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Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 03-4, Flexible Spending Accounts (FSA) Program

Date: May 27, 2003

To: Holders of the Payroll/Personnel Manual  
Personnel User Groups  
Personnel Offices

This bulletin is being issued to notify agencies of enhancements made to the Payroll/Personnel System as a result of the implementation of the Flexible Spending Accounts (FSA) Program. The FSA Program allows employees to pay for certain health and dependent care expenses with pre-tax dollars. The following FSAs will be offered to eligible employees:

- **Dependent Care FSA (DCFSA).** DCFSA allows employees to use pre-tax allotments to pay for eligible dependent care expenses. The maximum amount an employee may set aside in any tax year is \$5,000 (\$2,500 if the employee is married and filing a separate income tax return) and the minimum amount is \$250.
- **Health Care FSA (HCFSA).** HCFSA allows employees to use pre-tax allotments to pay for certain health care expenses that are not reimbursed by any other source and not claimed on the participant's income tax return. The maximum amount an employee may set aside in any tax year is \$3,000 and the minimum amount is \$250.

The Office of Personnel Management (OPM) has contracted with Sykes Health Plan Services (SHPS), Inc., as the third party administrator for the FSA Program. Interested employees must enroll for FSAs **directly** with SHPS following guidance issued by OPM. **Note:** Agency personnel offices (APOs) will not process any transactions for FSAs. Only SHPS can process transactions for FSAs.

Employees who elect to participate in the FSA Program will set-aside an annual amount of salary to be contributed to their FSA account(s). The annual amount for each FSA account will be prorated over the number of pay dates (usually 26) in the plan year. For example, if an employee elects to contribute \$1,040 to their HCFSA and \$520 to their DCFSA and is paid biweekly, the amount of the allotments will be \$40 and \$20, respectively. SHPS will determine the biweekly amount and submit the necessary documentation to the National Finance Center (NFC) to have the FSA allotment(s) withheld through payroll deductions. NFC will deduct these allotments from the employees' pay throughout the plan year and remit the monies each pay period to SHPS for deposit into the employees' FSA account(s). Employees can withdraw monies from their FSA account(s) for reimbursements as they incur eligible expenses. These reimbursements will be made through SHPS not the APO.

Filing Instructions: File with the Payroll/Personnel Manual.

Expiration Date: When superseded

**Note:** Since the FSAs are a tax advantage, the Internal Revenue Service (IRS) has strict guidelines for its use. One of these is the “*use it or lose it*” guideline. If the employee has not incurred enough eligible expenses during the plan year to equal the annual amount they have contributed to their FSA(s), they will lose the balance remaining in their account(s) when the plan year ends. **Note:** The employee will have up to 90 days after the plan year ends to file their reimbursement requests from their DCFSA and up to 120 days after the plan year ends to file their reimbursement requests from their HCFSA.

### **FSA Open Season And Plan Year**

The initial FSA Program open season began in mid-May and will run through June 20, 2003. This will be the first opportunity for most Federal employees to voluntarily enroll in a DCFSA or HCFSA.

The initial FSA Program plan year will be a short plan year that begins on July 1, 2003, and ends on December 31, 2003. Therefore, deductions for FSA allotment(s) for the short plan year will begin in Pay Period 12 (payday July 10, 2003) and end in Pay Period 26. All future plan years will be January 1 through December 31.

The open season for the first full plan year will take place concurrent with the Federal Employees Health Benefit (FEHB) Program open season.

**Note:** *Participation in an FSA is not automatic, employees must make an election (re-enroll) each year.*

### **Flexible Spending Account Plan Codes**

The following flexible spending account plan codes have been added for the processing of FSA transactions:

<b>Flexible Spending Account</b>	<b>Plan Code</b>
DCFSA	FD
HCFSA	FH

### **Manually Paid Employees**

Employees that are paid through NFC’s manual pay process should notify their APO when they elect to participate in an FSA with SHPS. Even though SHPS will process the data for the employee, the APO must contact NFC to advise them that the manually paid employee will now have an FSA allotment(s) withheld from their salary.

APOs should submit Form AD-343, Payroll Action Request, or use the Document Tracking System (DOTSE) to notify NFC of the manually paid employees participation in the FSA program.

**Information/Research Inquiry System (IRIS)/Payroll/Personnel Inquiry System (PINQ)**

FSA allotment(s) will be reflected on IRIS Program IR113, Flexfund, and PINQ Program PQ080, PACS Flexfund Benefits.

**Statement of Earnings and Leave System (EARN)**

The following transaction codes (TC) will display in EARN and on the employee's Form AD-334, Statement of Earnings and Leave Statement, for FSA allotment(s):

- TC 93, Suffix 10, Flexfund DCA, for the DCFSA
- TC 93, Suffix 11, Flexfund HCA, for the HCFSA

**Employee Personal Page (EPP)**

The EPP will display FSA allotment deductions for the employee as a separate line item under Flexfund.

**NFC Reporting Center**

The following reports related to FSA data will be available from the NFC Reporting Center.

- Flexfund Payment Report by Plan Code. This report will be sorted by the FSA plan code and will include the employee's social security number (SSNO), employee's name, FSA plan code, Department, agency, personnel office identifier (POI), and the amount withheld each pay period.
- Flexfund Payment Report by Agency. This report will be sorted by agency and will include the employee's SSNO, the employee's name, FSA plan code, Department, agency, POI, and the amount withheld each pay period.

**Personnel Edit Subsystem (PINE) Edit Messages**

Adds Edit Message 070, *Agency Not Authorized For Fedflex Plans*, to Document Type 185, Flexfund Flexible Spending Account. This message will appear when an agency currently participating in a non-Federal flexfund flexible spending account enters a document for DCFSA and/or HCFSA. Agencies currently participating in a non-Federal flexfund flexible spending account are **not** eligible to participate in DCFSA and HCFSA.

**Payroll/Personnel Procedures**

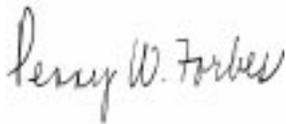
The applicable payroll/personnel procedures have been updated to include the information in this bulletin. The **Latest Update Information** section at the beginning of the procedure

provides a summary of the update. To view and/or print a procedure, go to the NFC home page ([www.nfc.usda.gov](http://www.nfc.usda.gov)) and click the **Pubs & Forms** icon. At the Pubs & Forms page left-hand menu, click **List by Title/Chapter** and search for the appropriate chapter on the list provided. If you are unable to print from the Web, you can request a printed copy by submitting Form AD-1083, Request for Action for Procedures/Reports, to the address or fax number printed on the form.

#### **Inquiries**

For more information on the FSA Program, see the OPM Web site at [www.opm.gov/insure/pretax](http://www.opm.gov/insure/pretax).

For questions about policy/regulations, contact your Agriculture Payroll/Personnel User Group (AGPUG) representative or Committee for Agriculture Payroll/Personnel System (CAPPS) representative. Please refer questions about NFC processing to the Payroll Operations Branch at **504-255-4630** . Refer questions about this bulletin to **504-255-5322** or via e-mail at [nfc.pvct@usda.gov](mailto:nfc.pvct@usda.gov).



PENNY W. FORBES, Acting Director  
Government Employees Services Division