

# NATSD > DFS

# Custodian Conversion

Effective January 1, 2024

# Today's Topics

- Overall impact of custodial conversion on TPAs, Employers, and Account Owners
- What will be the same and what will be different
- Key dates and events
- Agreements and disclosures
- HSA Application and Forms
- Lock Box / ACH Contributions / Account Number Issuance

# Today's Topics (cont'd.)

- Web resources available 24/7
- TPA responsibilities and what to expect during the conversion process
- Employer responsibilities and what to expect
- Account Owner responsibilities and what to expect
- Notifications and alerts

# Custodial Change and Overall Impact

- DataPath Financial Services, Inv. will be your new HSA custodian effective January 1, 2024. We are prepared and ready to take on this new role.
- The IRS approved us as a Non-Bank Custodian for HSAs effective January 1, 2024. You can see their IRS approval letter at [dpath.com/custodian/IRS](https://dpath.com/custodian/IRS).
- To obtain this approval, we had to withstand tremendous scrutiny by the IRS and undertake a very detailed application and approval process that took more than a year to complete.
- **Our goal is to make the conversion as smooth and painless as possible, with very little overall impact on TPAs, employers, and account owners.**

# 20 Years of HSA Management

- DataPath has been managing HSAs since 2004 when we helped the State of Arkansas become the first state in the nation to adopt Health Savings Accounts for employees.
- In response to the State's business opportunity, we built an effective HSA administration system in six months using cutting-edge technology for the time.
- We also secured National Advisors Trust as our bank custodian to oversee HSA services and ensure compliance.
- By January 2005, we had onboarded the State of Arkansas and began selling into the TPA market nationwide.

# 20 Years of HSA Management (cont'd.)

- Since then, thanks to the efforts of TPAs like you, we have onboarded and processed:
  - ✓ Over **210,000** Health Savings Accounts
  - ✓ **9 million contributions** totaling over **\$1.2 billion**
  - ✓ More than **96,000 checks** and **460,000 ACH transactions**
  - ✓ **6.7 million debit card transactions** totaling over **\$1.1 billion**
- ✓ We've also provided operational services and support to **7 additional custodians** who chose our platform to administer their own HSA products

# Keeping Your Funds Secure

- Continually developing better safeguards and eliminating gaps
- Fully insured and bonded, similar to coverages maintained by banks
- HSA savings balances have government-backed FDIC protection
- In the unlikely event that fraud occurs, DataPath Financial Services is prepared to cover any losses

# History of Progress

- 2004 – HSA management platform developed
- 2006 – Created our patented ClaimsVault™ digital receipts storage system
- 2006 – Added investment capabilities to HSAToday®
- 2008 – Began onboarding other Banks and Custodians who chose our platform to offer their own HSA versions
- Continually enhanced capabilities over the 15 years since



# Why Become a Custodian?

- Natural progression of our expanded services and capabilities
- Six years ago, we took on a larger share of operational policies and compliance procedures from NATSD
- Began managing the requirements that all HSA accounts meet the government's BSA, OFAC, and Patriot Act mandates
- Have been meeting compliance requirements of the Office of the Comptroller of the Currency – tougher than IRS requirements – for over 5 years now

# NATSD > DFS: What's Going to Change?

- OVERALL – VERY LITTLE!
- Processing, contributions, distributions, enrolling, and onboarding accounts will continue much the same as they are today
- Some addresses and account numbers will change
- **The #1 TPA complaint – delays in posting initial contributions due to “Know Your Customer” ID verification processing – will be streamlined to reduce the wait**

# NATSD > DFS: **What Stays the Same?**

- **Nearly everything stays the same** for Employers and Account Owners, and the vast majority stays the same for TPAs
- **No change to portal login site or process**, whether you are a TPA, Employer, Account Owner
- **Same HSA debit card** – no interruption in card access to accounts, even during conversion-related blackout periods
- **NATSD-era account history will remain accessible** – account statements, ClaimsVault contents, tax forms, etc.

# Key Events and Dates

Conversion will occur “behind the scenes” over New Year’s weekend:

**Friday, December 29 • Saturday, December 30**

**Sunday, December 31**

DFS will be closed on Monday, January 1, 2024,  
for the normal holiday observance

We will then reopen on Tuesday, January 2, as your HSA custodian

# Key Events and Dates (cont'd.)

## HSA ACCOUNT OWNERS

Starting 11/15/2023	NATSD resignation letter will be mailed. Email notifications begin. These will provide information about upcoming events, including these key dates.
12/1/2023	Account owners may receive an email asking them to update contact information to help ensure successful communications going forward.
12/18/2023	If the account owner does not wish to have DFS as their account custodian, this is the last day to close or transfer their account. (Automatic conversion if they do nothing.)
12/21/2023	Last day to invest until the custodial conversion has been completed.
12/22/2023	Investment blackout period begins. Online investing is disabled until 1/2/2024 to allow NATSD to transfer investment balances to DFS. Contributions received during the blackout period will post automatically to savings balances.

# Key Events and Dates (cont'd.)

## HSA ACCOUNT OWNERS (cont'd.)

12/29/2023	Last day that contributions can be entered until the conversion has been completed. 2024 contributions – forwarded to DFS automatically 2023 contributions – posted to NATSD automatically
12/30/2023	CONVERSION WEEKEND. Full blackout of all HSA services until 1/1/2024.
1/2/2024	All blackout periods end.
1/2/2024	Account Owners regain access to all of their balances, including savings and investments.
1/2/2024	All account administration functionality is available, including investment options.

# Key Events and Dates (cont'd.)

TPAS and EMPLOYERS	Same as ACCOUNT OWNERS with these additions:
By 11/15/2023	Employers will be asked to provide updated addresses and contact information for participant accounts – DFS will provide a method for importing this information.
12/18/2023	Deadline for Employer groups to transfer their HSA accounts if they do not wish DFS to become their custodian. (If no objection, do nothing.)
12/29/2023	Last date contributions can be entered until 1/2/2024 when the conversion has been completed.

# Agreements and Disclosures

- Refer to the **TPA webinar companion booklet** for complete details
- No fee levels are changing from what they were this year
- Interest rates that will be paid on uninvested savings balances starting 1/1/2024:

Daily Balance <sup>(1)</sup>	Rates as of 1/1/2024 <sup>(2)</sup>
\$50,000 or Higher	0.650%
\$35,000 to \$49,999.99	0.400%
\$15,000 to \$34,999.99	0.250%
\$7,500 to \$14,999.99`	0.100%`
\$500 to \$7,499.99	\$0.050

(1) The first \$500.00 in your account does not earn interest

(2) Interest Rates are subject to change at any time



# HSA Application and Forms

- Continue using the current applications and forms through 12/29/23
- For 2024 enrollment, where possible, please use the updated application that reflects DFS as the custodian
- Starting 1/2/24, please use updated versions of all applications and forms for all purposes
- Updated forms for 2024 can be downloaded from our new Resources web page (will be discussed later in this webinar). You can also see examples in the TPA webinar companion booklet.

# Account Funding

## EMPLOYERS FUNDING CONTRIBUTIONS BY CHECK

No changes

## EMPLOYERS FUNDING CONTRIBUTIONS BY WIRE OR ACH DRAFT

No changes

## EMPLOYERS FUNDING CONTRIBUTIONS DIRECT FROM THEIR CORPORATE ACCOUNTS TO DFS

Will need to setup drafts with their banks using the following information:

Company ID: 1201649014

Company Name: DFS INC

This tells the bank that DFS can pull funds from your clients account.

# TPA Responsibilities

## REVIEW OF KEY EVENTS AND DATES

Starting 11/15/2023	NATSD resignation letter will be mailed. Email notifications begin. These will provide information about upcoming events, including these key dates.
12/1/2023	Account owners may receive an email asking them to update contact information to help ensure successful communications going forward.
12/18/2023	Last day to close or transfer HSA account if do not wish to have DFS become their custodian. (If no objection to DFS as custodian, do nothing.)
12/21/2023	Last day to invest until the custodial conversion has been completed.
12/22/2023	Investment blackout period begins. Online investing is disabled until 1/2/2024 to allow NATSD to transfer investment balances to DFS. Contributions received during the blackout period will post automatically to savings balances.

# TPA Responsibilities (cont'd.)

## REVIEW OF KEY EVENTS AND DATES (cont'd.)

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12/30/2023	CONVERSION WEEKEND. Full blackout of all HSA services until 1/1/2024.
1/2/2024	All blackout periods end.
1/2/2024	Account Owners regain access to all of their balances, including savings and investments.
1/2/2024	All account administration functionality is available, including investment options.

# TPA Responsibilities (cont'd.)

- **TPA is responsible for informing Employers of conversion, dates, etc., as desired and appropriate. DFS will not contact your employer clients except to request updated contact information.**
- All current forms will be accepted through December 31.  
Please use the new, updated forms for anything related to 2024 where possible.
- Use the new account agreements and disclosures for 2024 enrollment.  
All new accounts will continue to be set up in NATSD until the conversion is complete, then automatically converted to DFS.
- Encourage your employers to start depositing contributions directly from payroll into individual HSA accounts. We can issue a list of account numbers for each of your employers.
- There will be no interruption to debit card operations.  
Debit cards are unaffected by the blackouts and account owners will have continuous access to their funds.

# Employer Responsibilities

## EMPLOYERS FUNDING CONTRIBUTIONS BY CHECK

No changes

## EMPLOYERS FUNDING CONTRIBUTIONS BY WIRE OR ACH DRAFT

No changes

## EMPLOYERS FUNDING CONTRIBUTIONS DIRECT FROM THEIR CORPORATE ACCOUNTS TO DFS

Will need to setup drafts with their banks using the following information:

Company ID: 1201649014

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# Account Owner Responsibilities

## UPDATE CONTACT INFORMATION

Account owners may be asked to update their contact information.

## USE THEIR HSA DEBIT CARD FOR UNINTERRUPTED ACCESS TO SAVINGS BALANCE

Debit cards are NOT affected by blackouts – they will continue to work normally the entire time.

## THREE IMPORTANT DATES TO REMEMBER

December 18: Deadline to close or transfer account if not wanting DFS to become their custodian.

December 22-January 1: Investment blackout – new investments cannot be made

December 29-January 1: Conversion blackout – portal is unavailable

# Expected Notifications and Alerts

## PARTICIPANT ACCOUNT OWNERS and TPAs

Starting 11/15/2023	NATSD resignation letter will be mailed. This and additional email communications will provide information about upcoming events, including these key dates.
11/22/2023	DFS will reproduce information from the NATSD resignation letter and provide to TPA and Account Owners via email to make sure received by postal, email, or both.
12/3/2023	DFS will email TPA and Account Owners requesting updated contact information.
12/10/2023	DFS will email TPA and Account Owners with reminders about conversion schedule, transfer deadline, account agreement and disclosures, and web resources
12/17/2023	DFS will email TPA and Account Owners confirming conversion is in progress and reminding that debit card will continue to work throughout.



# Expected Notifications and Alerts (cont'd.)

## PARTICIPANT ACCOUNT OWNERS and TPAs

12/21/2023	DFS will email TPA and Account Owners confirming investment blackout, fund lineup with new trading partner, NATSD > DFS posting changeover.
12/29/2023	DFS will email TPA and Account Owners confirming conversion blackout, ability to continue using debit cards throughout
1/2/2024	DFS will email TPA and Account Owners confirming conversion's completion and ability to access all portals, investments, and other services

# Expected Notifications and Alerts (cont'd.)

## AT-LARGE ACCOUNT OWNERS and TPAs

Starting 11/15/2023

NATSD resignation letter will be mailed. This and additional email communications will provide information about upcoming events, including these key dates.

TPAs are encouraged to inform At-large Account Owners that their accounts will be converted if not closed before 12/18/23. (This information will also be included in the NATSD resignation letter.)

## EMPLOYERS and TPAs

We recommend that all Employer notifications come from the TPA.

You'll want to have conversations with your clients to assure them that the transition will be smooth and a non-event because we are staying with the same banking platform and can manage the conversion internally.

# Web Resources

## MARKETING, EDUCATION, FORMS, AND TRAINING

<https://myHSAToday.com/Resources/2024>

- Account Agreement
- with disclosures
- Bank Account Rate and
- Fees Disclosure
- Investment Disclaimer
- Important Forms, such as account transfer and change forms
- Application Booklet
- Investment Booklet
- Marketing materials on HSAs

# NATSD > DFS

## Custodian Conversion

### Q & A

**NATSD > DFS**  
**Custodian Conversion**  
**Thank You**