



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Wednesday, April 30, 2003
msg-029

MEMORANDUM FOR: Other Stakeholders

FROM: Stephen C. Benowitz and Clarence Crawford, Associate Director, Human Resources Products and Services and Associate Director, Management and Chief Financial Officer

Subject: Implementation of Flexible Spending Accounts

As we know from the results of the 2003 Federal Human Capital Survey, our employees are motivated toward outstanding performance because they recognize the importance of their work to the Nation they serve. To ensure that we can recruit and retain this highly skilled workforce, it is essential that we offer contemporary, competitive benefits. In October 2000, the Federal Flexible Benefits Plan ("FedFlex") was introduced. It enables eligible employees to pay for benefits with pre-tax dollars. The initial FedFlex benefit, Premium Conversion, was implemented in October 2000. Last year, Federal employees became eligible for Long Term Care Insurance. In May 2002, OPM Director Kay Coles James expanded FedFlex to include a second pre-tax benefit called Flexible Spending Accounts (FSAs). These will be available to federal employees by this July. FSAs will allow employees to use pre-tax allotments for certain health care and dependent care expenses. These programs benefit employees who choose to participate, and help agencies improve their management of human capital—a key objective of the President's Management Agenda.

We are writing to underscore the importance of assuring that your payroll office is positioned to implement pre-tax allotments for FSAs in July. We first communicated the requirement for such allotments via a Benefits Administration Letter dated January 9, 2003 (attached). Because the payroll office interfaces and file formats for the FSA program will be essentially identical to those just put in place for the long term care program, we believe that the July implementation date is not unreasonable. We are attaching the precise requirements in the attached Benefits Administration Letter that has been sent to your staff.

We are looking to you to ensure that all civilian Federal employees serviced by your office have timely access to FSAs. We expect that the payroll systems of all agencies will be able to accommodate these deductions by July, thus ensuring a smooth implementation for our talented and deserving workforce. Your personal commitment is needed to ensure the timely implementation of FSA allotments. Please provide an update on your progress in implementing this payroll change to Mr. Frank Titus, Assistant Director for Insurance Services, Office of Personnel Management, 1900 E Street, NW, Washington, DC 20415, no later than May 9, 2003.

Thank you for your cooperation in this important matter.

Attachment