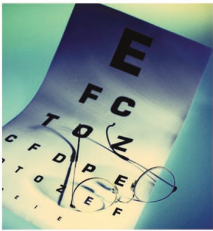
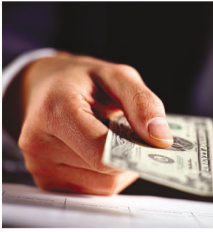


Good News Regarding Your Health Care Flexible Spending Account!



On May 18, 2005, the Treasury Department announced a new Flexible Spending Account (FSA) option, which allows more time for you to spend your health care flexible spending account funds. Your employer has decided to implement this option. You will now have a 2 and ½ month grace period after your plan year is over to incur eligible medical expenses (receive services) and submit those expenses for reimbursement from the prior year's remaining Health Care FSA balance. Note - This does not apply to any Dependent Care Assistance Plan that may be in place.

This enhancement gives you the opportunity to utilize Health Care FSA funds that would otherwise be forfeited. For example, if your plan year ends December 31, 2005, the 2 and ½ month grace period would end on March 15, 2006. You will have until March 15, 2006 to incur expenses which can be reimbursed from your 2005 annual Health Care FSA election balance. Your Plan's run-out period (the time after your plan year has ended to submit eligible claims) has also been extended. Participants will have 120 days (grace period + 45 days) after the end of the plan year to submit claims. For example, if your plan year ends December 31, 2005, you will have until April 30, 2006 to submit claims for services that were incurred in the prior plan year (1.1.05 - 12.31.05) **AND** the subsequent grace period.

Please contact your Human Resources representative for information on when this change is effective and to which plan year it applies.

FAQs

Does the grace period apply to both the Health Care FSA and Dependent Care FSA?

No. Due to potential tax issues from receiving more than the \$5000 allowable Dependent Care FSA maximum in any calendar year, the grace period will not be added to the Dependent Care Assistance Plan. However, the run out period for you to submit Dependent Care FSA claims at the end of the plan year will also be extended to 120 days for ease and consistency.

What happens if I terminate before the end of the Plan Year?

The grace period only applies to participants covered on the last day of the applicable plan year. If you terminate coverage prior to the last day of the plan year under the Health Care FSA or Dependent Care FSA, you will have 90 days from your termination date to submit claims for eligible expenses incurred (services received) through your termination date. The grace period will not apply.

How will claims submissions be applied to my account during the grace period and run-out period?

Any claims submitted to HFS for eligible medical services incurred during the grace period will automatically be applied to your previous year's Health Care FSA balance. Once that balance is exhausted, reimbursements will be made from your current plan year Health Care FSA election. Once your prior year's Health Care FSA balance is exhausted, any eligible expenses submitted will be reimbursed from your current plan year election.

Example

Plan Year - 1.1.05 through 12.31.05

2005 Health Care FSA Balance - \$250.00

Expenses incurred (services provided) in January, 2006 (during grace period) - \$300.00

\$250 applied to prior plan year's Health Care FSA balance and \$50.00 applied to new plan year Health Care FSA balance.

What happens if at the end of the grace period, I still have a balance in my prior plan year's Health Care FSA account but no eligible medical expenses to apply to that balance?

In this instance, the "use-it-or-lose-it" rule applies and those Health Care FSA funds are forfeited. The funds can not be carried over to the current plan year, nor can they be received in cash or applied to other expenses.

What happens if I find an old receipt for an eligible medical expense incurred in the prior plan year after I already submitted claims for expenses incurred during the grace period and depleted by prior year's balance to \$0 (example above)?

The request will be denied as the prior plan year's Health Care FSA balance has been exhausted. As noted in the previous answer, only eligible medical expenses incurred during the current plan year may be submitted for reimbursement once you have exhausted your prior plan year Health Care FSA balance (or when the grace period ends).

Can I incur claims in the grace period if I do not re-enroll in a Health Care FSA for the subsequent plan year?

Yes. As long as you are an active Health Care FSA Participant on the last day of the prior plan year, you can incur eligible medical expenses during the grace period and submit claims against your remaining Health Care FSA balance from the prior plan year.