



■ Contents

| | |
|---|---|
| <i>Overview of the Grace Period</i> | 1 |
| <i>"Use-it-or-lose-it" is Still in Effect</i> | 2 |
| <i>The Duration of the Grace Period</i> | 2 |
| <i>Eligibility</i> | 2 |
| <i>Incurring Expenses with a Grace Period</i> | 2 |
| <i>Submitting Claims During the Grace Period</i> | 2 |
| <i>Runout and the Grace Period</i> | 2 |
| <i>Overlapping Plan Years</i> | 3 |
| <i>Remaining FSA Funds After the Grace Period Ends</i> | 3 |
| <i>Special Rules Governing the Grace Period</i> | 3 |
| <i>Terminating Employment or Losing Eligibility with a Grace Period</i> | 3 |
| <i>The Employee Benefits Corporation Benefits Card</i> | 3 |
| <i>The Dependent Care FSA and the Grace Period</i> | 3 |
| <i>How to Contact Employee Benefits Corporation</i> | 3 |

Learn how to extend your BESTflexSM Plan with the 2-1/2 month grace period.

■ Overview of the Grace Period

Your employer chose to add the 2-1/2 month "grace period" to your BESTflex Plan, extending your plan year by 2 months and 15 days. The grace period enables you to continue to incur expenses against your Health Care and/or Dependent Care FSAs past the end of your plan year, helping you to make full use of your BESTflex Plan.

If your employer has elected to add the Individual Billed Insurance Premium (IND) account to your BESTflex Plan, the 2-1/2 month grace period may also apply to your IND account.

Please consult *My Company Plan* to determine the accounts available under your BESTflex Plan and how the grace period applies to them.

Previously, you were required to forfeit unused amounts in your FSAs and IND at the end of the plan year, an IRS regulation called the "use-it-or-lose-it" rule. Because of the grace period, however, you now have 2-1/2 months after the plan year ends to spend the amounts remaining in your FSAs and IND. The "use-it-or-lose-it" rule

still applies, but not until the end of the grace period. This gives you a total of 14-1/2 months (the 12-month plan year plus the 2-1/2 month grace period) to use the amounts in your FSAs and IND.

You don't have to do anything to gain the benefit of the 2-1/2 month grace period. Simply enroll in the BESTflex Plan and the grace period is automatically available after the end of the plan year.

■ “Use-it-or-lose-it” is Still in Effect

The grace period extends the BESTflex Plan plan year from 12 months to 14 months and 15 days. You have an extra 2-1/2 months to incur expenses against your BESTflex Plan accounts. Once the grace period ends, no new expenses are eligible. Once the runout period for claims submission ends, any amounts remaining in the plan are forfeited.

■ The Duration of the Grace Period

The grace period starts the day after the plan year ends and must not extend beyond 2 months and 15 days past the end of the current plan year (“the 2-and-a-half month” rule).

■ Eligibility

The grace period must apply to all participants enrolled in the plan on the last day of the plan year.

■ Incurring Expenses with a Grace Period

The actual eligible expense must be incurred within the plan year or during the 2-1/2 month grace period.

■ Submitting Claims During the Grace Period

When you submit a claim for an expense you incurred during the 2-1/2 month grace period, you will first be reimbursed using funds from your previous plan year. Once that money has been used, claims will be paid using funds from the current plan year, provided you chose to participate and funds are available.

To use the grace period for a claim that is greater than the amount remaining in your previous plan year's account, the claim must draw from both the previous and current accounts. The expense must be incurred during the 2-1/2 month grace period. Submit all your claims no later than the last day of the runout period.

To prevent receiving a partial payment, limited to the amount remaining in your previous plan's year-end account, wait until your new plan is activated before submitting the claim. If you submit an expense before your new account is activated and your claim is greater than the amount remaining in your previous account, you will only receive a partial payment. You can resubmit the unpaid part of the claim when your new account is activated in order to receive the entire payment.

We cannot reprocess or re-order your claims to draw upon funds from a specific plan year. It is your responsibility to submit claims against the correct plan years as described above.

You can determine whether your new plan year is active by logging in to My Account Assistant on our website. If your new plan year is listed, it is activated and ready for use. You can also contact us at **800 346 2126** before you submit your claim. A Participant Services Representative can look up your account information and walk you through your claims submission process or you can choose to listen to your information using our automated Telephone Account Assistant.

Remember:

- The grace period will always end on the 15th of the month.
- When you submit a claim for an expense you incurred during the 2-1/2 month grace period, you will first be reimbursed using funds from your previous plan year.
- You have until the last day of the 3-month runout to submit claims for expenses you incurred during the 2-1/2 month grace period.
- If your employment is terminated during the plan year, the 2-1/2 month grace period will not apply. You will only have the length of your runout period to submit claims that you incurred during the plan year and prior to your termination date.

Please consult *My Company Plan* for specifics regarding the length of the runout period for your plan design.

■ Runout and the Grace Period

The BESTflex Plan allows a specific number of days after the plan year ends to submit claims for expenses incurred prior to the end of the plan year. The “runout” period for your plan design is found in *My Company Plan*.

The difference between the grace period and the runout period is that during the grace period, you can incur new expenses and submit claims. During the runout period, you can only submit claims for expenses incurred during the plan year or the grace period. Expenses incurred during the runout period are lost unless a new plan year overlapping the runout period is in place.

In most instances, the grace period overlaps the runout period. After the grace period ends, you usually have roughly two weeks remaining to submit claims during the runout period. Please consult *My Company Plan* for specifics regarding the length of the runout period for your plan design.



*You can incur new expenses during the grace period;
The runout gives you more time to submit claims.*

■ Overlapping Plan Years

Example 1: A BESTflex Plan (Plan A) ending on December 31, is amended to include a grace period extending the plan to March 15. A participant who elected to have \$1000 withheld for a Health Care FSA at the beginning of the plan year, has \$200 remaining unused in the account. Since a new plan year is about to start, this same participant elects to have \$1500 withheld and placed into the new plan's Health Care FSA (Plan B).

During the grace period of Plan A, the participant incurs a qualified expense of \$300. The unused \$200 from Plan A is applied to the expense, and since it was incurred during the grace period (between January 1 and March 15) the remaining \$100 is an eligible expense covered by Plan B. The BESTflex Plan is able to reimburse the full \$300 expense.

Example 2: Using the same plan parameters as Example 1, our participant incurs a \$150 qualified expense during the grace period (instead of the \$200 in the previous example), leaving \$50 in the FSA. The participant did not incur any additional expenses as of the March 15 deadline for Plan A, so the unused \$50 is subject to the "use-it-or-lose-it" rule and must be forfeited. The participant still has the new election of \$1500 in the Health Care FSA available for the upcoming plan year (Plan B).

■ Remaining FSA Funds After the Grace Period Ends

The IRS requires that unused money be returned to your employer. It cannot be returned to you or carried forward, and is generally used to pay for the cost of Plan administration. Careful planning and taking advantage of reimbursement of medical supplies, eye care and other eligible expenses can help ensure that you use all your money. You can use the runout period to submit claims against expenses incurred during the plan year and the grace period to use up remaining funds. Please consult *My Company Plan* for specifics regarding the runout period for your plan design.

The 2-1/2 month grace period enables you to continue to incur expenses against your Health Care and/or Dependent Care FSAs past the end of your plan year, helping you make full use of your BESTflex Plan.

■ Special Rules Governing the Grace Period

- A. During the grace period, unused benefits may not be cashed-out or converted to any other taxable or nontaxable benefit
- B. Unused benefits or contributions may only be used to pay or reimburse for qualified expenses relating to that benefit. Health Care FSA dollars cannot be used to pay for Dependent Care FSA expenses and vice versa
- C. Any funds remaining from the preceding plan year left unspent and unused during the grace period may not be carried forward into a new plan year
- D. Any funds unused at the end of the grace period are forfeited under the "use-it-or-lose-it" rule
- E. Qualified expenses incurred during the grace period may be submitted during a "runout" period specified by Employee Benefits Corporation after the grace period ends

■ Terminating Employment or Losing Eligibility with a Grace Period

With the Health Care FSA, you can only submit claims for expenses incurred prior to your termination date. You will have the standard runout period to submit claims after your termination date (the 2-1/2 month grace period does not apply to participants who terminate before the plan end date). To receive reimbursement for expenses incurred after your termination date, you must be eligible for and elect COBRA continuation, which may require after-tax contributions to your Plan. Please consult *My Company Plan* for specifics regarding the runout period for your plan design.

■ The Employee Benefits Corporation Benefits Card

If your Employer has elected to add the Benefits Card to your plan design, you can use it to pay for expenses during the grace period.

■ The Dependent Care FSA and the Grace Period

IRC Section 129, which created and regulates the Dependent Care FSA, limits the pre-tax benefits available per **calendar year** to a maximum of \$5,000. If you take advantage of the 2-1/2 month grace period for the Dependent Care FSA, you should carefully manage your plan. If you incur **and** are reimbursed for more than \$5,000 in a calendar year, the amount above \$5,000 may be treated as additional taxable income.

■ Contact Employee Benefits Corporation

Contact Employee Benefits Corporation if you have any questions about your BESTflex Plan.

Email: www.participantservices.com

**Employee
Benefits
Corporation**
We make it easy.

P: 800 346 2126 | 608 831 8445

F: 608 831 4790

P.O. Box 44347

Madison, WI 53744-4347

An employee-owned company

www.ebcflex.com