

DISTRIBUTION
 County Administrator
 County Clerk
 Human Resources (4)

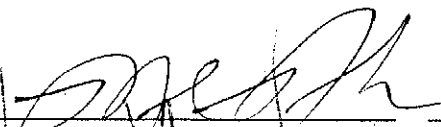
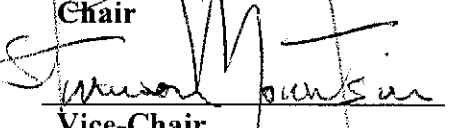
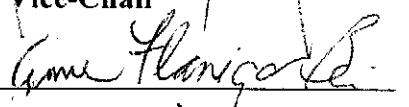
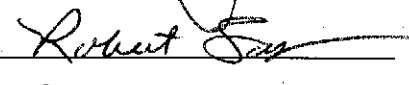
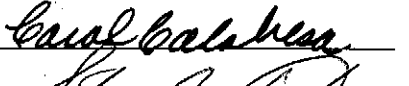

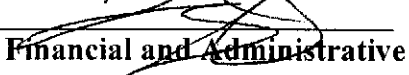
STATE OF ILLINOIS)
) SS
 COUNTY OF LAKE)

COUNTY BOARD, LAKE COUNTY, ILLINOIS
 ADJOURNED REGULAR SEPTEMBER A.D., 2005 SESSION
 DECEMBER 13, A.D., 2005

MADAM CHAIRMAN AND MEMBERS OF THE COUNTY BOARD:

Your Financial and Administrative Committee present herewith a Resolution authorizing the Chairman of the Board to execute an amendment to the Flexible Spending Program regulating fund distributions for qualified Health and Dependent Care expenses, and requests its adoption.

Respectfully submitted,

	A YE	N AY
 Chair	x	_____
 Vice-Chair	x	_____
	✓	_____
	✓	_____
	✓	_____
	✓	_____
 Financial and Administrative Committee	✓	_____

RESOLUTION

WHEREAS, the Employer previously adopted the following employee benefit plans: the County of Lake (the "Health FSA"), a Code Section 105 medical reimbursement plan; and County of Lake, a Code Section 129 dependent care assistance plan; and

WHEREAS, the Internal Revenue Service issued Notice 2005-42, which permits employers to amend the Health FSA and the Dependent Care FSA to establish a grace period not to exceed the 15th day of the third month following the end of the Plan Year during which Plan participants may use all or a portion of the unused Health FSA and/or Dependent Care FSA salary reduction amounts from the prior year for eligible expenses incurred during the plan year; and

WHEREAS, effective December 31, 2005 the Employer desires to amend the Plan, the Health FSA and the Dependent Care FSA to establish a grace period that is consistent with the requirements set forth in 2005-42; and

WHEREAS, your Financial and Administrative Committee has approved the amendments to the Plan, the Health FSA and the Dependent Care FSA.

NOW, THEREFORE, BE IT RESOLVED by this the County Board of Lake County, that the Chairman of the Board is hereby authorized to sign the Amendment to the employer flexible benefits plan; and

BE IT FURTHER RESOLVED, that this Amendment shall be effective December 31, 2005, for funds collected beginning with the 2006 calendar year, that establishes a grace period consistent with the requirements set forth in Notice 2005-42.

DATED, at Waukegan, Lake County, Illinois this 13th day of December, A.D.,
2005

**AMENDMENT TO EMPLOYER
FLEXIBLE BENEFITS PLAN**

This Amendment to County of Lake's Flexible Benefits Plan (the "Plan") is County of Lake (the "Employer"), effective as of the dates set forth herein.

NOW, THEREFORE, effective as set forth below, the Plan is amended as follows:

- A. Effective December 31, 2005, the following provisions should be added to the end of Section 4.03:

The Employer has the discretion to establish a grace period following the end of the Plan Year during which amounts unused as of the end of the Plan Year may be used to reimburse Eligible Medical Expenses incurred during the grace period. In no event can the grace period exceed two (2) months and fifteen (15) days following the end of the Plan Year. The Employer may establish a Run-out Period following the end of the grace period. If adopted, all amounts allocated to the HCSA that are not used to reimburse Eligible Medical Expenses incurred during the Plan Year and/or the grace period shall be forfeited.

- B. Effective December 31, 2005, the following provisions should be added to the end of Section 4.04:

The Employer has the discretion to establish a grace period following the end of the Plan Year during which amounts unused as of the end of the Plan Year may be used to reimburse Eligible Employment Related Expenses incurred during the grace period. In no event can the grace period exceed two (2) months and fifteen (15) days following the end of the Plan Year. The Employer may establish a Run-out Period following the end of the Plan Year. All amounts allocated to the DCSA that are not used to reimburse Eligible Employment Related Expenses incurred during the Plan year and/or the Grace Period shall be forfeited.

By: _____

Title: _____

**SUMMARY OF MATERIAL MODIFICATIONS TO EMPLOYER FLEXIBLE
SPENDING ACCOUNT PLAN (the "Plan")**

This document summarizes important changes to your Flexible Spending Account Plan. If you have any questions regarding the changes summarized in this Summary of Material Modifications ("SMM"), you should contact Creative Benefits, Inc. at 888.295.5959. You should keep a copy of this SMM with your Summary Plan Description for future reference.

Effective December 31, 2005, the Employer has established a "grace period" for the HCSA and DCSA offered under the Flexible Benefits Plan that follows the end of the Plan Year during which amounts you have allocated to the applicable spending account(s) that are unused at the end of the Plan Year may be used to reimburse eligible expenses (with respect to the applicable spending account) incurred during the grace period.

The grace period will begin on the first day of the Plan Year following the effective date of this SMM and will end two (2) months and fifteen (15) days later. For example, if the Plan Year ends December 31, 2005, the grace period begins January 1, 2006 and ends March 15, 2006.

In order to take advantage of the grace period, you must be:

- A Participant in the applicable spending account(s) on the last day of the Plan Year to which the grace period relates, or
- A Qualified Beneficiary who is receiving COBRA coverage under the HCSA on the last day of the Plan Year to which the grace period relates.

The following additional rules will apply to the grace period:

- Eligible expenses incurred during a grace period and approved for reimbursement will be paid first from available amounts that were remaining at the end of the Plan Year to which the grace period relates and then from any amounts that are available to reimburse expenses incurred during the current Plan Year. Claims will be paid in the order in which they are received, however if a previous year incurred claim is sent in after a current year, they will be reprocessed or recharacterized so as to change the order in which they were received. This assures that you will have the maximum reimbursement (and least forfeitures) from your Flexible Spending Accounts

For example, assume that \$200 remains in your HCSA sub-account at the end of the Plan Year ending 12/31/05 and further assume that you have elected to allocate \$2400 to the HCSA for the Plan Year beginning 1/1/06. If you submit for reimbursement an Eligible Medical Expense of \$500 that was incurred on January 15, 2006, \$200 of your claim will be paid out of the unused amounts remaining in

your HCSA from the Plan Year ending 12/31/05 and the remaining \$300 will be paid out of amounts allocated to your HCSA for the plan year beginning 1/1/06.

- Expenses incurred during a grace period must be submitted before the end of the Run-out Period described in this SPD. This is the same Run-out Period for expenses incurred during the Plan Year to which the grace period relates. Any unused amounts from the end of a Plan Year to which the grace period relates that are not used to reimburse eligible expenses incurred either during the Plan Year to which the grace period relates or during the grace period will be forfeited if not submitted for reimbursement before the end of the Run-out Period.
- You may not use HCSA amounts to reimburse Eligible Day Care Expenses (and if the grace period is offered under the DCSA, DCSA amounts may not be used to reimburse Eligible Medical Expenses).