



UT System Administration Policy Library – Policy UTS149 Implementation Procedures for the "Operating Plan for Charging Rate to Fund Lump Sum Payments of Vacation and Sick Leave"

Responsible Officer: Associate Vice Chancellor – Controller and Chief Budget Officer

Sponsoring Office: Office of the Controller

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Errors or changes to: policyoffice@utsystem.edu

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POLICY STATEMENT

This policy is intended to provide guidelines for a cost distribution and funding procedure covering lump sum payments to eligible terminated employees or their estates for accrued vacation and sick leave.

A reserve account shall be established and maintained for the funding of the payment of lump sum vacation and sick leave amounts for terminating employees.

RATIONALE

This policy is intended to facilitate the payment of accrued vacation and sick leave as required by the *Texas Government Code*, §§ 661.031-.038 and §§ 661.061-.068.

The *Texas Government Code* states that when an employee separates from state employment or dies, subject to certain requirements, (s)he is entitled to be paid for the accrued balance of the employee's vacation time as of the date of separation or death.

Accrued sick leave for terminating employees is only paid in the event of death of an employee. The estate is paid for one-half of the accrued sick leave balance or 336 hours, whichever is less. Payment for sick leave is limited to one-half of the employee's accumulated sick leave or 336 hours of sick leave, whichever is less.

Payments to terminating employees or their estates, for vacation and sick leave, are paid from the reserve account.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts149.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Statutes, Policies & Standards
	<i>Texas Government Code</i> , §§ 661.031-.038 and §§ 661.061-.068 .

CONTACTS

If you have any questions about UT System Administration Policy UTS 149, Implementation Plan for the “Operating Plan to Fund Lump Sum Payments of Vacation and Sick Leave,” contact the following office:

Subject	Office Name	Telephone Number	Email/URL
Establishment and Maintenance of the Reserve Account	U T System Office of the Controller	512-499-4527	controllersoffice@utsystem.edu http://www.utsystem.edu/cont/

DEFINITIONS

None

RESPONSIBILITIES

Payroll

- Determines and applies accrual rate.
- Establishes and maintains reserve account.

Associate Vice Chancellor – Controller and Chief Budget Officer

- Interprets this policy and is responsible for revising it as necessary to meet the changing needs of The University of Texas System and any statutory requirements.

PROCEDURES

1. ESTABLISHING AND MAINTAINING THE RESERVE ACCOUNT

Payment for vacation and sick leave will be funded through a reserve account. The reserve account is established and maintained by applying a percentage rate to the total gross payroll each month and charging that to the fringe accounts associated with the various payroll accounts.

1.1. Development of an Accrual Rate

1.1.1. The rate shall be determined as follows:

Calculate the quotient of the fraction where the:

a. Numerator = the total lump sum payments made for vacation and sick leave during a given period to all eligible terminating employees, and

b. Denominator = the total eligible salaries and wages paid to all employees during the same period used in 1.1.1.a above.

c. Professional judgment should be used in determining what time period to use for the calculation. Other factors to consider are any unusual occurrences which may affect the data for the time period used for the calculation and any future anticipated changes or trends at the institution which may affect the reserve.

1.1.2. Evaluate actual activity affecting the reserve at least annually to determine if the rate should be adjusted for subsequent periods to increase the reserve balance or reduce excessive reserves.

2.1. Application of the Rate

2.1.1. The rate shall be applied on a non-discriminatory basis in all fund sources to all salaries and wages that create eligibility for lump sum vacation and sick leave payments upon termination of employment. All such salaries will also be included in the base used to calculate the rate as described in 1.1 above.

2.1.2. Rates will not be applied to salaries that do not generate eligibility for lump sum payment, and such salaries will not be included in the base used to calculate the rate.

2.1.3. Salaries paid during the first six months of employment to a new employee will not generate eligibility for payment of lump sum vacation if termination occurs before the six months have elapsed. However, rates will be applied to such salaries and charged without regard to this limitation on eligibility. Similarly, such salaries will be included in the base used to calculate rates and the resultant balance in the reserve account, described in 3.1 below, will be included in the carry-forward amount.

3.1. Reserve Account

3.1.1. It is suggested that the account be titled “Reserve for Lump Sum Payments of Vacation and Sick Leave.”

3.1.2. The reserve account shall be established and maintained as a Service Department account in the Designated Funds group. All applications in 2.1 above will be credited to the reserve account of the institution and accumulated therein.

3.1.3. Actual payments of vacation and sick leave to terminating employees, and the appropriate payroll taxes and expenses thereon, will be the only charges to the reserve account. Vacation or sick leave used will not be charged to this account.

3.1.4. The purpose of the reserve account will be to provide for cost distribution of lump sum vacation and sick leave payments made during a current fiscal year. Contingency provisions for costs of future years or other purposes are not to be included.

4.1. Adequacy of the Reserve Account

The reserve account is intended to contain a reasonable balance sufficient to make payments as they become due during the year for vacation and sick leave for terminating employees.

5.1. Funding of the Reserve Account

The reserve account may be funded via the due to/due from mechanism between fund groups, however the funding from legislative appropriations should be limited to that portion of terminating payments that can be related to salaries and wages paid from legislative appropriations. If the source of funds for salary payments in prior years of terminating employees is not readily available, the determination should be based on the source of funds at the time of the termination.

6.1. Monitoring of the Reserve Account and Accrual Rate

The reserve account should be monitored on an ongoing basis for adequacy as described in 4.1.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

Keywords: operating plan, lump sum payments, vacation leave, sick leave, leave, vacation time, sick time, payments, absence, financial
