Frequently Asked Questions on the PNC HSA Conversion

PNC HSA CONVERSION STRATEGY

Why the changes?
National City’s current Health Savings Accounts are built on the checking platform and lack some key features which employers – especially large-group business – look for in an HSA program. At the time of the acquisition by PNC, National City had begun the process of developing an HSA account with many new features, including investment options, health spending tools and employer administrative access.

While PNC Bank has not offered a consumer HSA account up until now, PNC Global Investment Servicing has been a provider of HSA custodial and administrative services to the financial and insurance marketplace since 2004. Leveraging PNC’s custodial and administrative experience with National City’s experience in consumer HSAs, the company will launch a new and enhanced product on September 14.

Who is PNC Global Investment Services?
PNC Global Investment Servicing (GIS) is a division that provides sub-accounting and administrative services to the mutual fund industry. GIS has been offering HSA processing services since 2004 and it is the mutual fund sub-accounting platform that allows the company to offer integrated banking and investment options with the new HSAs.

Can I continue to use the National City HSA Application?
National City applications cannot be accepted after September 11. National City is not the custodian for the new product, so PNC cannot honor the old documents because they contain old disclosures and custodial agreements. If any of the old applications are received after September 11, PNC has a process in place to notify the applicant that their application cannot be processed and provide them with a new application.

For enrollments between September 1 and September 14, it is possible to utilize the new PNC HSA applications if the accounts do not need to be opened and funded prior to September 14.

FEE QUESTIONS

Does the PNC HSA still offer special pricing to Medical Mutual and Consumers Life customers?
As a part of the relationship, Medical Mutual or Consumers Life pays the monthly maintenance fee on behalf of their insurance customers. The individual account holder will not see a maintenance fee as long as they have a qualified high deductible health plan (HDHP) with Medical Mutual or Consumers Life. If an individual changes insurance carriers due to a change in employment or because their company has switched insurance carriers, a $3.95 monthly fee will be debited from their account.
CHANGES TO PRODUCT ACCESS

Since changes have been made to how customers can access their accounts – specifically, they cannot make HSA deposits at a branch location – what options are available?

There are two options available for customers:

- PNC can accept deposits by mail at:
  
PNC Health Savings Account  
P.O. Box 9776  
Providence, RI  02940-9776  

  Contributions by mail should be accompanied by an Additional Contribution Form, which is available on MyBrokerLink as well as on the PNC HSA Web site in the Resource Center. Branch staff can also print out the Additional Contribution Form and hand it to their customers to help guide them.

- Alternatively, a customer can make a deposit at a branch to their PNC or National City deposit account. If this account is linked to their HSA, they can transfer funds from their checking account to their HSA account either online or via phone.

PNC will continue to review the feasibility of branch access to the HSA accounts for future enhancements.

How will online access change for account holders that currently use the National City online banking to manage their HSA?

Customers will no longer access their HSA account through National City online banking. The online portal for the PNC HSA is a stand-alone site tailored to this product. The Web site gives customers the ability to make deposits as well as manage investment accounts within the HSA. The functionality may remind participants of a 401(k) online experience.

What about transferring between my National City accounts and my HSA?

Today, online banking allows account holders to transfer between a National City Checking or Savings account and a National City HSA. This functionality will no longer be available in National City online banking. However, the PNC HSA Web site allows account holders to link their HSA account to ANY personal deposit account (including National City), regardless of the bank.

Currently, only 35 percent of National City’s HSA customers have another deposit relationship with National City and only 20 percent access their HSA through online banking. This new account linkage feature will be an enhancement for the 65 percent of HSA customers who maintain their primary banking relationship at other financial institutions. For employers, this is a key benefit because, regardless of their primary bank, their employees can access their HSA through online transfer of funds.
Will PNC offer free starter and/or first order of checks?
The new PNC product will continue to support checking transactions with no additional transaction fee. However, PNC will no longer provide free starter checks or a free first order of checks to new customers. (Converted customers will receive three convenience checks.) Checks, while convenient, do not offer the safety of other transaction mechanisms – specifically, the PNC Health Savings Visa debit card. PNC’s intention is to encourage participants to rely on their debit cards for qualified medical expenses.

Why is the debit card the preferred channel?
Using the PNC Health Savings Account debit card offers many advantages to the employer and participant.
- Participant – The PNC Health Savings Visa debit card is widely accepted for point-of-sale transactions at many medical providers’ offices. This offers participants convenient access to their funds, but also provides safeguards against overdrafts and prevents transactions with merchants who do not offer qualified medical purchases.
- Employer – Many employers ask whether PNC can help ensure their employees are using the funds correctly for medical expenses. While it is the participant’s responsibility to make sure they spend their HSA funds appropriately, the safeguards the debit card offers are reassuring.

Why does PNC no longer allow access to funds via ATM?
While it is the responsibility of the account holder to ensure that they are using the HSA funds for qualified medical expenses, PNC has tried to design the product with safeguards to help participants use the account as intended. Cash from an ATM complicates record keeping since there is less of a paper trail than a point-of-sale debit purchase. If an individual needs to reimburse themselves for an expense, they can do so by requesting a check or making a transfer to their bank account, which allows for accurate record keeping. Elimination of ATM access also prevents the participant from inadvertently using the wrong debit card at an ATM. Account holders will still be able to check their account balance at an ATM.

PAYROLL PROCESSING QUESTIONS

Can employers continue to contribute through a third-party payroll system or do they have to start using the new Web site?
PNC will continue to support contributions from third-party payroll providers. If the payroll provider charges a fee for making additional direct deposits via ACH for each employee account, our portal solution may provide a more cost effective solution. However, there is no need to change contribution methods if employers are happy with their current approach.

What if an employer is manually paying contributions at the branch or through bank by mail?
Post-conversion, PNC can accommodate manual lists and checks through our central servicing department at:
However, the preferred method is to introduce the employer to the free employers’ payroll portal. The employer has the ability to upload their payroll contribution amounts for each employee via a spreadsheet. Once the amounts have been approved by the employer, PNC will initiate a single ACH debit from the employers’ bank account to cover all contributions. There is no charge for this service.

**How can employers sign up for the portal?**
PNC can register employers for the portal shortly after September 14, when the PNC product and Web site are live. To get your client set up for the employers’ payroll portal, PNC needs to have an administrative agreement in place. Have your client complete the Employer Agreement and Information Sheet, which will soon be available on MyBrokerLink. Then, PNC can give the employer credentials for the Web site.

**How can an employer receive updated routing and account numbers for each employee?**
New account numbers will be established September 1. After this date, PNC can provide new account numbers to employers who provide the bank with a list of the current accounts to which they contribute. Please note: The employer must provide the list of account numbers in order for PNC to be compliant with privacy and HIPAA rules.

PNC has also established a ‘forwarding’ process for current account numbers that ensures contributions will not be interrupted in the instance that an employer has not received the new routing and account information prior to the first post-conversion payroll. National City’s ACH group will send a Notice of Change with the new account number to the originator.

Employers using the payroll portal can also download a list of employees with their account numbers and open/close status.

**When will employers be informed of the new employer portal?**
In the near future, PNC will mail an introductory letter to customers who are currently sending checks and spreadsheets to the bank by mail group to introduce the portal. Additional mailings will be considered at a later date. PNC is also preparing an Employer Guide, which helps explain the features and benefits and will be available on MyBrokerLink soon.

**INVESTMENT OPTIONS AND INTEREST RATE**

**What interest rate will the new product offer?**
Interest rates on the HSA are set by PNC (not tied to any index). Rates will be reviewed on an ongoing basis and adjustments will be made as warranted – typically monthly. Consistent with the past rate strategy, PNC expects to offer rates at or near the top of the HSA market and similar to our money market products.
Why is there a $2,000 balance requirement for investing in mutual funds?
Distributions from the HSA by debit card or check for qualified medical expenses come from the deposit portion of the HSA account. If there are not sufficient funds in the deposit account, the participant will need to liquidate mutual fund investments to cover their expenses. PNC has set the deposit minimum at a level that ensures money is available to cover medical expenses before investments, which are not FDIC insured and are subject to market risks, are made.

What funds are available for my investments?
Nine mutual funds are currently offered:
- Vanguard Short-Term Investment Grade Fund (Investor Shares, VFSTX)
- Harbor Bond Fund (Institutional Class, HABDX)
- Victory Diversified Stock Fund (Class A, SRVEX)
- Artisan Small Cap Fund (ARTSX)
- Dodge & Cox International Stock Fund (DODFX)
- Oppenheimer Small Cap Fund (OPMSX)
- Davis New York Venture Fund (NYVTX)
- Managers Intermediate Duration Fund (MGIDX)
- Neuberger Berman Regency Fund (NBRVX)

How do I find out information about the funds?
Fund information sheets and prospectus' are available by phone or on the PNC Web site. It is important to remember that mutual funds are not FDIC insured and PNC does not provide any recommendations or direction for investment.

Are there any trading fees associated with the mutual funds?
All of the funds currently offered are no-load funds.

OTHER CONVERSION RELATED QUESTIONS

In the letter employees received in August, it states that they can choose another institution or do nothing to consent to choosing PNC. Is this true? If an employer does not want its employees to have different institutions handling HSAs can it send a Notice of Explanation to employees so nobody sends their transfer information to National City?
Legally, since National City is resigning as custodian, account holders must be made aware of their right to choose their own custodian. An employer might want to send a notice to employees encouraging them to stay with PNC since it will ensure that they continue to receive their contributions without disruption.

Since account numbers are changing, what is the timeframe in which account holders will receive new checks and debit cards? Will this occur before the old account is cancelled, so that all monies are available to the customer at all times?
New debit cards will be mailed prior to conversion. A new PIN number will also be mailed under separate cover. Checks will be mailed the week of September 14. There will be access to funds with the exception of Friday, September 11, at 3 p.m. EST until Monday, September 14. During this time account holders can use a personal bank
account for applicable expenditures then transfer money from their HSA to reimburse themselves on Monday, September 14.

**When will account holders who use checks receive PNC checks? When are the National City checks no longer valid?**

New starter checks will be mailed out on September 14 and account holders will receive them that week. National City checks should not be used after September 11. Checks written prior to September 11 will be honored for 6 months following the conversion.

**Will all account numbers change?**
Yes. All account numbers are changing.