



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Friday, June 13, 2003

MEMORANDUM FOR: Heads Of Executive Departments And Agencies

FROM: Kay Coles James, Director

Subject: Flexible Spending Accounts Open Season

I am delighted to let you know that the **Federal Flexible Spending Account Program (FSAFEDS)** will begin accepting enrollments on Monday, June 16 and FSAFEDS Open Season has been extended through June 27. This will allow employees more time to examine the benefits of the FSAFEDS Program and enroll without delaying the July 1 effective date for employees of agencies that can begin deducting allotments in July.

As you know, we delayed accepting enrollments while we considered whether agencies had the authority to pay the negotiated administrative fees on behalf of their employees (\$4 per month per participant for a health care FSA (HCFSA); 1.5% of the annual allotment per participant for a dependent care FSA (DCFSA)). Consistent with previous long-term plans for the program, the Office of Personnel Management (OPM) explored source funding for administrative fees for the 2004 plan year. However, recent events in the federal community gave us the opportunity to advance our examination of agencies' authority to pay fees on behalf of their employees.

Under FSAFEDS your agency will not contribute towards FICA and Medicare taxes on allotments that your employees make to a HCFSA and a DCFSA. The issue was whether agencies could use these savings to pay employee administrative fees. OPM and OMB have concluded that, assuming no specific constraint in a particular agency's authorizing or funding statute, agencies may use these savings to pay administrative fees for employees.

It is important that Federal employees be allowed to keep their hard-earned money. I strongly encourage you to pay the modest FSAFEDS fees on behalf of your employees. It's the right thing to do. You may wish to note that our analysis has shown that even after paying fees, agencies will still accrue savings. However, the decision is up to each individual employing agency.

We have sent a separate Benefits Administration Letter to your Benefits Officer with additional information on the FSAFEDS Open Season and instructions on notifying OPM by **June 27** about your fee decision.

I am so pleased that this valuable benefit will soon be available to Federal employees and their families, and look forward to our continued cooperation on this and other important benefits for the Federal workforce.