WILSON SONSINI

Health Savings Account Contribution Policy

Area: Human Resources *Effective Date: November 1, 2020*

A high-deductible health plan (HDHP) is designed to promote consumer-driven decision making in health plans by exposing plan participants to expenses up to the plan deductible. The firm may enhance the value of the health plan benefit by providing an employer contribution to participants' Health Savings Accounts (HSAs). Participants who receive firm HSA contributions may choose to spend or save them. This policy describes who is eligible for firm HSA contributions and how these contributions will be administered. It also describes how employees may make pre-tax payroll deduction contributions to their own HSAs.

EMPLOYER CONTRIBUTIONS

1. Employer contributions to an HSA are discretionary. The firm will announce at each open enrollment whether there will be an employer HSA contribution the upcoming plan year beginning on January 1.

   In 2021, the firm's employer HSA contribution amounts will be:

   - **$ 55.00 per month if you are enrolled in individual coverage**
   - **$110.00 per month if you are enrolled with at least one family member**

2. In order to be eligible to receive a firm contribution, <u>all</u> of the following criteria must be met:

   a) ***You must be enrolled in the firm's HDHP medical plan***. You will be eligible for a firm contribution for each full calendar month that you are enrolled in the HDHP plan. For example, if you are a new hire whose HDHP coverage begins on March 3, you will become eligible for firm contributions in April.

   b) ***You must have an open HSA bank account with HSA bank*** and your account must be linked with the firm's HDHP medical plan. An HSA is an individually owned bank account. You are responsible for understanding all of the eligibility requirements for an HSA, and for determining whether or not you qualify.

c) ***You must complete the ID verification with HSA bank*** and the firm must have received confirmation from the bank that the verification is completed. HSA bank periodically sends ID verification requests and the required documentation must be provided to them in a timely manner. You will receive the firm's contribution in the month following the bank's confirmation that verification is completed.

d) ***You must be an employee of the firm*** on the date an employer contribution is deposited in order to receive it.

e) ***You must be HSA-eligible.*** You must be eligible to make or receive HSA contributions (e.g. you are not someone else's tax dependent, you are not enrolled in Medicare or receiving Social Security benefits, you do not have disqualifying coverage (e.g., coverage under your spouse's general-purpose Health Flexible Spending Account, etc.)).

3. If you change your medical coverage due to a mid-year qualifying life event, your HSA employer contribution amount may change. For example, if you were enrolled for individual coverage on January 1 and your coverage level changed to family coverage effective on May 6, then you will be eligible for the individual amount for January – May, and the family amount beginning on June 1.

4. Employer contributions will be deposited monthly, by the 10th of each month.

5. The firm will not send notifications when contributions are deposited to your account, but you may choose to be notified by setting up automatic text or email alerts on www.mycigna.com.

6. You may receive an employer contribution while on paid or unpaid leave, provided you are on a benefits-eligible leave and remain enrolled as an active employee in the HDHP medical plan. However, if you are enrolled in the firm's medical plan through COBRA, you will not receive an employer contribution to your HSA.

EMPLOYEE CONTRIBUTIONS

1. You may choose to make contributions to your HSA through pre-tax payroll deductions by initiating an HSA contribution update event in Workday.

2. Payroll deduction contributions must be stated in the form of a total ***annual election*** to be taken in equal installments over the remaining pay periods in the calendar year.

3. You will be prompted to make an ***annual election*** at the time of your initial enrollment in benefits or during open enrollment. You may make an ***annual election*** of $0 if you do not wish to contribute to your HSA through payroll deduction. If you waive the HSA, an account will still be opened for you to receive the firm contributions. If you are not eligible or do not intend to keep an open account with HSA bank, please contact HR. If you choose not to keep an open HSA bank account,

you will not receive firm contributions.

4. Please be sure to respond to the bank ID verification request in a timely manner, otherwise your account will be closed, and HSA payroll deductions will not start, or they will be stopped.

5. You may change your HSA election on a monthly basis. To do this, you must enter an HSA Change in Workday > Benefits > Change Benefits > Health Savings Account Change. Your request will be effective on the first of the month coinciding with or next following the date you enter your change into the system.

   For example, if you enter your change on March 1, it will be effective for the pay period that includes March 1. If you enter your change between March 2-31, it will be effective for the pay period that includes April 1.

6. Your pre-tax payroll deduction contributions will be rejected by the bank (or may not commence) if you do not have an open HSA bank account. If, for this reason, you experience a failure of one or more scheduled installments, your total payroll deduction contributions for the year will fall short of your ***annual election***. If this happens, you can manually reset your HSA annual election in Workday. When in doubt, please refer to your paystub for actual HSA payroll deductions taken from your pay.

7. For 2021 the maximum ***annual elections*** for payroll deduction contributions are shown in the table below. These limits are pre-set in Workday.

Coverage / Your Age	Maximum Annual HSA Contribution	Maximum Firm Contribution	Maximum Payroll Deduction Annual Election
Individual/Under 55	$3,600	$660	$2,940
Individual / 55 and Over	$4,600	$660	$3,940
Family / Under 55	$7,200	$1,320	$5,880
Family / 55 and Over	$8,200	$1,320	$6,880

8. Generally, if you are HSA-eligible for only part of the year, you must count the number of months that you are eligible, inclusive of the first day of the month, and then prorate your contributions by multiplying $1/12^{th}$ of the annual limit times the number of months of eligibility. **Note**: IRS guidance provides for a special “last month rule” which allows you to contribute up to the annual maximum HSA contribution amount, even if you are not HSA-eligible for the entire year.

Under the “last month rule,” if an individual becomes HSA-eligible in a month other than

January, he or she is treated as having been an eligible individual during every month of the year and will be allowed to make contributions for those months during that year before the individual actually became HSA-eligible. To take advantage of this “last month rule,” you must be HSA eligible on December 1st of the year and must remain HSA eligible for all of the following year to avoid adverse tax consequences. Please refer to IRS publication 969 and consult your tax advisor for the applicable maximum allowable contribution based on the length of your continued HSA eligibility.

OTHER CONSIDERATIONS

1. If you choose to make HSA contributions directly to the bank (i.e., not through pre-tax payroll deductions), you should take care to reduce or stop your payroll deduction ***annual election*** accordingly, in order to avoid over-contributing to your HSA.

2. If a deposit of a firm contribution or payroll deduction contribution is rejected by the bank for any reason, we will notify you once by email and will not attempt further deposits, unless the problem that caused the rejection is resolved. The most common reasons a deposit will be rejected are: 1) the account is not open or 2) it has already been funded to the maximum limit for the calendar year. Rejected payroll deduction contributions will be returned to you, net of applicable tax withholding, through payroll.

3. If you establish an HSA account with HSA bank and later become ineligible to receive contributions to your HSA (e.g., due to enrollment in Medicare or another non-HDHP medical plan, or coverage under a spouse’s general purpose health Flexible Spending Account, or any other reason), you must notify HR immediately so that we can stop any further contributions. Contributions will terminate effective the first of the month following notification/transaction date. You are responsible for any taxes and penalties that apply to ineligible or excess contributions to your account. Please contact HSA bank for instructions on how to remove excess contributions from your account within the current tax year.