

health savings account (HSA)

changes to your benefits that take effect january 1, 2017

A health savings account (HSA) is a personal account separate from your Chevron benefits. It works like a regular bank account, but you don't currently pay federal income taxes on money you deposit. And when you use the money in your account to pay for qualified medical expenses, under current IRS rules, you won't pay federal income taxes on the money, either.

Unlike the Health Care Spending Account (See Page 27) — a flexible spending account — your savings grow from year to year. There is no use it or lose it rule. And you can take your money with you if you change plans or when you leave Chevron. You can use an HSA to pay for qualified medical expenses this year or at any point in the future — even in retirement.

Participating in an HSA is a voluntary choice. There are a lot of IRS rules about who can open and contribute to an HSA, how it's used, and how taxes work. This section provides only basic information to help you understand how HSAs work in general. It's your responsibility to understand the complete rules and take action if you decide an HSA is right for you. Chevron does not provide an HSA, and Chevron cannot offer counsel about HSAs.

you own it, you take it with you

A big advantage of an HSA is that there is no use it or lose it rule. You have control of your account, and you choose when to spend the funds, if at all. The money in your account belongs to you, even if you change jobs or medical plans. And while the IRS limits how much you can contribute in a year, there is no limit to the balance you are allowed to carry over into the next year, and there's no overall limit to the total balance you can carry in your account. While you have to participate in a high deductible health plan and meet other specific eligibility requirements to open and contribute to an account, you can still use all the funds in your account regardless of what medical plan you're participating in, no matter who you work for, and at any age — even in retirement. The only requirement is that you use the funds to pay for qualified medical expenses as defined by the IRS. (See **Publication 502** available at www.irs.gov for a list.)

who is eligible to participate in an HSA?

With those federal tax advantages come some pretty strict rules from the IRS about who can open and contribute to an HSA, how it's used, and how taxes work. We've listed some of the most common requirements here, but it's up to you to understand any additional rules and restrictions that might apply to your situation.

You should consult your tax advisor and read the full eligibility requirements available at www.irs.gov in **IRS Publication 969** to ensure you're eligible to open and contribute to an HSA.

- **You must be enrolled in an HSA-compatible plan.** Good news, the Chevron High Deductible Health Plan (HDHP) and the Chevron High Deductible Health Plan Basic (HDHP Basic) are both HSA-compatible plans. If you're eligible for and enroll in the HDHP or HDHP Basic, you may be eligible to open and contribute to an HSA for as long as you remain eligible under the IRS rules.
- **You are covered by no other health coverage,** unless it's an allowed plan, such as another high deductible health plan, a dental plan, a vision plan, or additional insurance that provides benefits for a specific disease or illness or a fixed amount per day of hospitalization.
- **You are not enrolled in or covered by a health flexible spending account (FSA) or a Health Reimbursement Arrangement (HRA).** This means you can't be enrolled in Chevron's Health Care Spending Account (HCSA). It also means your spouse, if applicable, cannot be enrolled in a flexible spending account or HRA that could reimburse your expenses. Participation in Chevron's Dependent Day Care Spending Account (DCSA), another kind of flexible spending account, is still okay. And if you qualify for the \$250 Wellness Credit on January 1, 2017, your credit will not be deposited into the HCSA but will instead be added to a Limited Purpose Health Care Spending Account (LHCSA), which is allowed under IRS rules.
- **You do not have coverage under your spouse's employer's plan or any other coverage** that pays first dollar for any benefit covered by the HDHP or HDHP Basic.
- **You are not enrolled in Medicare.**
- **You cannot be claimed as a dependent** on someone else's tax return.

Important: If you are enrolled in the Health Care Spending Account (HCSA), you cannot open or contribute to the BenefitWallet health savings account (HSA) or an HSA with another financial institution. This means that if you change to the Chevron High Deductible Health Plan (HDHP) or Chevron High Deductible Health Plan Basic (HDHP Basic) mid-year due to a qualifying life event, or if you return from an expatriate assignment and want to enroll in the High Deductible Health Plan (HDHP) or HDHP Basic, you cannot open and contribute to the BenefitWallet HSA if you have already elected to enroll in the HCSA for the current year.

how an HSA works

It works like a bank account.

It's important to remember your HSA works like a bank account — with some extra rules tacked onto it. You can pay for qualified medical expenses only if you have enough money in your HSA to cover the cost. Like a bank account, only the money you've actually contributed is available to you. So even if you plan to contribute \$1,000 for the year, if you only have \$300 in your HSA at the time, that's all you can spend until the balance grows larger. If you don't have enough money in your HSA to cover a qualified medical expense, you'll need to pay the balance from your own pocket. But you can pay yourself back later, when you have more money in your HSA. And there's no time limit for reimbursement if it's for a qualified medical expense.

Unlike a flexible spending account, there is no use it or lose it rule, and you don't have to send in receipts or a claim form that has to be approved before you can be reimbursed. You can reimburse yourself two weeks later or many years later. But don't forget to hold onto the receipt and other documentation to prove to the IRS the withdrawal was permissible under IRS rules. What matters is that the expense occurred on or after the date the HSA was established and the expense was a qualified medical expense. Read **IRS Publication 502** available from www.irs.gov to learn more about what's considered a qualified medical expense.

Several ways to pay for expenses.

Since your HSA is a bank account, the methods of payment available to you are similar. Keep in mind this list will vary depending on the HSA financial institution you choose, but they generally include the option to use a debit card, write a check, use online bill pay or pay directly from your pocket and pay yourself back later.

Keep all your receipts.

Save all your receipts for a qualified medical expense. If the IRS asks, you must be able to prove you used your HSA money only to pay or reimburse yourself for a qualified medical expense. Read **IRS Publication 502** available on www.irs.gov to learn more about what's considered a qualified medical expense.

choosing an HSA

If you are eligible to open an HSA, then you can choose one from any institution that offers them. Employees enrolled in the Chevron HDHP and HDHP Basic have access to contribute to a **BenefitWallet HSA** with the convenience of payroll deductions, as long as you meet the eligibility requirements to open an HSA. This HSA is separate from your Chevron benefits. Chevron does not provide an HSA, and Chevron cannot offer counsel about HSAs.

If you open an HSA with another financial institution, you'll be responsible for making contributions on your own because payroll deduction won't be available. But eligible employees enrolled in Chevron's HDHP or HDHP Basic may be able to make contributions to the BenefitWallet Health Savings Account (HSA) with the convenience of payroll deductions. And in 2017, Chevron will also prefund up to a maximum of \$500, \$750 or \$1,000 to the BenefitWallet HSA for eligible employees enrolled in the Chevron HDHP or HDHP Basic in 2017. See Page Page 25-26 for details.

How to open a BenefitWallet HSA

You can open a BenefitWallet HSA from the Benefits Connection website after you're enrolled in the Chevron HDHP or HDHP Basic. You're still responsible for making sure you are eligible to open and contribute to an HSA because Chevron does not determine your eligibility for an HSA beyond meeting the requirement to be enrolled in the Chevron HDHP or HDHP Basic.

If eligible, you can open a new BenefitWallet HSA during open enrollment or at any time during the year, as long as you aren't enrolled in the Health Care Spending Account (HCSA). But note the enrollment deadlines below if you want to take advantage of Chevron contributions to your BenefitWallet HSA in 2017. You can change, stop or start contributions to your existing BenefitWallet account at any time from Benefits Connection or by calling the HR Service Center. (Changes are not retroactive.) And you can take your money with you if you change medical plans or you leave Chevron.

When you first open the BenefitWallet HSA, know that typically the effective date will be pending until you complete the account's enrollment requirements. This is important to know because you can only use your account to pay for eligible expenses that occur on or after your HSA effective date.

Do you currently have a BenefitWallet HSA?

If you currently have BenefitWallet HSA because you are currently participating in the Chevron HDHP or you participated in the Chevron HDHP in the past, your **employee 2017 contribution amount** will be automatically reset to \$0 for 2017. This is because the Chevron company contribution does apply to the 2017 maximum annual contributions allowed by the IRS, so you'll need to adjust your 2017 employee contribution accordingly. You can change your employee contribution at open enrollment (October 17 through October 28, 2016) or at any time from the Benefits Connection website or by calling the HR Service Center.

Important: Complete the required financial information as soon as possible

If you are opening a BenefitWallet account for the first time, submitting your election to contribute to the BenefitWallet HSA is just the first step. When you submit your election, you'll receive a link to open your account electronically and receive a Welcome Kit in the mail. BenefitWallet will collect personal information — as required by federal banking regulations under the USA Patriot Act — that is needed to open a bank account. If you don't provide the requested information by the deadline, your account will not be opened. In addition, the effective date of your HSA is pending until you complete the information requirements. This is important to know because you can only use your account to pay for eligible expenses that occur on or after your HSA effective date. Contact BenefitWallet directly if you have questions or need additional information.

IRS contribution limits to an HSA

The IRS limits how much you can contribute to your HSA for each year. Your contribution limits are determined by the level of coverage you've selected in a qualifying, high deductible health plan, such as the Chevron HDHP or HDHP Basic. Monitor your contributions carefully. It is your responsibility to track the total contributions during the year — including your contributions, Chevron's contributions, and contributions from other sources. Chevron cannot track your contributions against the maximum annual limit. If you contribute over the limit, you may be subject to taxes and penalties. While the IRS limits how much you can contribute in a year, there is no limit to the balance you are allowed to carry over into the next year, and there's no overall limit to the total balance you can carry in your account.

For 2017 the IRS HSA contribution limits are:*

- You Only: **\$3,400**
- You + One Adult: **\$6,750**
- You + Child(ren): **\$6,750**
- You + Family: **\$6,750**

* You are allowed to make an extra \$1,000 in catch-up contributions starting in the calendar year in which you turn age 55.

wellness credits and the HSA

If you are enrolled in the HDHP or HDHP Basic on January 1, 2017, and you met the requirements between January 1, 2016 and October 28, 2016 to qualify for health rewards, a Limited Purpose Health Care Spending Account (LHCSA) will automatically be established for you. This is because you are not allowed to participate in the Health Care Spending Account (HCSA) if you are enrolled in the HDHP or HDHP Basic. Your Wellness Credit will be deposited into your LHCSA on January 1, 2017, as long as you're still eligible. The LHCSA may only be used to pay for eligible dental and vision expenses you incur between January 1, 2017 and December 31, 2017. You'll receive a separate special purpose debit card to use to pay for eligible expenses along with more instructions later this year. More information about the 2016 health rewards program is available on hr2.chevron.com/wellness.

Go to hr2.chevron.com and click on **2017 Benefit Changes to learn more about an HSA, watch a video or access other tools and resources provided by BenefitWallet.**

chevron contributions to the benefitwallet HSA

Many people like the idea of having more control over health care dollars and saving for the future, but making the switch to the HDHP or HDHP Basic may feel daunting, especially if you don't already have some savings to help cover that first year at a higher deductible.

To help you build your HSA account more quickly from the start, in 2017, Chevron will prefund up to a maximum of \$500, \$750 or \$1,000 to the **BenefitWallet HSA** for eligible employees enrolled in the Chevron HDHP or HDHP Basic in 2017, subject to timely enrollment and BenefitWallet HSA account opening.

2017 Chevron Contribution — BenefitWallet HSA*

Chevron's contribution amount depends on your coverage tier.

- You Only: **\$500**
- You + One Adult: **\$750**
- You + Child(ren): **\$750**
- You + Family: **\$1,000**

*Eligible employees hired or rehired on or after July 1, 2017 will receive half the applicable Chevron HSA contribution for 2017, subject to timely enrollment and BenefitWallet HSA account opening.

how the contribution works

If you meet the requirements and deadlines below, Chevron will automatically deposit the amount that corresponds to your coverage level into your **open** BenefitWallet HSA.

- If you are an active, eligible employee on January 1, 2017, the deposit to your account will occur by the end of **January 2017**.
- Some states, including California and New Jersey, tax employer contributions to an HSA. Taxes, if any, will be determined and applied based on the state where you live on the date that Chevron funds your account.
- Chevron's contribution amount applies toward the 2017 maximum annual contributions allowed by the IRS. Be sure to take this into account when you elect your HSA contribution level for 2017.
- Chevron's contributions to the BenefitWallet HSA are not conditional upon your contributions. When you open your account or make your 2017 contribution election, you can decide to contribute to your account — or not to contribute at all.
- This is a one-time contribution; you will receive the full amount for which you are eligible at the time of the deposit.
- You can begin to use the funds for qualified medical expenses as soon as the funds are in your account.
- The 2017 company contribution to your account is based on the coverage level you choose during open enrollment or when you make your new hire or rehire enrollment elections. If you experience a qualifying life event during the year that changes your HDHP or HDHP Basic coverage level, you will neither receive an additional company contribution, nor will you be required to return a portion of the company contribution.
- If you are eligible and decide to enroll in a BenefitWallet HSA **after** open enrollment or **after** your 31-day new hire or rehire enrollment period, you will not be eligible to receive the 2017 company contribution. You are still able to contribute your own funds to the BenefitWallet HSA.

requirements and deadlines to receive chevron's 2017 contribution

- You must be enrolled in the Chevron High Deductible Health Plan (HDHP) or the Chevron High Deductible Health Plan Basic (HDHP Basic) on January 1, 2017. If you are not already participating in these plans, you can enroll during the upcoming Chevron open enrollment period October 17 through October 28, 2016.
- You must be an active U.S.-payroll employee eligible to participate in the HDHP or HDHP Basic. Retirees are not eligible to receive a company contribution to the BenefitWallet HSA. You're still responsible for making sure you are eligible to open and contribute to an HSA because Chevron does not determine your eligibility for an HSA beyond meeting the requirement to be enrolled in the Chevron HDHP or HDHP Basic. See **IRS Publication 969** available on www.irs.gov for further details.
- If this is your first time to open a BenefitWallet HSA, you must make an election to participate in the BenefitWallet HSA by **October 28, 2016**, to receive the company contribution. In addition, you must timely complete your responsibilities to actually open the BenefitWallet HSA. Remember, even though you elect to participate, you will not be able to use the funds for qualifying medical expenses until you have completed the requirements necessary to open the account and the account is funded. See the *How to open a BenefitWallet HSA* information on Page 24 for instructions.
- If you currently have BenefitWallet HSA due to current or past HDHP participation, as long as you are enrolled in the HDHP or HDHP Basic on January 1, 2017 and you're still eligible to participate in an HSA in 2017, you don't need to do anything further to receive the 2017 company contribution.