

SUMMARY OF MATERIAL MODIFICATION

Date: February 1, 2021

Plan Administrator: Commonwealth of Kentucky

Plan Name: Kentucky Employees' Health Plan

Plan Year: January 1, 2020, through December 31, 2020

Plan Document Amended: Flexible Benefits Plan

Amendment Summary: The Commonwealth of Kentucky's 2020 Flexible Benefits Plan was amended to reflect the changes to the Health FSA's Permitted Carryover provisions and to establish a carryover for DCFSA's. The Plan Document was also amended to reflect the changes to the age of a Qualifying Dependent for the purposes of reimbursement of Dependent Care Qualifying Expenses from a DCFSA.

Description of Amendment: Congress passed the Consolidated Appropriations Act, 2021 (Pub. L. 116-260) (2021 Appropriations Act), which the President signed into law on December 27, 2020. The 2021 Appropriations Act provides for a carryover of any amount of unused FSA funds, up to the maximum amount provided by the Plan, to the following Plan Year.

Specifically, Section 214 of Division EE of the 2021 Appropriations Act gives an employer the option to allow a carryover of the full amount of any unused balance in a FSA during the Plan Year ending in 2020 to the following Plan Year, without the health plan losing its status as a cafeteria plan under the Internal Revenue Code (the Code). This is an exception to the prior rule that limited the Health FSA carryover amount to \$550 from one Plan Year to the following Plan Year. Previously, there has been no carryover option for a DCFSA.

Further, Section 214(d) of the 2021 Appropriations Act provides that unused DCFSA funds from the 2020 Plan Year may be applied to expenses for eligible dependents who were not yet age 14 during the 2020 Plan Year. Additionally, any DCFSA carryover amounts from the 2020 Plan Year may be applied to expenses incurred during the 2021 Plan Year for eligible dependents who are not yet age 14.

As a result of the Consolidated Appropriations Act, 2021, the Plan Document was amended to reflect the changes to the Health FSA's Permitted Carryover provisions and to establish a carryover for DCFSA's. The Plan Document was further amended to reflect the changes to the age of a Qualifying Dependent for the purposes of reimbursement of Dependent Care Qualifying Expenses from a DCFSA.