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Government Responds to NTEU Letter on FSAs With Extension of Use-or-Lose Deadline, Other Improvements

Washington, D.C.—A month after the National Treasury Employees Union (NTEU) called on it to do so, the federal government has made important improvements in its Flexible Spending Account (FSA) program which allows employees to set aside pre-tax income to pay medical and dependent care expenses. NTEU was instrumental in securing FSAs for federal workers. The improvements to the program were announced by the Office of Personnel Management (OPM) yesterday.

In a letter in late May to Daniel Blair, acting director of OPM, NTEU President Colleen M. Kelley strongly recommended the government extend the deadline for the use of the program—a step which has now been taken by OPM.

A short time earlier, Treasury Secretary John Snow had announced that employers, including the federal government, could modify their FSA plans to extend the deadline for employee use of health care program by 2 ½ months after the end of the plan year. Such a change, if adopted by an employer, reduces the likelihood of forfeited FSA contributions at the end of a calendar year.

“The changes made by OPM will reduce the amount of money set aside by federal workers that could otherwise have been lost at the end of the calendar year,” said NTEU President Colleen M. Kelley. She called this “an example of the kind of action the government needs to take in order to compete with the private sector as the employer of choice.”

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Blair said that along with providing an additional 2 ½ months into 2006 to incur claims for the 2005 plan year, and thus to use 2005 account balances, two other changes impact the federal program.

One increases the annual health care FSA contribution limit to \$5,000 from \$4,000, beginning in plan year 2006; the other provides an extra month, until May 31, 2006, for employees to file claims for reimbursement for program use in 2005.

OPM has yet to respond to a follow-up Kelley letter to Blair seeking information about whether employees who leave or retire from federal service before the end of a calendar year will lose any money remaining in their FSA accounts.

In that inquiry, Kelley also raised questions with Blair about NTEU member complaints that a third-party vendor has been taking “an unusually long time” to handle employee claims for both medical and dependent care reimbursements—up to six weeks. The NTEU leader encouraged OPM to prod the vendor to supply additional information about claim dates and status on its web site, and to not limit that information only to claims paid.

NTEU is the largest independent federal union, representing some 150,000 employees in 30 agencies and departments.