



IMPLEMENTATION INFORMATION

HEALTH SAVINGS ACCOUNT AND FLEXIBLE SPENDING ACCOUNT

Welcome to Alerus. We appreciate the opportunity to provide employee benefit services for you and your employees. This is an outline of the documentation and information necessary to implement your health savings account (HSA) and flexible spending account (FSA) with Alerus.

Implementation Process

To begin the implementation process, review and complete the Client Information Form. Once completed, please return the updated version to Alerus at hwsetup@alorus.com.

Implementation Timing

If implementing a non-calendar year plan, Alerus will need the completed implementation paperwork returned four weeks prior to the effective date. If requesting a January effective date, the completed implementation paperwork will need to be submitted in early November. Please see your salesperson or account executive if a more detailed time frame is needed.

Alerus Service Directory

Consulting Assistance

DeAnn Fiore

Health and Welfare Account Executive
P.O. Box 64535, St. Paul, MN 55164-0535
deann.fiore@alorus.com
952.253.1283

CLIENT SERVICE CENTER

Monday – Friday, 7 a.m. – 7 p.m. CT
877.661.4727
healthbenefits@alorus.com

Implementation Services

Health and Welfare Implementation
hwsetup@alorus.com
800.898.9344

- Stacie Ravenhorst, CFC
- Rebecca Nordaas

Once set up is complete, the implementation specialist will assign an administrator to your plan and notify you.

Participant Census Data

Submit the enrollment spreadsheet to Alerus upon completion via secure email connection since it contains confidential information. Contact our implementation department at hwsetup@alorus.com or 800.898.9344 with questions regarding this secure transmission.

Plan Funding

HSA Plan Funding

All HSA employee and employer contributions to the health savings accounts must be transferred to the trustee, Alerus. Since the HSA funds are invested and earn interest, they should be transferred to Alerus as promptly as possible after payroll.

Alerus requires an ACH pull from the employer's bank account in the amount of the HSA contributions. The ACH pull will be initiated once the HSA contribution summary is received and will take one to two business days to settle.

Note: The ACH pull method requires an authorization form be completed and submitted to *Alerus*, along with a cancelled check. Please allow one to two weeks for approval and setup with Alerus.

FSA Plan Funding

The FSA employee contributions will remain in the employer's bank account until they are needed for the reimbursement of claims. Following is the available funding method for FSA claims payments.

Alerus Account and ACH Pull

Reimbursement payments are drawn on Alerus' bank account. The employer is sent a notification email to review the payment report online. Alerus then pull the total amount reflected on the report from the employer's bank account. Checks are mailed the day following reimbursement processing, direct deposit notices are immediately emailed to the participants, and the funds are withdrawn from the employer's account one business day following the day they receive the payment report.

Debit Card Funding Requirement (only applies to the health FSA)

Prefund Requirement

WexHealth, our debit card vendor, requires that employers provide 5% of health FSA annual elections at the start of the plan year. This is known as the prefund requirement and this balance must be maintained throughout the plan year.

FOR EXAMPLE

An employer has 30 employees enrolled in the health FSA and their total annual elections add up to \$90,000. Five percent of \$90,000 is \$4,500, so the prefund requirement is \$4,500.

Why does the debit card vendor require the prefund?

Because Visa® debits the vendor's account daily for any transactions that take place; however, the card vendor only debits the employer's account once per week.

Weekly ACH Debits

In addition to the minimum funding requirement, the employer will be emailed a weekly summary of the debit card transactions of the prior week. The summary will be sent every Monday. The debit card vendor's bank, Bancorp Bank, will pull the total amount of these transactions from the employer's bank account the following day.

Who will receive the email each week?

The email can go to as many individuals as the employer requests. Simply let your plan administrator know who should receive these reports and they will be setup accordingly.

Getting Started

The first step is to complete the Authorization for ACH Debits form for Bancorp Bank, the debit card vendor's bank. This form should be completed and submitted to Alerus, along with a voided check. If your account does not have checks, please provide an authorization letter from your bank verifying the account and routing numbers for that account.

Plan Document Requirements

HSA Plan Document

Since HSAs are individually owned accounts, rather than an employer-sponsored plan, ERISA does not apply, and no plan document is required. However, many employers will allow their employees to fund HSAs with pretax payroll deductions. This requires that a Section 125 cafeteria plan be in place. The Section 125 plan document must incorporate the HSA by reference as a benefit funded through the plan.

FSA Plan Document

FSAs are part of a Section 125 cafeteria plan and do require a plan document and summary plan description. Alerus will require and create a new Section 125 plan document (see applicable fees in your proposal). It is critical that the plan document is up to date and includes all items IRS regulations stipulate must be in a Section 125 plan document.

HSA Salient Points

- Eligibility is a key requirement to open an HSA
 - Employee must be covered by a qualified HDHP
 - Employee cannot be covered on a “non-HDHP” as a dependent
 - Includes FSA
 - Employee cannot be eligible for Medicare or Tricare
- An account must be established (paperwork plus contribution)
 - Once established, employees can change contribution amount monthly
 - Only claims incurred after the established date can be reimbursed
 - Incurred claims do not have to be reimbursed out of the HSA
- The contributions are held in trust
 - Alerus is the custodian
 - A beneficiary must be designated
 - Transfers to spouse as an HSA upon death
 - As an asset to any other beneficiary
 - Rolls over from year to year
 - Accumulate at interest (capital appreciation)
- Contributions
 - Can change monthly
 - Can fund back to beginning coverage of HDHP if HSA established within the tax year. (Example coverage on HDHP 1/1. HSA opened (established) 7/1. Account can be funded back to 1/1 but only claims incurred after 7/1 are eligible.)
 - Can fund up to the annual maximum:
 - 2024: \$4,150 single, \$8,300 family
 - 2025: \$4,300 single, \$8,550 family
 - 55 or older can contribute additional catch-up of \$1000
 - Pre-tax for W2 employees (total pretax employee and employer contributions will be together in Box 12 of W2)
 - Above the line deduction for S Corp, partnerships, LLCs (no FICA or Medicare tax savings)
 - Account can be pre-funded
 - Claims can be post-funded
 - Have until April 15 of following year to contribute
 - Testing periods apply; if someone ceases to be on a HDHP or obtains conflicting coverage tax will apply to excess contributions
- Distributions
 - No tax if for medical, dental, and vision (213(d) expenses)
 - All 213(d) expenses are eligible
 - Non-medical distributions are taxed and a 20% excise tax applies

- Twenty percent excise tax doesn't apply if account holder is 65 or older
- By check or direct deposit reimbursement within 5 days (Spender debit card also)
- End of year tax info.
 - 8889 Form – Must be completed by HSA participants when filing income taxes
 - 1099-SA – Filed by Alerus and reports all HSA distributions paid for tax year
 - 5498-SA – Filed by Alerus after 4/15 and reports final values of HSA for tax year

Ongoing Administration

Plan Administrator

Employers will be assigned a plan administrator who will be responsible for managing the plan. The plan administrator will serve as the employer's main contact at Alerus and will keep the employer informed of any important information regarding their plan.

Administrative Invoices

Alerus processes invoices for services on the 15th of each month. Employers will receive a notification email to review the invoice online. Alerus requires monthly invoices to be paid by EFT. Invoices are sent by email 10 days before the EFT transfers occurs.

Invoice detail can be accessed online at alerusrb.com. You will be assigned a user ID and password for this website during the implementation process.

HSA Commonly Used Forms

Employers and employees can access HSA information and forms online at alerusrb.com.

Terminated Participants

HSA

When an HSA participant is terminated, their account will remain open and active as long as a balance exists. The terminated employee will be removed from your company's plan and placed into an individual plan where the monthly administrative fee will be drawn directly from the balance of their HSA. They do have the option to transfer their HSA funds to another trustee.

Once notified of a termination, we will send the participant a letter explaining their options and include the form necessary to transfer their HSA funds to another trustee. **It is important that you notify Alerus of terminations in a timely manner.** (The HSA termination form is available on the website referenced above.)

FSA

Employers should notify their plan administrator right away when a participant terminates employment so their account can be modified accordingly. The procedure after termination is dependent upon plan design, but in most cases participation ceases upon termination.

FSA Health Benefits Card

If your FSA participants are using the health benefits card they will likely receive periodic requests to submit documentation for their purchases. It is important that new participants are made aware of this, and other pertinent information related to the use of the card. Please see the enrollment material or your plan administrator for detailed information regarding the use of the health benefits card. A mobile app is also available and creates ease in this process.

Client Service Center

Alerus is happy to assist you and your employees with any questions, requests, or concerns regarding our services. Contact our client service center representatives as indicated on the front page.

Participants can access their accounts online or via the mobile app at any time. Online, they will have the ability to review their balances and account history, request payment from their plan, update personal information, modify investment elections and/or transfer funds between investments, and email Alerus' client service center. Employers can also access participants' account information online through our employer website.