



COVID-19 Relief Package

(Consolidated Appropriations Act, 2021)

On December 27, 2020, President Trump signed Congress' \$900 billion relief package designed to address the economic fallout from the COVID-19 crisis. The bill contains several important benefits-related relief provisions, including important changes to the rules governing dependent care assistance plans (DCAP) and health flexible spending accounts (FSA), with possible changes affecting plan years 2020, 2021 and 2022. Below is a summary of these important changes that will provide significant relief for DCAP and health FSA participants if adopted by plan sponsors.

Deadline for Making Plan Amendments:

Employers wishing to adopt one or more of these temporary rules on a retroactive basis must amend their plans to reflect the change. The amendment must be adopted no later than the last day of the first calendar year beginning after the end of the plan year for which the amendment is effective. This means that for employers wishing to adopt some or all of the temporary rules for the 2020 plan year, the amendment(s) **must be adopted by the last day of the 2021 plan year**. Plans must operate consistently with the terms of the amendment retroactive to its effective date.

AMENDMENT #1

Plans **may not** have both a Grace Period and a Rollover.

For Plans that elected the ROLLOVER OPTION:

Temporary Relaxed Carryover Rules for DCAP and Health FSAs:

Allows employers to permit participants to carryover **all** unused funds from 2020 plan year accounts to 2021 plan year accounts. Also allows employers to permit participants to carryover **all** unused funds from 2021 plan year accounts to 2022 plan year accounts. **Applies to both Dep Care AND Health FSA account balances.**

- Prior to these new temporary rules, no carryover of funds was allowed for DCAP accounts and the carryover of health FSA funds was limited to \$550 (as indexed for 2020).

Amendment Items: (select one or both)

- Carryover unused FSA balance from plan year ending in 2020 to plan year ending in 2021.
 - Carryover unused FSA balance from plan year ending in 2021 to plan year ending in 2022.
- Apply Carryover amendment to: Health FSA only DCA Only Both Health FSA and DCA
- Do NOT amend plan for either option.
 - Our Plan offers the Grace Period – this option is not applicable.

For Plans that elected the GRACE PERIOD OPTION:

Temporary Extension of Grace Periods for DCAP and Health FSAs:

Allows employers to extend their DCAP and Health FSA account grace periods to **12 months** after the end of the plan year for **both 2020 and 2021** plan years.

- Previously, grace periods, which allow participants to use remaining contributions after the end of a plan year, were limited to two and a half months after the end of the plan year, with a special COVID-19-related rule allowing for plan years and grace periods ending in 2020 to be extended until December 31, 2020.

Amendment Items: (select one or both)

- Extend grace period to 12 months after the end of the plan year for plan year ending in 2020.
 - Extend grace period to 12 months after the end of the plan year for plan year ending in 2021.
- Apply Grace Period extension to: Health FSA only DCA Only Both Health FSA and DCA
- Do NOT amend plan for either option.
 - Our Plan offers Rollover – this option is not applicable.

Considerations: The grace period and carryover relief provided by the CAA are optional. Plan sponsors may elect to adopt these extensions only for all FSA plans, for Dependent Care FSAs but not Health Care FSAs, or vice versa. In addition, plan sponsors may elect to apply the extension to the 2020 plan year but not the 2021 plan year.

AMENDMENT #2

Temporary Relief for Post-Termination Reimbursements from Health FSAs:

Allows employers to permit terminated employees with remaining contributions in their health FSAs during calendar year 2020 or 2021 to receive reimbursements for qualifying expenses incurred through the end of the plan year in which they were terminated, including any applicable grace period (such as an extended grace period adopted as outlined above).

Amendment Items: (select one or both)

- Provide employees who cease participation in a health FSA during calendar 2020 the opportunity to receive reimbursements from unused benefits or contributions through the end of the plan year in which such participation ceased (including grace period if applicable).
- Provide employees who cease participation in a health FSA during calendar 2021 the opportunity to receive reimbursements from unused benefits or contributions through the end of the plan year in which such participation ceased (including grace period if applicable).
- Do NOT amend plan for either option.

Considerations: Plans contemplating offering terminated participants the ability to be reimbursed for expenses incurred through the end of the plan year in which participants terminate participation should assess the administrative burden of communicating to such participants and administering claims, particularly where the plan is also opting to extend the grace period to 12 months after the end of the plan year.

AMENDMENT #3

Temporary Rule Increasing the Maximum Age of Eligible Dependents for Use of DCAP Funds:

Allows employer-sponsored DCAPs to permit reimbursement of otherwise eligible dependent care expenses for children who attain age 14 (rather than age 13) during the 2020 plan year. They may also permit reimbursement of expenses for children who attain age 14 during the 2021 plan year, but only regarding unused funds from the 2020 plan year.

- Prior to this temporary rule, DCAP funds could not generally be used for expenses for children age 13 or older.

Amendment Items:

- Increase the maximum age (by one year) for dependent care beneficiaries who aged out during the pandemic.
- Do NOT amend our plan for this option.

AMENDMENT #4

Temporary Rule Allowing Permitted FSA Election Changes:

Allows employers to permit a participant to modify their elected FSA contribution amount on a prospective basis (subject to the IRS maximum dollar limitations on FSA contributions), for any reason. The participant need not have experienced a change in status or any other event to make this election change.

- Prior to this temporary rule, participants could only make election changes if a Qualifying Event occurred.

Amendment Items:


- Allow for election changes in 2021 for any reason on a prospective basis.
- Do NOT amend our plan for this option.

Considerations: Plan sponsors adopting this change should clearly communicate the terms under which the plan will allow these changes to be made. While some plans may want to allow these changes at any time, others may want to limit the election change period to a specific time frame (similar to a mini open enrollment) to lessen the administrative burden.

FSA Plan Action Item for Employers

- **Decide What to Adopt:** Employers must decide which, if any, of the plan flexibility options offered by this legislation to adopt. While considerable time is allowed to actually execute formal plan amendments, decisions on these issues should be made reasonably quickly to clarify for plan participants exactly what their plans will allow.
- **Expect Some Confusion:** Employers can expect some measure of confusion in the marketplace and from plan participants. Some employers will adopt these enhanced flexibility provisions and others will not, adding a degree of variability that FSA plans do not typically have.
- **Open Ended Plan Years:** Employers should be aware that extending flexibility for plan participants, in terms of when claims can be incurred or submitted, comes with the consequence of not being able to close out plan years in a timely manner. For example, employers who adopted the grace period extension for 2019 plan years, technically, still cannot close out the 2019 plan year.
- **Administration Platforms:** Software platforms for FSA plan administration do not currently include mechanisms to allow the flexibility afforded by this legislation. Suffice it to say, they will be scrambling to modify their platforms to accommodate these changes. The changes will certainly be accommodated, but employers should expect potential delays while administration platforms are being updated.
- **Clear Communication:** After decisions are made, employers should distribute clear communication about any plan flexibility adopted so that plan participants understand exactly what, if any, additional flexibility is included in their plan.

I have read and understand the relief provided under this bill. I have indicated the Amendments our Plan wishes to adopt and understand that amendment documents will be forthcoming for execution by no later than 12/31/2021.

COMPANY:	North Star Charter School
Authorized Individual:	ERIC DICKERMAN
Signature:	
Date:	1/5/21

