



COMMUNITY HEALTH PLAN
of Washington™

CHPW PTO Exchange Programs Guide



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Table of Contents

Terminology..... 3

PTO Cash Out..... 4

PTO Donation Program 4

 Privacy..... 5

 Prohibition to Intimidation 5

Eligibility to Receive Donated PTO..... 5

 How Eligibility Is Established..... 5

 When Eligibility to Use Donated PTO Begins and Ends 6

Recipient’s Use of Donated PTO 6

 When Donated PTO May Be Used 6

 Pay Status for Donated PTO..... 6

 How to Request Donated PTO Process..... 7

Adjudication Process..... 7

 Approval..... 7

 Distribution of Additional PTO 7

Donation of PTO..... 8

 Eligibility to Donate PTO 8

 How Much PTO May Be Donated 8

 Restrictions 8

Disposition of Unused Donated PTO 8

 Termination of the PTO Donation Program..... 8

Changes to the PTO Donation Program 8

CHPW PTO EXCHANGE PROGRAMS GUIDE

The Community Health Plan of Washington PTO Exchange Programs provide employees an avenue to utilize their Paid Time Off (PTO) in a more flexible way to meet their own needs and to help their coworkers in need. This PTO Exchange Programs Guide provides information regarding eligibility, expectations, processes, and other details needed for CHPW to administer the program fairly, equitably, and in compliance with the law.

Terminology

Exchange: this is the term used to describe the action of donating time or cashing out time.

Exchange Available: Total Hours Available for Exchange between the PTO Sharing and PTO Cash Out programs. This amount will adjust based on your accrued PTO available, prior requests in the year, and the program exchange limits.

Exchange Value: The dollar value of your exchange value which is determined using your hourly rate multiplied by the exchange available.

PTO Available: The accrued PTO available to you as of the last reporting period. Hours are shared from the payroll on a biweekly basis and do not reflect PTO used since the last reporting period.

Total Hours Available: Each year the PTO Exchange programs allows a maximum of 120 hours for exchange. A maximum of 80 hours donation and 80 hours cash out. The total hours available will be displayed in the system and will be adjusted based on your current accrued PTO balance and prior transactions. Employees must have a balance of at least 80 hours of PTO remaining after donation and/or cash out.

PTO Cash Out

The PTO Cash Out Program allows employees to cash out their accrued time off to meet personal needs from unplanned expenses to avoiding the PTO maximum accrual limit.

Eligibility

An employee must have an accrued, unused PTO balance of at least 120 hours. Any accrued, unused PTO amount over 120 hours, is eligible to be cashed out, up to 80 hours annually.

Process

PTO must be cashed out in a minimum of one (1) hour increments up to a maximum of 80 hours utilizing PTO Exchange.

PTO cash out requests are processed with the biweekly payroll on CHPW's regularly scheduled pay dates. Requests received before Noon of the last Friday of the pay period will be reviewed and adjudicated for that pay date. Requests received after Noon on the last Friday of the pay period will be processed on the next pay date.

Taxes and Eligible Deductions

PTO cash out is taxed as additional income per IRS guidelines and will be taxed at the supplemental rate of 25%.

CHPW must remit employer payroll taxes and withhold employee payroll taxes from it. The gross amount will be included as compensation on your W-2. PTO cashed out is considered eligible earnings for your 401k deferrals and will be included in the 401k deferral calculation for the paycheck in which the PTO cash out occurs.

Service Charge

PTO Exchange will also assess a fee of 7.5% on all PTO cash out transactions. Accrued PTO is considered deferred compensation, under IRS regulations, which is subject to the doctrine of constructive receipt. The service charge addresses the substantial restriction or limitation requirement that allows access to accrued time without invoking constructive receipt.

For Federal income tax purposes, the **doctrine of constructive receipt** is used to determine when a cash-basis taxpayer has received gross income. A taxpayer is subject to tax in the current year if they have unfettered control in determining when items of income will or should be paid.

This means that the service charge acts as a control and protects your remaining accrued PTO (deferred compensation) from being considered gross income during the tax year.

PTO Donation Program

The PTO Donation Program (PDP) allows employees to share accrued time off by donating or receiving earned unused Paid Time Off (PTO). This time may be shared as defined in this PTO Donation Program Guide. Participation in this program is strictly voluntary.

Privacy

CHPW (The company) will keep confidential the personal information (names, Social Security numbers, and identities) of PTO donors; the fact that specific employees have or have not donated PTO; and other similar information. The recipient's name and/or a brief description of their personal health condition may be disclosed in the notice requesting PTO donations. Information about the recipient must be disclosed to the PTO Donation Program Administrator.

Prohibition to Intimidation

No employee may directly or indirectly intimidate, threaten, or coerce, or attempt to intimidate, threaten, or coerce, any other employee for the purpose of interfering with any right that employee may have with respect to donating, receiving, or using PTO under the PDP. For the purposes of this program, the terms intimidate, threaten, or coerce include conferring or promising to confer any benefit, or effecting or threatening to affect any reprisal.

Eligibility to Receive Donated PTO

How Eligibility Is Established

To be eligible to receive donated PTO, an employee:

1. Must be unable to perform their duties due to either a medical emergency or declared disaster.
 - a. A "medical emergency" is defined under the PDP as a "medical condition of the employee or a family member of the employee that will require the prolonged absence of the employee from duty and will result in a substantial loss of income to the employee because the employee will have exhausted all paid time off available apart from the PTO donation program." Medical and/or appropriate other documentation may be required to establish the medical emergency.

Note: Conditions that may be the subject of workers' compensation claims, non-incapacitating prenatal or postnatal conditions, and the need or desire to care for newborn or adopted children do not qualify as medical emergencies.

- b. Family members are defined as spouses and domestic partners, children (biological, adopted, foster or stepchild), parents and legal guardians (or spouse's parents), siblings, grandchildren, grandparents (or spouse's grandparents), son-in-law and daughter-in-law.
 - c. A "declared disaster" is defined under the PDP as a major disaster or emergency declared by the President of the United States or a state Governor. To receive additional PTO, the employee must reside in a US State (and D.C.) or US Territory area designated for the Federal or State Disaster or Emergency.
2. Must be known or expected to be absent from work more than their own earned PTO balances will cover.

3. Must submit a “Request additional PTO” form, with all appropriate documentation, from the PTO Donation Program within the PTO Exchange application. The request may be submitted before current PTO balances are exhausted. If the employee is unable to complete or submit the form to request eligibility, the form may be completed and/or submitted by the CHPW Leave Administrator acting on the employee’s behalf.
4. Total donated hours to an individual recipient may not exceed 480 hours (60 paid days).

PTO Exchange will review the request and either approve, deny, or request additional information. PTO Exchange may seek input from others including the CHPW Leave Administrator, Payroll, or Benefits Administrator.

When Eligibility to Use Donated PTO Begins and Ends

The eligibility start and end dates are determined as follows:

Eligibility begins either when the request is approved, accrued PTO balances are exhausted due to the qualifying event; or, on the date the form is approved by PTO Exchange, whichever is later.

Eligibility terminates when the recipient separates from the company for any reason or returns to their normal work schedule and is no longer affected by the qualifying event for which the eligibility was established. For medical emergencies, use of donated PTO is allowed during recovery periods or periods of relapse due to a qualifying health condition, even though the recipient is working intermittently or on a part-time schedule.

Recipient’s Use of Donated PTO

When Donated PTO May Be Used

Per IRS requirements, PTO received from a sharing pool can only be used as leave. It may not be converted into a cash payment.

Donated PTO may be used:

1. During the recipient’s eligibility period, and as long as there is a balance of donated PTO available.
2. When the recipient would be in a normal pay status except for the incapacitation due to the qualifying condition.
3. Only after earned PTO is exhausted. If use of donated PTO is requested when the recipient has an earned PTO balance, PTO is charged in the following order: first, state leave insurance and or short-term disability, if applicable, second earned PTO; and third, donated PTO.
4. Employees who have exhausted their PTO and are receiving disability and or state leave insurance will not be paid more than 100% of their earnings through the combined payments of donated PTO and disability and or state leave insurance.

Pay Status for Donated PTO

The period for which an employee uses donated PTO is considered paid leave status, except that employees do not earn PTO on the donated PTO hours used. All mandatory and optional payroll taxes, deductions, allotments, and net checks to banks continue as if the employee is on regular PTO. Donated

PTO is paid at the recipient's current rate of pay and will be disbursed in maximum of 80 hour increments.

A donated PTO balance appears on the recipient's earnings statement after donations have been successfully transferred. The donated PTO balance continues to appear on the earnings statement until there is no longer a balance or the employee separates from the company.

If the employee separates from the company with a positive donated PTO balance, the donated PTO will not be eligible to be paid out.

How to Request Donated PTO Process

Request for additional/donated PTO will be made in the PTO Exchange portal. Employees must submit the Request for Additional PTO form and any required documentation, within 15 days of the request, to PTO Exchange to process the donated PTO request. Requests can be submitted prior to or during an eligible unpaid period. Requests approved, but not disbursed are canceled after 30 days.

Adjudication Process

Requests for additional PTO will be adjudicated in two steps.

Approval

Once a request has been submitted, it will be reviewed by independent adjudicators at PTO Exchange and set to one of three states as follows:

- Approved – A request will be approved if it is submitted with all required documentation and meets the criteria for receiving PTO from an active sharing plan.
- Denied – A request will be denied if the submitted documentation does not meet the criteria for receiving PTO from an active sharing plan.
- Additional Information – A request that is missing documentation will be set to a pending state.

In each case, the employee will be notified.

Distribution of Additional PTO

Once a request has been approved for a sharing pool, it will be evaluated, on a schedule to be defined by PTO Exchange, with all other approved requests to determine how many hours can be distributed from the sharing pool balance. Every effort will be made to distribute all approved hours, up to a maximum of 80 hours per pay period. If there are not enough funds in the sharing pool to complete all approved requests, hours will be distributed evenly among all approved requests. Approved hours not distributed will be allocated once additional donations have been made to the pool. Hours distributed from a sharing pool will be added to the receiving employee's Donated PTO balance. Requests approved but not distributed due to limited or no hours in the donation pool, will be canceled after 30 days, or when the employee returns to work, whichever occurs first.

Total donated hours to an individual recipient may not exceed 480 hours (60 days).

Donation of PTO

Eligibility to Donate PTO

With certain restrictions noted below, all employees may donate earned PTO to an active PTO sharing pool.

PTO donated to a PTO sharing pool is not taxable to the donor. Because the PTO was not recognized as taxable compensation, the donor may not claim an expense, charitable contribution, or loss deduction for the donated PTO.

How Much PTO May Be Donated

An employee must have an accrued, unused PTO balance of at least 120 hours. Any accrued, unused PTO amount over 120 hours, is eligible to be donated, up to 80 hours annually.

Restrictions

The following restrictions apply to PTO donations:

1. Donations must be for at least one hour and must be made in whole hours. Fractions of an hour or amounts less than one hour may not be donated.
2. The donor may not cancel the donation after it has been processed by payroll.
3. A specific recipient may be suggested for donated PTO; however, the final distribution decision will be made by PTO Exchange.

Disposition of Unused Donated PTO

If all the PTO donated in a PTO sharing pool is not used:

1. Medical Emergency PTO sharing pools: Donated PTO remains in the pool to be distributed to other eligible recipients as determined by PTO Exchange and is carried over from one year to the next.
2. Federal Disaster/Emergency PTO sharing pools: These pools are available for 18 months following the designation of the disaster or emergency. At the end of the 18-month period, donated PTO is either:
 - a. Distributed to an eligible nonprofit, or
 - b. Distributed to qualified recipients. Distribution is prorated and distributed to all eligible donors.
3. In either case, donated PTO may not be returned to the donor.

Termination of the PTO Donation Program

If the company decides to terminate the PTO Donation Program, funds in the PTO sharing pool(s) will be distributed to all active employee's using a formula to be determined at that time.

Changes to the PTO Donation Program

From time to time, this PTO Donation Program may be amended.