What is Covered in This Document

This document reviews what happens to your Health Flexible Spending Account (FSA) and Dependent Care Assistance Plan 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 Vita Flex Leave of Absence Form and turn it in to your employer within 30 days from the first day of your leave.

FMLA Leave and Other Active Status Unpaid Leaves

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

Option #1 Discontinue Reductions for the Remainder of the Plan Year

You may reduce your annual election to the amount you have already contributed year to date. This will stop all FSA contributions for the remainder of the Plan Year.

Expenses that you incur while you are on leave for the Medical FSA *will* be eligible.

Dependent Care claims that you incur while you are out on leave *will not* be considered eligible for reimbursement. Dependent Care claims that you incur <u>before or after</u> the period of your leave will be eligible.

You will only be eligible for reimbursement up to the newly reduced election amount.

Option #2 Discontinue Reductions & Choose a Make-Up Plan

You may continue your participation in the FSA plan while you are on your leave. You will have the option to discontinue your contributions and establish a make-up plan to contribute any missed salary reductions. Please note that you will be responsible for making up any of the missed salary reductions which would have occurred had you not been on leave.

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 associated with participating in a Flexible Spending Account.

Expenses that you incur while you are on leave for the Medical FSA *will* be eligible.

Dependent Care claims that you incur while you are out on leave *will not* be considered eligible for reimbursement. Dependent Care claims that you incur <u>before or after</u> the period of your leave *will* be eligible.

FMLA Leave and Other Active Status Unpaid Leaves (Continued)

After you have decided on one of the two options above, you must fill out a Vita Flex Notice of Leave of Absence Form within 30 days of the first day of your leave. All make-up plans are outlined on the Vita Flex LOA Form. If you choose **Option #2,** you must indicate which make-up plan you are choosing on the Vita Flex LOA Form.

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 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: Kayla had elected $1,200 for the year. She is scheduled to have $50 deducted each pay period because her employer has 24 pay periods per 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 over the rest of the Plan Year and the participant feels less of an impact.

Option B 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 equal to 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: Lori 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 know 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 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: Jayne 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 $250 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 ($200).

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 submits payment to the employer for the sum of the contributions missed while on leave, with after-tax dollars.

Example: Marissa 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.

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 in the Medical and Dependent Care 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 have until the claims submission deadline to submit all eligible claims that were incurred during the time period that you were an active participant. If your employer is subject to Federal COBRA, you will be offered the right to continue your Medical FSA coverage under Federal COBRA.
Dependent Care FSA Plans	Your participation in the Dependent Care FSA will be terminated as of the date your leave begins. You will have until the claims submission deadline to submit all eligible claims. Please note that if you are working or looking for work, your dependents are allowed to incur daycare/dependent care expenses after the date that your account was terminated.