

		Vacation Cash-Out Policy			
Owner:	HR	Approving Position:	Common Council	Pages:	6
Issue Date:		Revision Date:		Review Date:	
Special Instructions:					

I. Purpose

The City of Whitewater recognizes that vacation leave is intended to provide employees with an opportunity to rest, recharge, and maintain a healthy work-life balance. Employees are encouraged to use vacation leave annually for its intended purpose. At the same time, the City recognizes that employees may occasionally accumulate vacation balances beyond their anticipated needs.

The Vacation Cash-Out Program is intended to provide eligible employees with a limited annual opportunity to convert a portion of accrued vacation leave into taxable wages while continuing to encourage employees to use vacation leave regularly. This policy establishes uniform eligibility requirements, administration procedures, and payment provisions to ensure consistency, fiscal responsibility, and compliance with applicable laws and Wisconsin Retirement System (WRS) reporting requirements.

II. Eligibility

An employee may participate in the Vacation Cash-Out Program if all of the following requirements are satisfied:

- A. The employee is a regular full-time or regular part-time employee.
- B. The employee has completed at least one (1) year of continuous City employment.

Exception: The City Manager may waive the one-year employment requirement when vacation service credit was specifically negotiated and approved as part of an employment offer for recruitment purposes.

- C. The employee is actively employed and receiving pay on:
 - 1. the final day of the election period; and
 - 2. the payroll processing date.

Employees who are on unpaid leave, long-term disability, or who have submitted a resignation effective before the payment date are not eligible.

D. The employee has used at least forty (40) hours of vacation during the current calendar year. This requirement shall be prorated for regular part-time employees.

E. The employee has sufficient accrued vacation to satisfy both:

1. the requested cash-out; and
2. the required minimum remaining balance.

F. The employee is not otherwise prohibited from participating by an employment agreement or collective bargaining agreement.

III. Vacation Service Credit

Employees who are granted vacation service credit at the time of hire as part of an approved employment offer shall receive vacation benefits based upon their total recognized years of service, which equals:

Years of Service Credit Granted at Hire
PLUS
Completed Years of Service with the City

Vacation accrual schedules, future vacation increases, and eligibility for higher accrual levels shall be based upon total recognized years of service.

Example

A newly hired employee receives six (6) years of vacation service credit as part of an approved employment offer.

After completing four (4) years of employment with the City, the employee has ten (10) years of recognized service for vacation purposes.

If the City's vacation schedule increases vacation accruals beginning at ten years of service, the employee becomes eligible for the higher accrual after completing four years of actual City employment.

Vacation service credit affects vacation accruals only and does not alter seniority, longevity, retirement benefits, or any other employment benefit unless specifically authorized elsewhere.

IV. Annual Election

Vacation cash-outs shall occur once each calendar year.

The annual election period shall be:

November 1 through November 30

Employees wishing to participate shall submit a Vacation Cash-Out Election Form to Human Resources during the election period.

After November 30, elections become final and may not be withdrawn or changed except to correct an administrative error.

Employees who fail to submit a timely election shall not be eligible to participate during that calendar year.

V. Amount Available for Cash-Out

The Vacation Cash-Out Program is intended to assist in managing excessive vacation accruals and is not intended to replace the regular use of vacation leave.

An eligible employee may elect to receive payment for up to forty (40) hours of accrued vacation leave during a calendar year.

To participate, an employee must have a minimum accrued vacation balance of one hundred twenty (120) hours immediately prior to the cash-out.

Following the cash-out, the employee must retain a minimum accrued vacation balance of eighty (80) hours.

Regular part-time employees shall be subject to prorated eligibility thresholds and cash-out limits based upon their authorized full-time equivalent (FTE).

Only vacation leave that has been earned and credited to the employee's vacation balance may be cashed out. Vacation anticipated to be earned in the future is not eligible.

No employee may cash out more vacation than has actually been accrued or more than forty (40) hours during any calendar year.

Example: An employee with an accrued vacation balance of 132 hours may elect to cash out up to 40 hours; however, because the employee must retain a minimum balance of 80 hours after the cash-out, the maximum allowable cash-out would be 40 hours, leaving a remaining balance of 92 hours.

An employee with a balance of 120 hours may elect to cash out a maximum of 40 hours, leaving the required minimum balance of 80 hours. An employee with a balance of 100 hours would not be eligible to participate because the employee does not meet the minimum participation threshold of 120 hours.

VI. Payment

Approved vacation cash-outs shall be processed with the first regular payroll in December.

Vacation shall be paid at the employee's regular base hourly rate in effect on the payment date.

The following shall **not** be included in determining the hourly rate:

1. overtime compensation;
2. shift differential;
3. longevity pay;
4. acting pay;
5. stipends;
6. bonuses;
7. incentive pay; or
8. any other premium compensation.

Cash-out payments shall be subject to all required payroll taxes and deductions.

Vacation hours paid under this policy shall immediately be deducted from the employee's accrued vacation balance.

VII. Administration

Human Resources shall:

1. receive election forms;
2. verify eligibility;
3. verify vacation usage;
4. verify accrued balances;
5. verify compliance with this policy.

Finance shall process approved payments through payroll.

The City Manager may suspend the Vacation Cash-Out Program for a future year because of budgetary, operational, or other legitimate governmental reasons. Any suspension shall apply uniformly to all similarly situated employees.

Once an employee has timely submitted an election and Human Resources has approved eligibility, payment shall not be denied solely because of subsequent departmental staffing or budget issues.

Notwithstanding any provision of this policy, any request involving the City Manager shall require approval by the Common Council.

VIII. Effect on Other Benefits

Participation in this program does not:

1. increase annual vacation accruals;
2. increase carryover limits;
3. modify vacation scheduling procedures;
4. change vacation payout at retirement or separation;
5. create additional leave benefits;

6. affect seniority;
7. affect Wisconsin Retirement System service credit.

Vacation hours paid under this policy shall be treated as vacation used and permanently removed from the employee's leave balance.

IX. Tax and Wisconsin Retirement System Compliance

The City intends this program to provide a limited annual conversion of already accrued vacation leave into taxable wages.

To ensure compliance with applicable Internal Revenue Service guidance and Wisconsin Retirement System reporting requirements:

1. Only accrued vacation may be converted to cash.
2. Vacation not yet earned may never be cashed out.
3. Elections shall occur only once each calendar year.
4. Payment shall occur on a single payroll each year.
5. The program shall be administered uniformly for all similarly situated employees.

Cash-out payments shall be reported in accordance with all applicable federal and state laws and Wisconsin Retirement System reporting requirements.

X. No Vested Right

Participation in the Vacation Cash-Out Program is a discretionary benefit.

Nothing contained in this policy creates a contractual right or guarantee that the program will continue in future years.

The City reserves the right to amend, suspend, or discontinue this policy prospectively, subject to applicable law, collective bargaining obligations, employment agreements, and Common Council approval where required.

XI. Interpretation

Questions regarding eligibility or administration of this policy shall be determined by Human Resources.

The City Manager shall have final authority to interpret this policy and resolve questions arising under its provisions. The City Manager may approve administrative procedures and forms necessary to implement this policy, provided such procedures are consistent with this policy.

XII. Job Aids

Vacation Cash-Out Request Form

CITY OF WHITEWATER

Vacation Cash-Out Election Form

Employee Information

Employee: _____
Department: _____

Cash-Out Election

I request to voluntarily cash out _____ hours of accrued vacation (maximum 40 hours) in accordance with the City's Vacation Cash-Out Policy.

I understand that:

- My eligibility will be verified by Human Resources.
- Applicable taxes and other required deductions will apply.
- Once approved and submitted for payroll processing, this election cannot be revoked.

Employee Signature: _____ Date: _____

Human Resources Verification

☐ Employee meets the eligibility requirements.

Current Vacation Balance: _____ hours

Vacation Used This Calendar Year: _____ hours

Hours Approved for Cash-Out: _____ hours

HR Signature: _____ Date: _____

City Manager Approval

☐ Approved ☐ Denied

Comments (if applicable):

City Manager Signature: _____ Date: _____

Payroll Processing

Payroll Processed By: _____ Date: _____

Submit completed form to Human Resources no later than November 30. Approved cash-outs will be paid on the first or second payroll in December.