

Spending Account

GRACE PERIOD

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More time to use your Flexible Spending Account funds

In May 2005, the IRS and US Treasury Department announced changes that can reduce the impact of "use-it-or-lose-it" rules for our Flexible Spending Accounts (FSAs). We have adopted this change for this plan year.

The change will allow participants to spend unused Health Care Spending Account (HCSA) or Dependent Care Spending Account (DCSA) funds after the end of the plan year. The ability to spend unused funds after the end of the plan year is referred to as the "grace period." Before the change, all FSA spending was required to occur during the plan year.

The grace period is up to two and a half months. Our plan also allows a run-out period, which means that you have until the last day of the run-out period to submit claims. Any amounts remaining after the grace period and/or submitted run-out period will be forfeited under IRS rules. For full details regarding our run-out period and/or grace period, please review the Summary Plan Description.

IMPORTANT! There is an ordering rule that comes into play during the grace period. This means that any claims you submit will be paid out of the first available funds.

For example, let's assume you have a \$250 balance remaining in your Health Care Spending Account at the end of the plan year. You have also elected \$2000 for the new plan year. After the new plan year begins, you have a \$2000 expense and submit the claim promptly. This claim will be paid as follows:

- \$250 will be paid from the prior plan year.
- \$1,750 will be paid from the current plan year.

not be adjudicated again to change the plan year from which funds were taken. Claims are always paid on a first in, first out basis regardless of the incurred date.

We are excited to be able to add this grace period to our plan. Please contact Human Resources with any questions you may have.

Example			
Plan A	December 31, 2005	\$250	Balance
Plan B	December 31, 2006	\$2000	Election
Expense	January 15, 2006	\$2000	
Payment Method			
Plan A	pays first	\$250	
Plan B	pays next	\$1750	

If you later discover and submit other HCSA expenses incurred during the prior plan year, they will be denied because you have been paid out your entire election for that plan year. Claims will



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