Lump Sum Vacation Payouts

Eligibility for Lump Sum Payouts:

An employee who has accrued 6 months of continuous state service at any point in their lifetime is entitled to be paid for their accrued vacation balance as of the date of separation.

Separation can be defined as:

1) Termination or retirement from state employment.
2) Transfer from one state agency to another with a day or more between the two employments.
3) Moves from one position within a state agency that accrues vacation time to a position that does not UNLESS:
   a. The employee transfers to non-vacation accruing position and is expected to return to a vacation accruing position, or
   b. The employee and the department agree to freeze the balance.

Under these two exceptions, the employee may not use the balance until they return to a vacation accruing position or will be paid a lump sum upon termination.

For other examples, see TAMUS System Policy 31.03.01 (https://policies.tamus.edu/31-03-01.pdf)

Computation for Lump Sum Payouts:

Holidays:

Per System Policy 31.04.01 (https://policies.tamus.edu/31-04-01.pdf), eligible employees of the Texas A&M University System are entitled to holiday leave in accordance with the schedule established by the Board of Regents and the terms of the system regulation. Because early release hours are not in accordance with the holiday schedule established by the BOR and to keep consistency amongst all employee lump sum payouts, Engineering does not consider early release hours in computation of lump sum payments.

Employee should have the correct proportion of hours (according to their effort worked) added to the employee’s accrued vacation balance for each holiday that is scheduled to fall within the period after the date of separation and during which the employee could have used the time. To determine the period during which vacation could have been used and the number of holidays, the employee’s vacation time is allocated over the workdays after the employee’s separation and proportionate hours are added as each holiday occurs during the period with the following exceptions:

1) If an employee has moved to another position that does not accrue vacation, holiday hours should not be included in lump sum payout computation.
2) Holiday pay will not be included in the payment of frozen balances upon separation.

To be compensated for a holiday, the vacation time must cover a portion of:

1) The workday immediately before and after a holiday that falls midmonth (other than the first or last workday of the month);
2) The workday immediately after a holiday if the holiday falls on the first workday of a month; or
3) The workday immediately before a holiday if the holiday falls on the last workday of a month.

Rate of Pay:

Rate for determining payout should be the employee’s FTE based on the last vacation accrual date.
Instructions for Submitting a Lump Sum Payout:

Upon Separation, the department’s business office should submit the following documents to Engineering Payroll via engrsupplements@tamu.edu:

1) Payroll Supplement
   a. Pay Component: Lump Sum Vacation Payment
   b. Most lump sum payments are covered by ACAP funds in which departmental accounts are not used. Account indicated on supplement should be the account a department would want charged for any vacation balance not covered by ACAP funds. Should not be a research account.
   c. In any event where ACAP funds do not cover 100% of the payment, Engineering Payroll will notify the department prior to issuing payment.

2) Biweekly or Monthly Lump Sum Worksheet
   This worksheet will accurately calculate the lump sum payout amount if the following inputs are correct:
   a. Monthly Rate of Pay should be their full time salary/rate of pay regardless of the effort they are working. This should be the rate the employee was making based on their last accrual date.
   b. Percent Effort Worked should be the effort they were working on their last day of their employment.
   c. Input remaining eligible vacation hours (Use Maintain Accrual and Time Off Adjustments to zero out the leave balance)
   d. Eligible holiday hours should be added proportionate to their effort based on their last day worked.
   Reminders:
   e. All accruals are based on effort at the time of accrued so an employee should be paid their full vacation balance. This balance is not to be decreased because of reduced effort.
   f. All lump sum calculations are based on 2080 work hours/year which is 173.3333 hours/month
      i. Monthly calculation: monthly rate/173.3333 X Sum of Holiday and Vacation Hours = Gross amount to be entered on Payroll Supplement

3) Employee’s Time Off Balance report
   a. Employee > Actions > Time and Leave > Enter Date of Termination > Select Print Document
   b. This document should be run AFTER the leave balance has been zeroed out in Workday

Supplement and Worksheets can be found under Departmental Resources > Payroll Forms on the Engineering Payroll website: https://tees.tamu.edu/payroll/index.html

The payout will be made on the first available biweekly payroll AFTER the employee receives their final regular payroll payment.

If the employee opts to defer any portion of their lump sum payment to their TDA or DCP, a copy of the employee’s deferral form should be submitted with the supplement or the employee should have submitted the form directly to the Engineering Payroll Office.

In the event of death of an active employee, the same documentation should be submitted but instead of indicating Lump Sum Vacation Payment as the pay component, Death Benefits should be selected and Lump Sum Vacation Payment should be noted in the Explanation section. In this instance, a Sick Leave Payout Worksheet and Supplement for Death Benefits (noting sick leave payout) should also be submitted.

Please contact Engineering Payroll should you have questions.