



Your Guide to Understanding a Health Savings Account



Turn hereSM



The Fidelity HSA®

A tax-advantaged way to pay for health care expenses.*

A health savings account (HSA), combined with an HSA-eligible health plan, helps you meet your current health care needs while saving for future expenses. Here's some information on how these arrangements work and some guidance for making the most of your Fidelity HSA.

As a Chevron Phillips Chemical employee, you have the option to enroll in the Value CDH Plan and open an HSA through Fidelity Investments, called a Fidelity HSA.

An HSA is a tax-advantaged account used in conjunction with an HSA-eligible health plan that eligible individuals may establish to pay for current and future qualified medical expenses for themselves, their spouse, and their dependents. An HSA-eligible health plan is a high-deductible health plan that satisfies certain requirements with respect to deductibles and out-of-pocket expenses. To be eligible to open an HSA, the coverage offered by the HSA-eligible health plan must meet the federal requirements regarding annual deductible and out-of-pocket maximum amounts. The HSA-eligible health plan annual deductible applies to all eligible medical expenses, including prescription drugs, covered by the plan. However, under some HSA-eligible health plans, preventive care may not be subject to the deductible. If you have questions about the HSA-eligible health plan available to you, refer to your health benefit enrollment materials.

The HSA allows you to make contributions, take distributions for qualified medical expenses, and potentially grow your account through investment earnings on a tax-free[†] basis.

You have the option of opening an HSA with Fidelity Investments, called a Fidelity HSA.

Your Fidelity HSA funds may be used to pay for both current and future qualified medical expenses and can be withdrawn for such payments tax free.[†] It's important to keep in mind that *qualified medical expense* is defined under the Internal Revenue Code (IRC) and generally covers most medical care and services, dental and vision care, prescription drugs, and insulin that are **not covered** by insurance or otherwise (*please see "Qualified Medical Expenses" on page 3 for details*).

If you'd like to save funds in your Fidelity HSA to pay for future qualified medical expenses, you may do so. Because your contributions may be invested, they have the potential to grow over time. Any funds you withdraw to pay for qualified medical expenses in the future are also tax free.[†]

A health savings account, such as the Fidelity HSA, offers you some unique advantages:

Control

You decide:

- How much to contribute to your HSA (up to your maximum annual contribution limit per IRS rules)
- Whether to save for future expenses or spend on current qualified expenses
- Which medical expenses you wish to pay from your account
- How to invest your contributions

Portability

Your HSA is still your account even if you:

- Change jobs or become unemployed
- Change your medical coverage
- Move to another state
- Change your marital status

Tax savings

Generally, contributions to an HSA, investment earnings, and distributions for qualified medical expenses are not subject to federal taxes.[†]

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Flexibility

Unlike flexible spending accounts, HSAs are not subject to the use-it-or-lose-it rule. Funds remain in your account from year to year. You may opt to save all or a portion of the money in your HSA to pay for future medical expenses.

Growth potential

Because your contributions are invested, they have the potential to grow over time.†

Using your Fidelity HSA to save for medical expenses in retirement

Because you are not required to use all the funds in your HSA each year, any unused funds may be used to pay for future qualified medical expenses.

For example, if you contributed \$3,000 annually to an HSA and had a 7% return (actual returns will vary and could be negative), the HSA could potentially see the growth shown below:

	Principal	Earnings	HSA Balance
Year 1	\$3,000.00	\$105.00	\$3,105.00
Year 2	\$6,000.00	\$427.35	\$6,427.35
Year 3	\$9,000.00	\$982.26	\$9,982.26
Year 4	\$12,000.00	\$1,786.02	\$13,786.02
Year 5	\$15,000.00	\$2,856.04	\$17,856.04
Year 10	\$30,000.00	\$12,900.07	\$42,900.07
Year 15	\$45,000.00	\$33,025.61	\$78,025.61
Year 20	\$60,000.00	\$67,291.00	\$127,291.00

Consider this hypothetical example, which is for illustrative purposes only and does not represent the performance of any security in a Fidelity HSA. Please remember that investing involves risk, including the risk of loss. The example assumes that an individual contributes \$3,000 annually (on a monthly basis) to an HSA with an assumed hypothetical 7% annual return. After 1, 2, 3, 4, 5, 10, 15, and 20 years, the account could be worth the amounts shown in the chart above. An account may earn more or less. Final account balances are prior to any distributions, and taxes may be due upon distribution. You may be subject to a 20% penalty if your withdrawal is not for qualified medical expenses. Investing in this manner does not ensure a profit or guarantee against loss.

HSAs vs. FSAs (flexible spending accounts)

Generally, if you are enrolled in a Health Care FSA, you will be ineligible to open and contribute to an HSA. Because a Health Care FSA is considered a health plan, a Health Care FSA generally makes you ineligible for an HSA.

You may be eligible to contribute to a limited purpose and/or post-deductible FSA and still be eligible to contribute to your HSA. Please ask your employer for details. A “limited purpose” Health Care FSA may generally be used to pay for (or to reimburse you for) dental, vision, and preventive care expenses, but not for other medical expenses. These expenses may be paid whether or not the HSA-eligible health plan deductible has been satisfied. If you have questions about contributing to both an FSA and HSA, consult a tax professional.

Qualified Medical Expenses

Qualified medical expenses, as defined under the Internal Revenue Code, generally include the following expenses **that are NOT covered by insurance or otherwise:**

- Most medical care and services
- Dental and vision care
- Prescription drugs and insulin

Medical insurance premiums are generally not considered qualified medical expenses, except for the following: premiums paid for COBRA continuation coverage, and qualified long term care insurance (subject to certain limitations). In addition, if the account holder is age 65 or older, Medicare premiums are considered qualified medical expenses.

For more details about qualified medical expenses, please refer to IRS Publications 969 and 502, or consult a tax professional.

*Refers to qualified medical expense as defined by the IRS.

† With respect to federal taxation. Contributions, investment earnings, and distributions may or may not be subject to state taxation. See your tax advisor for more information on the state tax implications of HSAs.

‡ Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Opening your Fidelity HSA

To be eligible to open and contribute to a Fidelity HSA, you must first enroll in an HSA-eligible health plan during your benefits enrollment period.

- You must be covered by an HSA-eligible health plan on the first day of the month. For example, if your HSA-eligible health plan coverage is effective on May 15, you are not eligible to contribute to or take a distribution from your Fidelity HSA until June 1.

- You cannot be covered by any other health plan that is not an HSA-eligible health plan.
- You may not currently be enrolled in Medicare.
- You cannot be claimed as a dependent on another person's tax return.

If you open a Fidelity HSA and do not meet all of the above criteria, your contributions, distributions, and any earnings may be subject to income taxes, penalties, and/or excise taxes for funds contributed to your Fidelity HSA.

To open your Fidelity HSA, follow the steps below:

Action	When	Where
<p>Complete the HSA Online Application</p> <ul style="list-style-type: none"> • To complete an online application, log on to NetBenefits® at www.netbenefits.com and click <i>Health Savings Account</i> under the <i>Health and Insurance</i> tab. • If you do not have access to NetBenefits, please contact a Fidelity Representative for an application. <p>Your Fidelity HSA is a Fidelity brokerage account. Under federal law, an application must be completed for each brokerage account opened. Your completed application must be submitted and approved before your Fidelity HSA can be opened.</p>	<p>After enrolling in an HSA-eligible health plan.</p>	<p>NetBenefits®</p>

You will receive a New Account Profile from Fidelity Personal Investments confirming that your HSA application has been approved. At that time, you will be able to view your account on NetBenefits and Fidelity.com. If you are a new hire who has submitted your completed application, and employee payroll deductions are elected, it may take one to three payroll cycles, depending on your employer, for both your employee and employer contributions to begin.

Dropping HSA-eligible health plan coverage

If you are no longer covered by an HSA-eligible health plan but still have funds in your Fidelity HSA, you can still use the funds in your account to pay for qualified medical expenses federally tax free. The funds in your HSA remain in your account until used. However, you may make contributions to an HSA only if you are currently covered by an HSA-eligible health plan and meet all other eligibility requirements.

How Medicare affects your Fidelity HSA

- Once you are enrolled in Medicare, you will no longer be eligible to make contributions, including catch-up contributions, to your Fidelity HSA.

- You can use funds in your Fidelity HSA to pay Medicare premiums, deductibles, co-pays, and coinsurance under any part of Medicare. If you are retired and have retiree health benefits through a former employer, you can also use your account to pay for retiree medical insurance premiums. You cannot use your account to purchase Medicare supplemental insurance, or "Medigap," policies.
- Distributions you take after age 65 to pay for expenses other than qualified medical expenses will still be considered taxable income; however, they will no longer be subject to the 20% penalty.

To request a Fidelity HSA debit card

You can authorize Fidelity's debit card provider, PNC Bank, Delaware, to issue an HSA debit card to you:

- Online, at the time you complete the online application for your Fidelity HSA on NetBenefits
- By mail, by downloading the HSA Debit Card Application at Fidelity.com > Customer Service > Find a Form or by requesting a form through a Fidelity Representative

To order additional cards for other family members, you can download the application online at Fidelity.com/hsasupplemental, or contact a Fidelity Representative to assist you.

To request a Fidelity HSA checkbook

If you would like to request a checkbook for your Fidelity HSA, you can obtain one online at Fidelity.com > Customer Service > Find a Form (click Alphabetical List, then "HSA Checkwriting Form"). Fees may apply.

Funding your Fidelity HSA

After your Fidelity HSA is open, you, as well as your employer and third parties, may contribute to your account. Together, contributions to your account may not exceed your maximum annual contribution limit.**

Your contributions

You may make pretax and/or after-tax contributions to your Fidelity HSA, depending on your plan:

- **PRETAX CONTRIBUTIONS:** Your employer enables you to elect automatic payroll deductions on a pretax basis to fund your account. You may change your payroll deduction amount at any time; however, keep in mind that total contributions to your account^{††} may not exceed your maximum annual contribution amount.
- **AFTER-TAX CONTRIBUTIONS:** You may make after-tax contributions to your Fidelity HSA by check. After-tax contributions are tax deductible[†] to the extent that total contributions to your account^{††} do not exceed your maximum annual contribution amount. Generally, you may make after-tax contributions until your federal tax-filing deadline (not including extensions), which is usually April 15 of the following year.

Annual HSA Contribution Limits	Individual	Family
2010 and 2011	\$3,050	\$6,150

Maximum Annual Contribution Amount

As long as you are covered by an HSA-eligible health plan on December 1 of a given year, you may contribute up to the maximum annual amount specified in the chart above, regardless of the month you establish your HSA account. The maximum annual contribution amount is specified by the IRS each year. Please refer to IRS Publication 969, available at www.irs.gov/publications/p969, for more information about eligibility and maximum annual contribution amounts.

**The maximum annual contribution limit is based on your age and coverage tier (i.e., self only or family), as well as on when you become enrolled in an HSA-eligible health plan. Normally, for eligible individuals who enroll in the HSA-eligible plan as of the first of the plan year, the HSA contribution is prorated based on the number of months during the year a person is covered by an HSA-eligible plan as of the first day of the month. Individuals enrolled in an HSA-eligible health plan after the beginning of the plan year may contribute up to the statutory maximum annual contribution amount as long as they are eligible individuals in December of that tax year and remain eligible individuals for a full 12-month period following such month. If an individual fails to meet these criteria, the maximum annual contribution amount must be prorated based on the number of months he or she is an eligible individual, and any amount above such prorated amount is includible in the individual's gross income and subject to a 10% tax.

††Total contributions include those made by you (via payroll deduction or check), your employer, or third parties.

Funding your Fidelity HSA *continued*

Chevron Phillips Chemical's contribution to your Fidelity HSA is made on a pretax basis and is not considered taxable income for federal tax purposes.

Contributions from employers and other third parties

Employers and other third parties may contribute to your Fidelity HSA; however, total contributions to your account—including those you make via payroll deduction and check, and those from third parties—may not exceed your maximum annual contribution limit.** Contributions from third parties, other than employer contributions, are made on an after-tax basis and are tax deductible for federal tax purposes by the account holder. Check with your Benefits Office on your specific employer contribution.

Catch-up contributions

If you are at least 55 years old, are not enrolled in Medicare, and otherwise are an eligible individual, you may elect to make additional catch-up contributions to your HSA.

The maximum catch-up contribution amount is \$1,000. If you turn age 55 during a given tax year, you are eligible for the full catch-up contribution amount for that year, provided that:

1. You have been enrolled in an HSA-eligible health plan as of the first day of each month for the entire plan year; or
2. You enrolled in an HSA-eligible health plan after the beginning of the plan year and are an eligible individual as of the last month of the taxable year, and you remain an eligible individual for the twelve (12) months following such month. Otherwise, such catch-up contributions must be prorated based on the number of months you are an eligible individual.

Excess contributions

For all contributions (employee, employer, and other third party), amounts in excess of your maximum annual contribution amount will be considered excess contributions. Once you reach your maximum contribution amount, any excess contributions will be considered taxable income and subject to a 6% excise tax unless the excess contributions (and any earnings on those contributions) are withdrawn by your federal tax-filing deadline (including any extensions) for the applicable tax year. For more information, see IRS Publication 969.

Choosing your Fidelity HSA investments

The Fidelity HSA is a Fidelity brokerage account that has a core position through which all contributions are deposited and all disbursements are withdrawn. You can choose to invest in a broad range of options, including a full range of Fidelity mutual funds, more than 4,000 non-Fidelity funds, and individual stocks and bonds. Any earnings on your Fidelity HSA investments are automatically reinvested and grow tax free.†

Most Fidelity mutual funds require a minimum initial investment of \$2,500, and \$250 on any subsequent investment; however, this may vary depending on the fund. For non-Fidelity funds, refer to Fidelity.com for additional information on minimum investments.

Accessing your HSA funds

Distributions from your Fidelity HSA used to pay qualified medical expenses for you, your spouse, and your dependents are tax free.[†] Depending on the type of expense, you can pay your provider directly from your Fidelity HSA for qualified medical expenses at the time services are provided, or pay these expenses out of pocket. If you pay out of pocket, you can then take a distribution by writing a check, transferring money from the HSA to another account at Fidelity, or by transferring money from the HSA to an outside bank by Electronic Funds Transfer (EFT).

Distributions from your Fidelity HSA will be made from your core position, the position fund into which all HSA contributions are made and from which all HSA distributions are taken. If the funds in your core position are less than your distribution request, your distribution will not be processed. However, if money is available in other investments in your Fidelity HSA, you may move money from your investments into your core position and then resubmit your distribution request.^{**}

Paying your provider

You can use your HSA debit card or HSA checkbook to pay your health care provider directly from your HSA. However, co-pays to a provider or payments for prescription drugs at the pharmacy are the only payments you make at the point of service. All expenses should be submitted to your HSA-eligible health plan for payment in accordance with the HSA-eligible health plan's claims-processing procedures. After your claim is processed, you will receive an Explanation of Benefits from the health insurance carrier or claims payer, which will show the amount, if any, you owe the health care provider.

For more information with respect to the claims-processing procedures under your HSA-eligible health plan, please call your health insurance carrier or claims payer.

If your provider does not accept debit cards, you will need to pay any amounts owed using another method:

- If you have an HSA checkbook, you can write a check to your provider for the services.
- If you do not have an HSA checkbook, you can distribute money from your HSA by requesting an EFT to your personal bank account. Alternatively, you can request that a distribution check be mailed directly to you.

Using your HSA for nonqualified medical expenses

Distributions from your Fidelity HSA that are used to pay for or reimburse nonqualified medical expenses will be included in your gross income for tax purposes and are subject to an additional 20% penalty. The 20% penalty does not apply to distributions made if you become disabled, once you reach age 65, or after your death.



^{**} It is the account holder's responsibility to ensure that adequate funds are available in the core position for distributions.

For additional information

Questions or Services	Where
Open a Fidelity HSA <ul style="list-style-type: none">• Online account opening• Payroll deductions	NetBenefits With your employer or benefits administrator
Managing Your Fidelity HSA <ul style="list-style-type: none">• View account balance• Investment information and execution, account balances, history, and general account maintenance• Forms and applications (debit card application, Checkwriting form, Return of Excess Contribution form)• Periodic account statements, confirmations, and account management forms or tax forms• Access Tools & Learning• Maintain beneficiary information• Address changes for your HSA <i>Note: Active employees should also notify their employer of an address change.</i>	Fidelity.com
Medical Plan Information <ul style="list-style-type: none">• Claims inquiries• Detailed plan coverage and prescription drug inquiries	Your health plan provider

If you wish to speak with a Fidelity Representative, please call your plan's toll-free number.

Other important information

Fidelity HSA fees

The following fees apply to a Fidelity HSA:

- Generally, Fidelity HSAs are subject to an annual account maintenance fee. This fee may be paid by your employer (for example, if your employer elects to pay an administrative services fee to Fidelity) or deducted from your account on a quarterly basis.
- Checkbook fees—A fee may apply for ordering checkbooks for your HSA.

Note: Other fees may apply; please refer to the Brokerage Commission and Schedule of Fees in the Fidelity Brokerage HSA Customer Agreement or on NetBenefits for additional information.

Unused funds

HSAs are not subject to the use-it-or-lose-it rule; therefore, funds remain in your account from year to year. Any unused funds may be used to pay for future qualified medical expenses.

Transfer of assets

You may transfer funds from another HSA custodian through a transfer of assets transaction so long as the account type is the same.

Fidelity will coordinate the transfer from the other institution after you complete and return the completed Transfer of Assets form, which can be found at [Fidelity.com](https://www.fidelity.com) > Customer Service > Find a Form.

The transfer will not be considered a taxable event and will not be reported to the IRS. Additionally, Fidelity does not charge fees on this transaction. You should always consult the fee schedule of your other HSA to understand any fees or changes that may apply.

Please note that eligible transfers are not included when calculating your maximum annual contribution amount.



Other important information *continued*

IRAs

You may also make a one-time contribution to an HSA from amounts distributed from an IRA as a direct trustee-to-trustee transfer.* Fidelity recommends discussing this type of contribution with a tax advisor.

*Generally, only one qualified HSA funding distribution may be made during the lifetime of an individual. If the individual electing the transfer does not remain an HSA-eligible individual for the 12 months following the month the distribution is made, the distribution is included as income and is subject to an additional 10% tax.

Rollovers

Per IRS rules, rollovers from other HSAs are permitted with the following restrictions:

- You are permitted to make only one rollover of an HSA during a one-year period.
- Rollovers to your HSA must be completed within 60 days of the date you receive the distribution from the other HSA.
- Direct rollovers to or from retirement accounts, such as 401(k), 403(b), and 457 plans, are not permitted.

Loans

You may not borrow from your HSA funds.

Beneficiary designation

You will be asked to designate a beneficiary during the HSA online application process. You can also designate a beneficiary or make changes online at Fidelity.com.

Distribution records

You must keep all receipts and records of medical expenses paid with your Fidelity HSA funds to document sufficiently that distributions have been made exclusively for qualified medical expenses. You should keep these items for your own records; do not submit them to Fidelity. Distributions from your HSA will also be reported by Fidelity to you and the IRS each tax year on IRS Form 1099-SA. If your tax return is audited by the IRS, you might be asked to provide receipts for qualified medical expenses paid for before receiving distributions from your Fidelity HSA.



Mistaken distributions

If you take a distribution from your Fidelity HSA for an expense that is not a qualified medical expense, you may “repay” your account. (This includes distributions intended for a qualified medical expense and later returned to you as overpayment by a health care provider.)

You have three options for handling mistaken distributions:

1. Pay for other qualified medical expenses. You may be able to use a mistaken distribution to pay for another qualified medical expense not already paid or reimbursed; however, you should consult your tax advisor for tax advice on specific examples. Please keep in mind that it is your responsibility to keep all appropriate records to support any decision you make with respect to a distribution or payment of a qualified medical expense from your HSA.
2. Credit your Fidelity HSA debit card. If the original distribution was made on your Fidelity HSA debit card, ask your health care provider to process the reimbursement as a credit on your card. The credit must be applied in the same calendar year as the distribution. These credits will reduce your total HSA distributions for the year. There must be clear and convincing evidence that the amount was withdrawn as a result of a reasonable “mistake of fact.”
3. Submit a rollover contribution to Fidelity. You may send a check and deposit slip to Fidelity indicating that the amount is a mistaken distribution to be treated as a 60-day rollover. Since this type of repayment is treated as a rollover contribution, it must be made within 60 days of the date you receive the distribution (i.e., the date that funds were withdrawn from your Fidelity HSA, not the date you paid the health care provider).

To order HSA deposit slips, log in to your account on Fidelity.com, go to Accounts and Trade, and click Update Accounts/Features. Under Account Features, click Check-writing and Deposit Slips and order deposit slips for your HSA. When filling out the deposit slip, check the “60-day rollover” option and indicate “rollover” on your check to ensure proper handling. If the distribution is repaid under these circumstances, it will be treated as a rollover contribution, it will not be included in your income, and will not be subject to the 10% penalty. In addition, the repayment will not be subject to the 6% excise tax on excess contributions. Please note, however, that a rollover will not be available to you if you already have made a rollover to your account in the previous 12 months. You will not be permitted to make another rollover to your account during the next 12-month period. You may, however, combine more than one check to your rollover, provided the dates of distribution were within 60 days.

IMPORTANT NOTE:

The repayment of a mistaken distribution should not be put into your account as a normal contribution, as this will count toward your annual maximum contribution limit. If it is put into your account as a contribution, you will need to contact Fidelity and explain that you need to reclassify this as a rollover contribution.

Before investing, consider the funds' investment objectives, risks, charges, and expenses applicable to a continued investment in the fund. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

The tax information contained herein is general in nature, is provided for informational purposes only, and should not be considered legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. Fidelity makes no warranties with regard to such information or results obtained from its use. Fidelity disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.