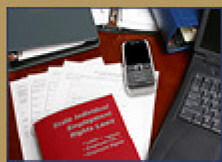
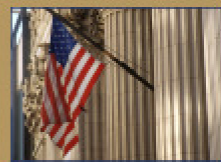
ROBINSON & COLE LLP
ATTORNEYS AT LAW





UPDATE
Employee Benefits and Compensation

November 2013

IRS Modifies "Use-It-Or-Lose-It" Rule for Health Flexible Spending Accounts

The IRS has issued Notice 2013-71, modifying the "use-it-or-lose-it" rule for health flexible spending accounts (FSA). Currently, contributions to an FSA for a given plan year may only be used to reimburse expenses incurred during that plan year (or the applicable grace period if the FSA provides for a grace period). Any amounts remaining in a participant's FSA for a plan year at the close of the reimbursement period for that plan year, either because the participant failed to submit eligible expenses for reimbursement or because the participant did not have sufficient eligible expenses, are forfeited. Under the new guidance, for FSA contributions that remain in the FSA at the end of the year, cafeteria plans can allow up to $500 of FSA contributions for a plan year to be carried over and made available to reimburse medical expenses incurred during the following plan year. Unused amounts in excess of $500 cannot be carried over and are forfeited. Carried-over amounts are not counted toward the maximum amount that a participant can elect to contribute in the carryover year.

Permitting amounts to be carried over is an optional FSA provision and plan sponsor action is required for it to take effect. Should a plan sponsor wish to amend its FSA to allow for the carryover of unused 2013 FSA contributions, the plan, including the FSA, must be amended before the end of the plan year beginning in 2014. If the change is to take effect in 2014 or a later year, the plan, including the FSA, must be amended by the last day of the first plan year from which amounts may be carried over. Such an amendment can provide that expenses incurred during the current year are reimbursed first from any carried-over amounts.

It is important to note that (1) a plan that incorporates the new carryover rule *cannot* also permit a grace period for reimbursement from prior-year FSA contributions; and (2) this change applies only to health FSAs, not to dependent care reimbursement accounts.

2014 COST-OF-LIVING INCREASED LIMITS RELEASED

The IRS has also released updated retirement plan limits for 2014. The limits are evaluated for adjustment each year based upon changes in the cost of living. A number of limits, including the limits on elective deferrals and catch-up contributions and the highly compensated employee threshold, will not change for 2014. Some limits, however, were increased, including the following:

- Section 401(a)(17) Compensation Limit – $260,000 (up from $255,000 in 2013)
- Section 415(c) Defined Contribution Plan Limit – $52,000 (up from $51,000 in 2013)
- Section 415(b) Defined Benefit Plan Limit – $210,000 (up from $205,000 in 2013)
- Social Security Taxable Wage Base – $117,000 (up from $113,700 in 2013)

For more information, or if you have any questions about how the new rules affect your employee benefit plans, please contact one of the following attorneys in Robinson & Cole's Employee Benefits and Compensation Practice Group.

Bruce B. Barth (860) 275-8267 bbarth@rc.com	Jean E. Tomasco (860) 275-8323 jtomasco@rc.com	Cynthia R. Christie (860) 275-8259 cchristie@rc.com
Virginia McGarrity (860) 275-8291 vmcgarrity@rc.com	Dawn N. Zammitti (860) 275-8254 dzammitti@rc.com	
