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Learn how to extend your BESTflexSM Plan with the 2 ½ month grace period.

■ Overview of the Grace Period

Your employer chose to add the 2 ½ 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 FSA, Dependent Care FSA and/or Individual Premium FSA past the end of your plan year, helping you to make full use of your BESTflex Plan.

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

You don't have to do anything to gain the benefit of the 2 ½ 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

You are required to forfeit unused amounts in your FSAs at the end of the plan year, an IRS regulation called the “use-it-or-lose-it” rule. Your plan year is extended, however the runout period is not. 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 is 2 months and 15 days and begins the day the plan year would have ended if not for the grace period extension.

■ 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 grace period allows you to have an additional 2 ½ months to spend the amounts remaining in your FSAs.

This gives you a total of 14 ½ months to use the amounts in your FSAs.

■ How Grace Period Affects the Runout Period

The grace period allows you to submit claims for eligible expenses you incur from the very beginning of the plan year through the entire grace period. The grace period often will overlap significantly with your runout period.

When you incur an expense during your 2 ½ month grace period and submit a claim for reimbursement for the expense during your runout period, the claim is first processed from your earlier plan year balance and you are reimbursed from those funds. Once that balance is fully exhausted, remaining claim amounts are reimbursed using funds from the new plan year (as long you enrolled in the new year and have funds available).

If you wish to have a claim process from your earlier plan year balance and then from the new plan year, please 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.

Claims are processed in the order they are received, so you may want to wait until you have been reimbursed for all of your earlier plan year expenses before submitting claims for any expenses you incur in the new plan year during the 2 ½ month grace period.

We cannot reprocess or reorder your claims to process expenses from a specific plan year. It is your responsibility to manage your funds for each plan year and submit claims for reimbursement accordingly.

■ 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. Health Care FSA 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 \$300 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).

■ Special Rules Governing the Grace Period

- Any funds unused at the end of the grace period are forfeited under the “use-it-or-lose-it” rule
- 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 ½ 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.



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

■ The Employee Benefits Corporation Benefits Card

The grace period extends the cutoff dates for using your Benefits Card, allowing you to use your Benefits Card to pay for eligible expenses you incur from the very beginning of the plan year through the entire grace period. Once your grace period ends, you cannot use the Benefits Card for prior plan year expenses.

During your grace period, you may have expenses eligible for reimbursement from two plan years – the earlier plan year and the newly started plan year. Consider how you use your Benefits Card for new plan year expenses during the grace period if you have not yet submitted all of your earlier plan year's expenses. Payments and reimbursements are processed in the order they are received, and during the grace period, the Benefits Card applies all of your transactions against the earlier plan year balance. Submit expenses from the earlier plan year first before submitting any new plan year expenses to ensure you receive your maximum benefit payout.

■ The Dependent Care FSA and the Grace Period

You are required to report your BESTflex Plan dependent care pre-tax expenses and any federal tax credit for dependent care expenses on IRS Form 2441. This form is an attachment to your federal income tax return and it requires the name, address, and tax identification number of your dependent care provider. Contact your tax advisor if you have questions about this form. If your employer reports plan reimbursements rather than deductions on your W-2 and your Dependent Care FSA has a grace period, contact your employer to discuss any possible tax implications.

■ Contact Employee Benefits Corporation

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

Email: www.participantservices.com

The 2 ½ month grace period enables you to continue to incur expenses against your FSA, helping you make full use of your BESTflex Plan.