DEFENSE FINANCE AND ACCOUNTING SERVICE
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DFAS-DFC

JUN 17 2003

MEMORANDUM FOR DISTRIBUTION LIST

SUBJECT: Flexible Spending Accounts

On March 31, 2003, the Office of Personnel Management (OPM) issued a Benefits Administration Letter with the Payroll Specifications for the Flexible Spending Account (FSA) Program. The new FSA Program allows eligible employees to pay for certain benefits with pre-tax dollars and to make voluntary elections on an annual basis during the open enrollment period for each upcoming plan year. There are two types of plans available to employees: A Health Care FSA (HCFSA) and a Dependent Care FSA (DCFSA). OPM has selected Sykes Health Plan Services, Inc. (SHPS) as the third party administrator for the FSA program.

This program will work similar to the Federal Long Term Care Insurance Program (FLTCIP) as employees will contact SHPS directly to discuss the new program and to enroll. Neither the Human Resource nor Civilian Payroll Offices can approve or process enrollments. All enrollments must be processed through SHPS. For additional information on FSAs, there are two web sites available: http://www.opm.gov/insure/pretax/fsa/index.asp or https://www.fsafeds.com/fsafeds/. A tri-fold brochure designed to introduce Federal employees to this program is available on the second web site. Employees should be aware there are administrative fees associated with these accounts. The SHPS/OPM web sites provide additional information on them.

Effective June 16, 2003, SHPS began accepting actual FSA enrollments. SHPS has three methods available for employees to contact them; either by telephone, email or the web site. The toll-free telephone number is 1-877-FSAFEDS (372-3337). SHPS customer service counselors are available from 9AM until 9PM Eastern Standard Time, Monday through Friday. The toll free number for hearing impaired employees is 1-800-952-0450. At this time, employees in overseas locations will not be able to use the toll free number. They will have to enroll through the web site or by email. SHPS' email address is fsafeds@shps.net and the electronic enrollment system is at www.fsafeds.com.

Eligible Federal employees who wish to participate in one or both of the two new FSAs must enroll with SHPS before June 27, 2003. Employees paid by the Defense Civilian Pay System (DCPS) must enroll during this same open season even though their deductions will not begin until September. In order for an expense to be eligible for reimbursement under an FSA, the expense must be incurred during the plan year. For employees paid through DCPS, the 2003 plan year begins September 1, 2003, and ends December 31, 2003. The first payroll deduction will occur for the pay period ending September 20, 2003. The open season for the 2004 plan

year will be from November 10 through December 8, 2003. Employees who enroll for the 2003 plan year must reenroll for the 2004 plan year if they desire to continue with the program.

When an employee voluntarily elects to participate in the FSA accounts, SHPS will submit a billing file containing all necessary information to make FSA allotments to the DCPS. This file will be transmitted in the format and on the schedule agreed upon by the DCPS and SHPS. DCPS will then systemically deduct the SHPS calculated FSA allotment amounts from the employees pay and remit this amount back to SHPS. Employees with billing questions or concerns regarding allotment deductions must contact SHPS directly. Neither the Human Resource nor the Payroll Offices can alter or modify FSA allotments, change enrollments, or process refunds.

You are requested to provide the widest possible dissemination of this memorandum. We will also be posting this information and any subsequent information related to FSA to the Defense Finance and Accounting Service web site at http://www.DFAS.MIL. Once in the DFAS web site, select civilian pay information. Please refer any questions you may have on this matter to DFAS-DFC at (703) 607-5047.

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Director for Finance

Copy to:
National Security Agency (Laneita Kisamore)
Department of Energy

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