

Vacation Leave Accrual Limit Policy Revision (PER 4.04)

Endorsed by Staff Senate June 14, 2010

Endorsed by VPs & Deans June 25, 2010

**Effective July 1, 2010**

## **Proposal**

With the concurrence of the Human Resources Advisory Committee, the Vice President for Finance, and the Staff Senate, the Vice President for Human Resources proposes that the University change the method we use to reconcile vacation leave balances for professional, administrative, and classified staff from a pay period basis to an annual basis, on June 30 each fiscal year.

## **Purpose**

One of the priorities we have identified for HR is to “enhance the value of our benefit programs, while reducing or containing costs.” The proposal to change from a pay period to fiscal year reconciliation of leave balances will give employees more flexibility in scheduling vacation leave in a reasonable manner, without increasing costs to the University.

## **Background Information**

Current leave administration policies are designed around the particular capacities of PeopleSoft to automate leave accumulation. Employees are permitted to earn up to the maximum of 44 days of annual leave (equivalent to their regular work schedule and FTE); upon which PeopleSoft automatically cuts off leave accrual on a pay period by pay period basis. This places employees in the awkward situation of trying to manage leave on a partial day basis (by taking off 3-4 hours per pay period) to avoid losing leave which, in turn, places artificial pressure on supervisors to approve small leave increments even when operating requirements suggest that leave would better be taken at other times.

Changing to an annual reconciliation process for vacation leave would permit employees to earn up to 66 days of leave at a given point of time during the fiscal year, with reconciliation each June 30 to reduce leave balances to a maximum of 44 days on June 30 as part of our regular compensated leave balance report process.

The net effect of the leave reconciliation change will be to afford employees up to 12 months (after reaching the current maximum of 44 days) to manage vacation leave more effectively and reasonably before experiencing a forfeiture of leave.

## **No Increase in Underlying Accrual Limit**

The existing 44 day limit would continue to apply to the following circumstances:

- Employees will be permitted to carry forward a maximum of 44 days of vacation leave from June 30 to July 1 each fiscal year.

- Employees will be permitted to transfer a maximum of 44 days of vacation leave from one department to another department (unless the receiving department expressly accepts the transfer of excess leave accumulation during the year); and
- Employees will be eligible to be paid a maximum of 44 days of vacation leave upon separation from employment.

**Cost Considerations**

Current vacation leave policies are predicated on the assumption that employees will use all of their vacation leave, and forfeitures of vacation leave are incidental. Because the underlying limit of 44 days is not being increased, the Vice President for Finance agrees that this change is “revenue neutral,” although the increased flexibility for employees to use leave will result in a marginal increase in the amount of leave used over time (by reducing the amount of leave that is currently forfeited).

An additional benefit will be to reduce the administrative overhead expenses of administering leave reconciliation on a pay period basis for departments and HR.

**Text of Policy Change**

I.F. Annual leave may be accumulated up to ~~twice a pay-period maximum of three times~~ the annual amount which the employee is eligible to accrue ~~during a 12-month period; provided, however, that the maximum amount of leave which may be carried forward from one fiscal year to the next, transferred from one department to another (without the express approval of the receiving department), or paid upon separation from employment shall be two times the~~ annual amount which the employee is eligible to accrue.

**Note on Effective Date**

Because leave accruals are system-maintained and subject to inclusion in our annual financial statements as current or contingent liabilities as of June 30 each year, the only practical effective date for this change is July 1.

**Recommended:**

**Approved:**

/s/ \_\_\_\_\_ 6-30-10  
 Sam Connally Date  
 Vice President for Human Resources

/s/ \_\_\_\_\_ 6-30-10  
 Shirley C. Willihnganz Date  
 Executive Vice President & University Provost