Health Savings Account

HSA

Summary

Effective January 1, 2014

Andersen Corporation, Andersen Windows, Inc., Renewal by Andersen, Andersen Distribution, Inc., EMCO Enterprises, Custom Pultrusions, Inc., Silver Line Building Products, Inc., Weiland Sliding Doors and Windows, Inc., & Eagle Window & Door

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INTRODUCTION

If you enroll in the Andersen Health Savings Plan, which meets the IRS definition of a High Deductible Health Plan (“HDHP”), a Health Savings Account (“HSA”) will be opened for you at the same time. An HSA is an individual account established in your name, to be used for qualified healthcare expenses using money that is exempt from federal and most state taxes. Only individuals who participate in an HDHP can open and contribute to an HSA. Contributions to your HSA may be made by the company in its sole discretion and you may also elect to contribute through pre-tax payroll deductions or after-tax contributions. You are under no obligation to make any contribution to your HSA.

Your HSA funds can be used to pay for qualified health expenses such as deductibles, coinsurance and prescription drugs. Money that is contributed can be carried over from year to year, providing the opportunity to invest and potentially increase the balance of your account over time.

Wells Fargo bank is the trustee of the HSA. The HSA is not a benefit plan sponsored or maintained by Andersen Corporation and is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). This document is intended to answer commonly asked HSA questions, but it should not be considered tax or legal advice. It is important to contact your tax adviser regarding tax questions concerning your HSA. You will be responsible for assessing the tax consequences of contributions to, and distributions from, your HSA.

WHO IS ELIGIBLE

To participate in an HSA, you must meet all of the following requirements.

- You are enrolled in Andersen’s Health Savings Plan (Andersen’s plan meets the IRS definition for a HDHP.)
- You are not covered by any other plan that is not a HDHP, including traditional, non-HDHP family coverage through your spouse or a traditional Health Care Flexible Spending Account (either through Andersen or through your spouse’s employer)
- You cannot be claimed as a dependent on another person’s tax return
- You are not enrolled in Medicare, Medicaid, or TriCare
- You have not received VA benefits in the past three months

Q. When is eligibility determined?
A. The law requires that an individual’s eligiblity be determined on the first day of each month. Even if an individual loses the ability to make additional contributions to an HSA, the funds remain in the account, allowing accumulation of tax-free earnings, and can be used to pay qualified healthcare expenses on a tax-free basis.*

Q. Do my spouse and I establish separate health savings accounts if we elect family coverage under the Andersen HDHP?
A. No. One account covers your whole family, and you can contribute the difference between the maximum determined by the IRS and the company contribution.

*All tax references are at the federal level, please consult your tax advisor for state specific tax information.

HSA CONTRIBUTIONS

An HSA can receive contributions from the employee, the Company or anyone else who wishes to contribute.

Q. How much can I contribute to an HSA?
A. Generally, you can contribute 1/12 of the annual maximum for each month if you were covered by an HDHP on the first day of the month. The maximums for 2014 are listed below. A special rule permits you to contribute up to the total annual maximum if you are covered by a HDHP on December 1 and you continue to be covered by a HDHP the 13-month period beginning December 1. You must subtract Andersen's contribution from the maximum amount set by the IRS to determine what you can contribute.

Type of Coverage	Annual Maximum 2014 Contribution to HSA (IRS Limit)	Andersen 2014 Contribution to the Account	Remaining Amount Associate can Contribute*
Employee Only	$3,300	$600	$2,700
Employee + Spouse, Employee + Child or Children Family	$6,550	$1,200	$5,350
IF YOU ARE 55 OR OLDER AND NOT ENROLLED IN MEDICARE, YOU CAN CONTRIBUTE AN ADDITIONAL $1,000 FOR 2014 (this amount is NOT included in the above 2014 maximum)			

Employee HSA contributions

- Can be deducted from your paycheck on a pre-tax basis
- Can be made directly to the account (trustee) from your own bank account and deducted on your income tax return
- Can be made directly to the account (trustee) by a family member or other person on your behalf, and you can still deduct the contributions

Company HSA contributions

- The Company may voluntarily choose to make contributions to an HSA and may choose to discontinue its contributions at any time
- If the Company elects to make a contribution, it will only do so for employees who have established an HSA with the HSA trustee designated by the Company, which is currently Wells Fargo
- For 2014, Andersen will contribute monthly $50 for employees with employee only HDHP coverage and $100 for employees with family HDHP coverage (includes employee + spouse, employee + child or children). If you are a new enrollee in the Health Savings Plan for first time in 2014, you are eligible for an additional $100 company contribution to your HSA.
- Contributions will be deposited into individual Health Savings Accounts on a payroll period basis
- Employees enrolled in the HSP on Jan. 1, 2014, will receive company contributions deposited into individual HSAs in equal amounts beginning with the first pay check in January 2014 ($50 per month for single coverage and $100 per month for family coverage)
- Company contributions will be prorated if you are newly eligible mid-year
- Company contributions will cease on the first of the month in which you become inelgible for an HSA

Examples of Permissible High Deductible Health Plan (HDHP) and HSA Arrangements for Employees and Spouses

Example 1. Both spouses have HDHP coverage and are over 55.

- Daniel and Lucy will turn age 55 by the end of 2014
- Daniel has Andersen HDHP employee only coverage with a $1,300 deductible
- Lucy has separate HDHP family coverage with a $5,000 deductible (covers their kids but NOT Daniel)
- Because one spouse has family HDHP coverage, they both are treated as having family coverage for purposes of determining the annual maximum contribution limit
  - Daniel can contribute $4,275 to an HSA (one-half of $6,550 plus $1,000 in catch-up contributions)
  - Lucy can contribute $4,275 to an HSA (one-half of $6,550 plus $1,000 in catch-up contributions)
  - Daniel and Lucy could also agree on a different division of the $6,550

Example 2. One spouse has HDHP employee only coverage and the other has non-HDHP family coverage

- Andrew and Elaine are married and both are age 40
- Andrew has Andersen employee only HDHP coverage with a $1,300 deductible
- Elaine has separate non-HDHP family coverage through her employer for herself and their children (but NOT Andrew)
- Because Andrew is not enrolled in Elaine's coverage, Andrew is eligible to contribute up to the full single coverage maximum limit to an HSA ($3,300 for 2014)

NOTE: An individual may be eligible to contribute to an HSA if his or her spouse has non-HDHP family coverage, as long as the spouse's non-HDHP coverage does not cover the HSA Account Owner. If Andrew were also covered under Elaine's health plan, as well as the Andersen HDHP, he would NOT be eligible to receive employer contributions or contribute to the HSA.

Example 3. One spouse has HDHP family coverage and the other has non-HDHP family coverage

- Andrew and Elaine are married and both are age 40
- Andrew has Andersen employee plus child HDHP coverage with a $2,600 deductible for himself and their children
- Elaine has separate non-HDHP family coverage through her employer for herself and their children
- Because Andrew is not enrolled in Elaine's coverage and is enrolled in an HDHP with family coverage, Andrew is eligible to contribute to up to the full family maximum contribution limit to his HSA ($6,550)

Q. Can I cover myself and my children under the HDHP, while my spouse has single coverage under his or her employer's low deductible plan (non-HDHP)?
A. Yes. However, in order to be eligible to contribute to an HSA, you cannot also be covered under your spouse's low deductible health plan.

Q. How often can I change my pre-tax paycheck HSA deductions?
A. You may change your pre-tax HSA contribution once per month. Retroactive changes are not allowed.

Q: Can I make contributions on my own outside of my paycheck?
A. Yes, you can make after-tax cash contributions directly to the account (trustee) at any time, up to the maximum yearly limit (less any company contributions and pre-tax contributions). You may make such after-tax cash contributions to your account until the April 15 tax deadline

following the year for which you make contributions. You will be able to report this cash HSA contribution on your 1040 tax form to reduce the amount from your taxable income.

Q: Will I be notified if I exceed my allowable contribution amount?
A. No. It is your responsibility to keep track of amounts deposited and spent from your account, just like a savings or checking account. There is a 6% excise tax on "over-contributions" to your account.

Q: I'm a mid-year hire and elect the HDHP with an HSA, how much can I contribute to the HSA?
A. The company contribution will be pro-rated based on your effective date. You may contribute 1/12 of the annual maximum each month, less the company contribution. If you are eligible on December 1, you may contribute up to the annual maximum amount, less the company contribution amount (if any). If your and the company contributions exceed 1/12 of the annual maximum for each month of your eligibility, however, you must remain HSA eligible during the entire 13-month period beginning December 1 in the year of the mid-year enrollment and ending December of the following year.

Example. Samantha, age 60, becomes HSA eligible on Nov. 1, 2014. She had previously been ineligible to contribute to an HSA because she had been enrolled in a traditional non-HDHP plan. If Samantha remains HSA eligible for December, she will be treated as an eligible individual for all of 2014 and may contribute $4,300 ($3,300, plus a catch-up contribution of $1,000, minus the company pro-rated contribution of $100) for 2014. If she does not remain eligible for this thirteen-month look forward period (for reasons other than death or disability), Samantha's contributions would be limited to $616.67 for 2014 (2/12 of the $4,300 maximum minus the company contribution of $100) and the other amounts will be included in gross income for 2014 with an excise tax imposed.

Q: If I end my HDHP coverage mid-year (through termination or status change), how much can I contribute to my HSA ?
A. The HSA maximum annual contribution limit is generally based upon the number of months in the year that an individual is covered by an HDHP.
Example. Janice, age 25, was covered by an HDHP effective Jan. 1, 2014, but coverage was terminated on Nov. 30, 2014. Janice may only contribute 11/12 of maximum annual contribution $2475
(11/12 of the $3,300 maximum minus the company contribution of $550).

Changing your plan mid-year is only allowed if you experience a family status change that also qualifies as a special enrollment under the plans (i.e., birth of a child). If you elect to change plans from the Health Savings to the Traditional Plan, your coverage under the Traditional Plan does not begin until the first of the following month. For example, you are currently enrolled in family coverage under the Health Savings Plan and have a child on July 15. Your newborn child will be covered under the Health Savings plan as of the date of birth (July 15); however, you will not be transitioned to the Traditional Plan until August 1. The cost of the delivery will be processed under the Health Savings Plan. *Note: it would not be consistent with the special enrollment rules to change plans if you are dropping a dependent due to a family status change*.

ROLLOVERS AND COORDINATION WITH OTHER ACCOUNTS

Q. Are rollover/transfer contributions permitted?

- Rollover contributions from Medical Savings Accounts (MSAs) or other HSAs into an HSA are permitted. Transfers from IRAs are also allowed but can only be made once in a lifetime and are subject to other restrictions. You must work directly with the HSA Trustee for this.

- Rollover contributions from MSAs and HSAs are not subject to the annual contribution limits, but transfers from IRAs are.
- Rollovers from Andersen's Flexible Spending Account (FSA) are not permitted. Rollovers from another company's sponsored Health Reimbursement Accounts or FSAs may be permitted. Check with the sponsor of the HRA or FSA.

Q. How is an HSA different from a Health Flexible Spending Account (FSA)?
A. With a Health Flexible Spending Account, employees also make pre-tax contributions to pay for qualified health care expenses. However, there are several differences.

- Employees do not earn interest or have an opportunity to invest the money in an FSA
- With an FSA, employees must use all of the funds in the account by the end of year or forfeit them – "use it or lose it"
- With an FSA, you may be reimbursed up to your annual election without fully funding the annual amount (you elected $500 for the year, purchased a pair of eyeglasses for $500, but because it is early in the year, have only contributed $100.You are reimbursed $500 even though you've only contributed $100 at the time of your reimbursement request). With a Health Savings Account, you are reimbursed up to the balance in the account at the time of the request for reimbursement ($100 in the above example; the remainder will pend.)

Q. Can I enroll in both the High Deductible Health Plan with an HSA and a Health Care FSA?
A. No, with some exceptions. Generally, in order to contribute to an HSA, an employee cannot be covered by another health plan that is not an HDHP. Because a traditional Health FSA is considered a non-HDHP, it generally may not be combined with an HSA. However, you can participate in a Limited Healthcare Flexible Spending Account which allows for reimbursement of dental and vision expenses (no medical expenses are allowed in a Limited Health FSA, as they are covered under the HSA). Andersen provides a Limited Healthcare Flexible Spending Account as part of its Cafeteria Plan.

Q. If my spouse has an FSA or Health Reimbursement Arrangement (HRA) through his/her employer, can I have an HSA?
A. No, with some exceptions. You cannot have an HSA if your spouse's FSA or HRA can pay for your medical expenses before your HDHP deductible is met. If your spouse has a limited purpose FSA or HRA that only pays for vision, dental, preventive care or post-deductible expenses (see preceding Q&A), then you may be eligible to have an HSA.

HSA DISTRIBUTIONS – USING YOUR ACCOUNT

Your HSA funds can be used to pay for eligible health care expenses, as defined under Section 213(d) of the Internal Revenue Code, incurred by you for your own care, and/or the care of your spouse and dependents, including such things as, deductibles, coinsurance, prescription drugs, eyeglasses, contact lenses, dental work, and orthodontia which are not reimbursable under another health plan or through other insurance coverage. Over-the-counter (OTC) medications (other than insulin) are not eligible for payment or reimbursement from an HSA without a doctor's prescription.

Q. Can I use HSA funds to pay health insurance premiums?
A. Generally, no. Exceptions include COBRA premiums, long-term care premiums (with some limitations), retiree medical premiums (for those account holders age 65 or older), including Medicare premiums (but not for Medicare Supplement coverage), or premium payments that allow you to retain health coverage while receiving unemployment compensation.

Q. Can I use HSA funds for non-qualified medical expenses?

A. Yes. However, you will be required to pay income tax and a 20 percent penalty on the amount used for non-qualified medical expenses. The 20 percent penalty does not apply if you are disabled or age 65 or older. It is up to you to keep the supporting receipts to show the IRS that you used the HSA funds to pay for qualified medical expenses if audited.

Q: How does the plan work when I go to the doctor?

- When you arrive at the office, present your healthcare ID card. If you see a network provider, you receive the negotiated network rate. You pay nothing at this time.
- Your doctor submits the claim to the health plan.
- If you have not met your deductible, you will pay 100% of the claim until you reach the deductible. You will receive an Explanation of Benefits (EOB) from the health plan which shows how much you owe for the visit. You should also receive an invoice from your doctor for the same amount.
- You can then submit a request for reimbursement for any out-of-pocket expense from your HSA or you may use your HSA debit card to pay the balances due on your provider's final invoice.

Q: How does the plan work when I go to a network pharmacy?

- You show your healthcare ID card when you submit your prescription to the pharmacist.
- In most cases, the pharmacist is able to check with your health plan to see if you have met your deductible.
- If you have not met your deductible, you will pay 100% of the prescription until you reach your deductible. You may use your HSA debit card to pay for the prescription. If the funds are available in your HSA, the pharmacist receives full payment and the transaction is deducted from your HSA balance.
- If not enough funds are available to cover the entire prescription, you need to pay the cost of the full prescription and submit a reimbursement later after additional funds are deposited.

TAXES

Q. How are contributions, distributions and earnings treated for tax purposes?

- Generally, company contributions and your voluntary pre-tax payroll contributions to your account not subject to federal tax. After-tax contributions may be taken as an "above the line" tax deduction.
- Most states generally do not tax company or employee contributions. Alabama, New Jersey and California currently tax HSA contributions. (State tax may apply to distributions and earnings for residents of these states; talk with your tax advisor). Additional restrictions may apply in other states; consult your tax advisor.
- Earnings, while they remain in the account, generally are not subject to federal tax.
- Distributions used for qualified medical expenses will generally not be subject to federal tax.
- Distributions other than for reimbursement of eligible expenses will be subject to taxes and may be subject to penalties (penalties do not apply if you are 65 or older or disabled).
- Federal tax regulations do not allow the use of HSA distributions to pay for health care expenses of same-sex domestic partners (or the domestic partner's child) on a pre-tax basis unless the domestic partners/child qualifies as a tax dependent.
- Contributions to the HSA exceeding the yearly maximum may be subject to tax and penalty.

Q: How will contributions to, and distributions from, my HSA be reported to the IRS?

A. You should expect to file additional form(s) with your taxes when you have an HSA. What forms will depend on your personal situation. You are responsible for reporting all contributions made to your HSA (including those made by Andersen) and for reporting distributions made from your HSA. The HSA trustee will provide you with a Form 1099-SA (reporting distributions) and a Form 5498-SA (reporting contributions), which you should retain in your records. You should consult with your tax advisor as to your tax reporting obligations. You should retain receipts for expenses paid with HSA funds to prove to the IRS how the HSA funds were spent. Receipts should show:

- The qualified medical expenses that were incurred; and
- The name of the person for whom the expenses were incurred.

You should also be able to show that:

- Expenses were not reimbursed from another source, and
- Expenses were not deducted from income taxes.

FEES

Q. Are there administrative fees associated with an HSA?
A. The HSA Trustee will assess a monthly account administration fee to all individuals enrolled in the HSA. Andersen will pay the monthly fee to the designated HSA Trustee as long as you are an active associate at Andersen Corporation. The fee covers:

- Two debit cards;
- Processing of reimbursement requests; and
- Online account management and customer service.

Q. Who is responsible for paying the administrative fees if I terminate employment with Andersen?
A. You will be responsible for paying the administrative fees. The administrative fee will be deducted from your account on a monthly basis.

WHEN PARTICIPATION BEGINS

You may begin contributing to your Health Savings Account as soon as your participation begins in the Andersen Savings Plan (see Health Savings Plan Summary Plan Description) and you are otherwise eligible for an HSA.

WHEN PARTICIPATION ENDS

You may no longer contribute to your Health Savings Account if you become covered by in a non-HDHP, enroll in Medicare, Medicaid, or Tricare, are claimed a dependent on another person's tax return or receive VA benefits. You keep the balance in your HSA (including earnings) after you stop contributing and can use the balance for qualifying medical expenses.

RESOURCES

Wells Fargo (HSA Trustee) • Enrollment • Balance information • Investment information • General Information about Health Savings Accounts • Distributions/Reimbursements • HSA contributions/rollovers • Debit card/PIN • HSA website	1-866-608-2074 www.wellsfargo.com/hsa
Andersen Employee Service Center (ESC) • Eligibility • HSA contributions through employee payroll deductions • Andersen contribution to HSA • Limited Flexible Spending Account	1-800-730-6822
Andersen Health Savings Plan • Education • Decision Tools • Medical Plan Resources	1-800-796-3813 www.healthpartners.com/andersen