



The University of Mississippi

Interoffice Memorandum
DEPARTMENT OF HUMAN RESOURCES
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TO: All Benefits Eligible Employees

FROM: Wilma Webber-Colbert, Associate Director

DATE: August 9, 2005

SUBJECT: Flexible Spending Accounts Grace Period and Deadlines

Recently, the Internal Revenue Service issued a notice which authorizes employers to allow more time for employees who have flexible spending accounts (FSA) to use unused contributions. As a result, the Department of Human Resources has amended the University's cafeteria plan documents to provide for a "grace period" until March 15 immediately following the end of the current cafeteria plan year (and subsequent cafeteria plan years) for employees to use unused contributions made in the prior calendar year. This grace period applies to all employees who participate in flexible medical reimbursement or dependent care accounts. What this means is that the deadline for incurring expenses has changed from December 31 to March 15. Additionally, the deadline to file claims for the previous year's FSA has been changed from March 31 to April 15. Please note that unused amounts in a medical reimbursement account cannot be used for dependent care expenses or vice versa.

The new grace period is effective immediately. Therefore an employee who has a FSA for 2005 has until March 15, 2006, to use the monies. The new changes allow employees who might otherwise be rushing to spend remaining account balances this December or lose their funds to use 2005 deferrals to cover expenses through March 15, 2006.

Example: James is scheduled to contribute \$2000 in CY 2005 to his medical FSA. In December, 2005, James has only had medical expenses of \$1500. He has until March 15, 2006, to go to the doctor, etc. to use the remaining \$500. If he has not used the full \$2000 by March 15, 2006, he will lose any unused amount. He must file his claim for reimbursement with Glynn Griffing and Associates by April 15, 2006. If he has not filed his claim by April 15, 2006, he will lose any unclaimed amount.

Employees can access the University's Cafeteria Plan Summary Plan Description on the Human Resources website at the following link <http://www.olemiss.edu/depts/HR/benefits/cafeteria2005.pdf> . If you have any questions, please contact Gregory Hunley at ext. 7431.