



VitaFlex Leave of Absence Participant Instructions

What is Covered in This Document

This document reviews what happens to your Flexible Spending Account (FSA) when you go on a leave of absence. Following is an overview of the information contained in this document:

- ✓ General Information on FMLA Leaves and Other Active Status Unpaid Leaves
- ✓ General Information on Unpaid Leaves without Active Employee Status
- ✓ Salary Reduction Make-up Plan Options

Remember, when you go on a leave, you must complete a VitaFlex Leave of Absence form and turn it in to your employer prior to your leave date.

FMLA Leave and Other Active Status Unpaid Leaves

If you are going on a qualifying unpaid leave under the Family and Medical Leave Act of 1993 (FMLA) or an unpaid leave where you are still considered an active employee and still allowed to participate in the Flexible Spending Account, you have two options with regards to your Flexible Spending Account election:

Option #1 You may revoke your election entirely (change it to zero). Please note that when you return from leave, you will not be allowed to participate again unless you experience a qualified mid-year exception while on leave. Returning from leave is not a qualified mid-year exception by itself. If you do experience a qualified mid-year exception and re-elect FSA upon return from leave, you may either keep the same annual election that you had prior to revoking the election or you may reduce your annual election by the amount that you would have contributed to the FSA from your pay while on leave (situations may vary depending on the details involved). If you elect to re-enter the Medical FSA Plan after revoking your election when you went on leave, any expenses incurred while on leave would not be eligible.

Option #2 You may continue your participation in the FSA plan while you are on your leave. If you elect this option, you will be responsible for making up any missed salary reductions which would have occurred had you not been on leave. You have the option to discontinue your contributions and establish a make up plan to pay for any missed salary reductions.

Make-up plans are flexible, but they must be established in advance and they must detail how all missed salary reductions will be paid. Additionally, all salary reductions must be paid in the SAME Plan Year as your election (even if your leave spans two different Plan Years). You are responsible for making sure that your missed salary reductions are made up in the same Plan Year. If they are not made up in the same Plan Year, you will need to repay them on an after-tax basis and you may lose a portion of the tax benefit of participating in the FSA Plan.

If you choose this option, expenses that you incur while you are on leave for the Medical FSA *will* be eligible. However, dependent care claims that you incur while you are out on leave will not be considered eligible for reimbursement, even if you are unable to look after your child(ren) during this time period.

After you have decided on one of the two options above, you must fill out a VitaFlex Notice of Leave of Absence form within 30 days of the first day of your leave. Your Salary Reduction Make-up Plan will be outlined on this Leave of Absence Form.

Unpaid Leaves without Active Employee Status

If you are going on an unpaid leave where your employment status is changed such that you are no longer an Active Status employee, you will not be eligible to participate as an active employee under the FSA Plan. Following is a summary of the options available to you:

Medical FSA Plans	Your participation in the Medical FSA Plan will be terminated as of the date your leave begins. You will be offered COBRA continuation coverage for your FSA Plan along with COBRA continuation coverage for your other COBRA eligible health benefits.
Dependent Care FSA Plans	Your formal participation in the Dependent Care FSA Plan will be discontinued just as if you terminated employment. However, to the extent that you incur eligible expenses after your leave date and before the end of the Plan Year, you may submit those expenses for reimbursement. Please note that in order to be eligible, your dependent care expenses must be incurred while you and your spouse are working or looking for work.

Salary Reduction Make Up Options

When completing the Notice of Leave of Absence Form it is necessary to indicate how the missed salary reductions will be made up. Please use the information provided below regarding the different payment options to decide which one would be the best fit, given your specific circumstances.

Option A Lump Sum Salary Reduction Prior to Leave

How does this option work? The participant has a large reduction taken from his or her last paycheck prior to going on leave. This reduction is for the sum of all the reductions that will be missed while he or she is out on leave, in addition to the scheduled reduction for that last pay period before the leave begins.

Example: Megan has \$50.00 taken out of each paycheck for her Flexible Spending Account. If she is scheduled to miss four payroll cycles while on leave, she would have \$250 deducted from her last paycheck before going on leave. This reduction would include the scheduled \$50 reduction, and the four that will be missed (\$200).

Why would you select this option? You would select this option if you are fairly certain of how long you are going to be out on leave. It allows you to make up all of your missed reductions prior to going on leave while preserving the tax advantage of a pre-tax salary reduction.

Option B Continued Level Salary Reduction

How does this option work? The participant continues to have reductions taken on a pretax basis while being out on leave. This option assumes that the participant continues to receive a paycheck during his or her leave.

Example: Carley will be on leave for one month and has opted to continue salary reductions while on leave since she will continue to be paid a salary.

Why would you select this option? Generally if you are continuing to receive a paycheck throughout your leave, you are obligated to continue to make contributions to your Flexible Spending Account. The exception to this rule would be that if you elect out of the plan as the result of a qualifying event taking place.

Salary Reduction Make Up Options (Continued)

Option C Lump Sum Salary Reduction After Leave

How does this option work? Once the participant returns from leave he or she would have the entire amount missed while out on leave in addition to the amount scheduled to be deducted each paycheck prior to going on leave, taken out of his or her first available paycheck.

Example: Katy has \$50.00 taken out of each paycheck for her Flexible Spending Account. If she missed four payroll cycles while out on leave she would have \$200 deducted from the first paycheck she receives after returning from leave. This reduction would include the scheduled \$50 reduction and the four reductions that were missed while on leave of absence.

Why would you select this option? This option allows you to quickly make up missed reductions. It makes the most sense to select this option if you are almost certain that you will be returning prior to the end of the year, but you are uncertain exactly when you will be coming back. If the missed reduction amount is a large amount, this option might not be feasible from a cash flow perspective.

Option D After Tax Contribution During Leave

How does this option work? The participant pays the employer, with after tax dollars, the sum of the contributions missed while on leave.

Example: Juliette has \$25 per paycheck taken out for her Medical FSA. She will be gone for two months and will miss four paychecks. The participant mails the employer a check in the amount of \$100 (after tax dollars) while on leave of absence.

Why would you select this option? This option is generally the least desirable as it does not allow you to take advantage of the tax savings available on the contributions you make while out on leave. It is necessary to use this option if you are on a partially or completely unpaid leave that extends past the end of the Plan Year and you did not have pre-tax make-up reductions taken prior to going on leave.

Option E Increased Level Salary Reductions After Return From Leave to Plan Year End

How does this option work? The participant's year to date reductions would be subtracted from their election for the year. This amount would be divided by the number of remaining pay periods available after coming back from leave to arrive at the new per pay check reduction amount.

Example: Olivia had elected \$1,200 for the year. She is scheduled to have \$50 deducted each pay period because her employer has 24 pay periods a year ($\$1,200/24 = \50). She went on leave at the beginning of March and was scheduled to miss ten pay periods. Prior to going on leave, the participant made \$200 worth of scheduled contributions. If she chose this option to make up her missed reductions we would take the \$1,200 election, subtract the \$200 in year to date reductions and divide by the ten remaining pay periods (24 minus the four pay periods prior to the leave and ten pay periods missed during the leave) to arrive at a \$100 per paycheck reduction amount for the remaining ten pay periods in the year ($\$1,200 - \$200 = \$1,000/10 = \100).

Why would you select this option? This is the most popular option because it spreads out the missed salary reduction and the participant feels less of an impact.