

# Appendix B – Compensatory Time Policy

Effective Date: 4/29/2024

## Introduction

The City of Two Rivers is implementing a revised Compensatory Time policy over a period of three years, beginning on 4/29/2024 and concluding on December 31, 2026. All eligible FLSA non-exempt employees should understand that while the maximum amount of Compensatory Time that they can accrue will ultimately be reduced from 240 hours to 80 hours, they *will not forfeit* any of their earned and accrued Compensatory Time. All earned and accrued Compensatory Time will be: (a) used by the employee to take paid time off from work; (b) paid out to the employee at the end of a calendar year; or (c) paid out to the employee upon termination of City employment.

The City's previous Compensatory Time policy permitted FLSA non-exempt employees to accrue up to 240 hours of Compensatory Time and to maintain a balance of such time over multiple years. Once implementation of the revised Compensatory Time policy is complete as of January 1, 2027, eligible employees will only be able to accrue up to 80 hours of Compensatory Time, which must either be used for paid time off work or paid out to the employee by the end of each calendar year (or upon termination of City employment). Employees will no longer be permitted to carry Compensatory Time balances from one calendar year to the next.

## Key Features

Effective 4/29/2024, any accrued Compensatory Time that an eligible employee earned prior to that date will be designated "Prior Compensatory Time" (PCT). Any Compensatory Time earned on or after that date will be designated "New Compensatory Time" (NCT). The City shall maintain an accurate accounting of all eligible employees' balances of PCT and NCT, which shall be separately indicated on each employee's biweekly pay statement.

Employees' accrued PCT balances shall be treated as follows:

- a) As of 1/1/2025, no employee's accrued PCT balance may exceed 160 hours. Any PCT balance above that 160-hour threshold that the employee has not used for time off work prior to 1/1/2025 will be paid out to the employee on their paycheck for the final pay period of 2024, less all necessary tax and Wisconsin Retirement System ("WRS") deductions.
- b) As of 1/1/2026, no employee's accrued PCT balance may exceed 80 hours. Any PCT balance above that 80-hour threshold that the employee has not used for time off work prior to 1/1/2026 will be paid out to the employee on their paycheck for the final pay period of 2025, less all necessary tax and WRS deductions.
- c) As of 1/1/2027, no employee may have any remaining accrued PCT balance. Any remaining accrued PCT balance that the employee has not used for time off work prior to 1/1/27 will be

paid out to the employee on their paycheck for the final pay period of 2026, less all necessary tax and WRS deductions.

Effective 4/29/2024 an employee may accrue up to 80 hours of NCT in a calendar year. Any remaining accrued NCT balance that the employee has not used for time off work prior to the conclusion of a calendar year will be paid out to the employee on their paycheck for the final pay period of that year, less all necessary deductions. At no time may an employee's combined accrued PCT and NCT balance exceed 240 hours.

### **Blackout Period**

To ensure administrative efficiency, accrual of compensatory time by otherwise eligible employees will not be permitted between December 1 and December 31 of each calendar year. Any time worked between December 1 and December 31 of each calendar year for which an employee would otherwise be eligible to accrue compensatory time will be paid to the employee as overtime at time and one-half.

### **Using Accrued Compensatory Time**

Taking Time Off Work. Time off work using accrued PCT or NCT must be authorized by the requesting employee's department head, who will permit such time off at their discretion. Compensatory Time can be both earned and used for time off work in the same pay period provided that the employee's total Compensatory Time balance (inclusive of both PCT and NCT) does not go below zero.

Precedence of Accrued PCT. If a requesting employee has both accrued PCT and accrued NCT balances, their time off work will be deducted from the accrued PCT balance first. Time off work will only be deducted from the NCT balance in the absence of any available accrued PCT.

### **Provisions Applicable to Both Old & New Compensatory Time**

Payout Upon Termination of City Employment. Upon termination of an eligible employee's City employment, whether via retirement, resignation, discharge, or otherwise, all remaining accrued Compensatory Time will be paid out to the employee on their final paycheck, less all necessary tax and WRS deductions as further detailed below. Payment amounts for PCT and NCT shall be separately indicated on the employee's final pay statement.

#### Deductions from Compensatory Time Payouts.

- a) When Compensatory Time is used for time off work, paid out at the end of a calendar year, or paid out upon termination of employment, it shall be subject to deductions for all applicable state and federal taxes.
- b) When Compensatory Time is used for time off work, it is subject to withholding of WRS contributions at the rate in effect when the time off was taken.
- c) When Compensatory Time is paid out to an employee at the end of a calendar year or upon termination of employment, it is subject to withholding of WRS contributions at the rate(s) in

effect when the Compensatory Time was earned, including any applicable interest. To minimize the employee's portion of interest that must be deducted from any payout for PCT accrued in previous years, as required by WRS statutes, employees are encouraged to reduce their PCT balances as much as possible by taking time off work when feasible for the employee and the City.