



***Benefits Administration Letter***

Number: 07-307

Date: September 28, 2007

**Subject: FSAFEDS Program: New Procedure for Paying Administrative Fees**

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**Purpose**

The U.S. Office of Personnel Management (OPM) has established new procedures for paying the administrative fees for the FSAFEDS Program. Effective October 1, 2007, the reserve account for the FSAFEDS Program will be maintained by OPM, rather than SHPS (the third party administrator of the program, located in Louisville, Kentucky). Therefore, we are implementing new payment procedures.

***Effective with the October 2007 FSAFEDS invoices***, SHPS will continue to send out the invoices twice a year. However, they will send two separate invoices. One invoice will be for the Reserve Account Fee previously known as the Risk Reserve (see Attachment A). Agencies must pay the Reserve Account Fee directly to OPM. The other invoice will be for the contractor administrative fees. Agencies must pay the contractor administrative fees directly to SHPS (see Attachment B). Both the payable-to-OPM portion and the payable-to-SHPS portion will be in the invoice packages you receive from SHPS twice a year.

Please note that the amount of the fees (both portions) may change for 2008. You will be notified of any changes when that information becomes available.

This Benefits Administration Letter (BAL) details these new procedures and also provides background. This BAL replaces BAL 04-802 dated July 20, 2004. BAL 04-802 is no longer valid.

**Background**

Section 1127 of the National Defense Authorization Act for 2004 (P.L. 108-136) requires agencies to pay fees associated with employee participation in FSAFEDS (see Attachment). When an agency is presented with an invoice from SHPS for its employees' fees, the agency must pay that invoice pursuant to P.L. 108-136 in a timely manner as required by the Prompt Payment Act (P.L. 97-177).

The cover sheet of the contract OPM executed with SHPS to administer FSAFEDS and section 1127 are the only documentation that agencies need for paying FSAFEDS invoices. Interagency agreements and purchase orders are not needed and cannot be required for payment. If you would like a copy of the contract cover sheet, please email us at [Finance@opm.gov](mailto:Finance@opm.gov) using “SHPS contract cover sheet” as the subject. We will email you the contract cover sheet.

Participating agencies in the FSAFEDS Program currently pay the following fees:

- Reserve Account Fee:
  - \$3.50 per participating employee per month, placed in reserve to help cover the risk of overpayments associated with HCFASAs and LEX HCFASAs and to pay BENEFEDS for the payroll processing functions associated with FSAFEDS;
- Contractor Administrative Fee:
  - \$4.00 per participating employee per month for HCFASAs and Limited Expense HCFASAs; and
  - 1.5% of the annual election amount for participating employees enrolled in DCFASAs.

### **Specific Billing Invoice Information**

SHPS provides an invoice package to each participating agency twice per year.

The first invoice package, sent in February, accounts for (as of the cut-off date for the invoice):

- Employees who enrolled during Open Season and are actively participating in FSAFEDS;
- Employees who enrolled with approved belated enrollments after Open Season and are actively participating in FSAFEDS;

The second invoice package, sent in October, accounts for (as of the cut-off date for the invoice):

- New and newly eligible employees who enrolled subsequent to Open Season and are actively participating in FSAFEDS.

**Agencies must use the new payment procedures starting with this second invoice for 2007.**

Please note that invoices bill for participating employees based on their original effective date, regardless of when SHPS received their first allotment.

Each invoice package contains supporting documentation for sub-agencies, bureaus, etc., as reflected on the enrollment screen options through the FSAFEDS website. Agencies are responsible for coordinating payment with any applicable sub-agencies.

Agencies may choose to receive their invoice packages in the following formats (a sample copy of each format is attached):

- PDF Summary (without participant detail);
- PDF Detail (with participant detail, including: name, last four digits of their social security numbers, type of account and amount of annual elections); and
- Spreadsheet Detail (Microsoft Excel format, containing the same data elements as the PDF Detail Format.

If you have questions about the billing process, the impact the new procedures will have on past-due invoices or just need more detailed billing information or a different format, please contact SHPS directly via email at [FSAFEDS-Billing@shps.com](mailto:FSAFEDS-Billing@shps.com) or by calling Rhonda Payne at 502-420-5490.

### **New Payment Procedures Effective with the October 2007 Invoice**

#### **Part Payable to OPM - Attachment A**

Agencies must pay the Reserve Account Fee described earlier, as indicated on the invoice, directly to OPM. This is a new requirement. Until now you have been paying this portion directly to SHPS.

Agencies must transmit an Intra-Governmental Payment and Collection (IPAC) system transaction to OPM using the following IPAC parameters:

**Office of Personnel Management**

**Agency Location Code:** (ALC) 24-00-0002

**Treasury Account Symbol:** (TAS) 24X0800

**Standard General Ledger:** (SGL) Debit 1010 and Credit 5405

**Business Event Type Code:** COLL

**Federal Account:** (F)

**Description:** SHPS Invoice Number (insert the number printed on the invoice)

**Point of Contact:** Include the name and email address of the person who's familiar with paying the FSAFEDS fees.

If you are unable to use the IPAC system, you must email [Finance@opm.gov](mailto:Finance@opm.gov) and request OPM's banking information to remit the funds via Electronic Funds Transfer (EFT). The EFT system of payment can **only** be used by those agencies unable to process an IPAC. You are required to report both the IPAC and EFT remittance as an Intra-Governmental Elimination transaction.

#### **Part Payable to SHPS – Attachment B**

Agencies must continue to pay the Contractor Administrative Fees described earlier directly to SHPS electronically, using the payment information on the invoice. This part is subject to the Prompt Payment Act. Interest will accrue as outlined in the Prompt Payment Act if SHPS does not receive the billed amounts within 30 days of the date listed on the invoice.

If you have any questions regarding the new payment procedures, we recommend sending an email to [Finance@opm.gov](mailto:Finance@opm.gov). You may also call us at (202) 606-0606.

Sincerely,

Kenneth T. Harris, Acting Chief  
Financial Reporting and Policy Group  
Center for Financial Services

Attachments