, is discontinued to avoid the risk of excess contributions.