

TO PARTICIPANTS WHO HAVE 2020 MEDICAL FLEXIBLE SPENDING ACCOUNT AND DEPENDENT CARE SPENDING ACCOUNTS UNDER THE UNIVERSITY OF ARKANSAS SYSTEM CAFETERIA PLAN

The University of Arkansas System Cafeteria Plan permits eligible employees to contribute a portion of their salary to a medical flexible spending account, which is used to pay medical expenses for the employee and eligible dependents, and/or a dependent care flexible spending account, which is used to pay for child care expenses incurred by the employee. Such elections must be made before the beginning of the year, and there are normally very stringent rules on the ability to change these elections, once the year begins; further, except for the ability to carryover up to \$500 of unused medical expenses, any amount not used by the end of the year are forfeited. These restrictions are dictated by IRS rules.

For 2020 only, the IRS has announced an easing of the restrictions on the ability to change the 2020 flexible spending account elections. In accordance with the IRS announcement, effective immediately, a participant who has a medical flexible spending account or a dependent care flexible spending account under the University of Arkansas System Cafeteria Plan may:

- Make a prospective election change to the medical flexible spending account FSA election to increase or decrease the amount of contributions made to such FSA for the remainder of 2020 (changes to the annual medical FSA election amount will not be an amount lower than what has been reimbursed at the time of the request to make the change); or
- Make a prospective election change to the dependent care flexible spending account FSA election to increase or decrease the amount of contributions made to such FSA for the remainder of 2020.

EXAMPLE: An employee had elected to contribute \$2,500 to the medical flexible spending account. To date, \$1,000 has been contributed to such account, and none used. Employee may elect to revoke the election for the remainder of 2020, in which case no further amounts will be deducted from the employee's pay, and the amount in the medical flexible spending account will remain at \$1,000, reduced, of course, of any amounts used by the employee.

An employee who has not previously elected to make contributions to a medical FSA or a dependent Care FSA is not permitted to begin making such contributions in 2020, except under normal cafeteria plan rules. For future years, the normal restrictions on mid-year FSA changes will apply.