Milwaukee County

Legislation Details (With Text)

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Title: From the Executive Director, Department of Human Resources, an informational report regarding payout of accrued hours upon retirement. (INFORMATIONAL UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)

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Date	Ver.	Action By	Action	Result
4/18/2016	1	County Clerk's Office	PLACED ON FILE, END OF TERM	
6/21/2012	1	Finance and Audit Committee	DISCUSSED WITH NO ACTION TAKEN	
6/6/2012	1	Board Chair	ASSIGNED	

From the Executive Director, Department of Human Resources, an informational report regarding payout of accrued hours upon retirement. **(INFORMATIONAL UNLESS OTHERWISE DIRECTED BY THE COMMITTEE)**

Issue/Background

Upon retirement, Milwaukee County employees are entitled to a distribution of accrued paid time off. This includes accrued sick, vacation, personal, holiday, and compensatory time. The dispensation of accrued sick time is clearly defined by the Milwaukee County Code of General Ordinances Chapter 17, sub chapter 184. The dispensation of other accrued time is not defined in ordinance, and the current policy/practice has evolved over time. Human Resources will be implementing a departmental process change regarding how we will pay out remaining vacation, personal, holiday and compensatory time.

The Employee's Retirement System pension counselors currently present two options to the employee as a part of the retirement meeting, and forwards to HR/Payroll for processing. The options provided to retiring employees are described below:

Option 1: Lump Sum Payout

- Accrued hours are processed as one lump sum payment following the last day worked.
- No additional pension service credit is accrued for this time.
- The retirement date for calculating pension payments is the same as the last day worked.

Example: A retiring employee ending work on June 1, 2012 with 212 hours of payable accrued time would be paid for the entire 212 hours in one payment. The employee's pension would be based on a 6/1/12 retirement date.

Option 2: Gradual Payout of Hours

- Accrued hours are paid at 80 hours per pay period until the balance is exhausted.

- The retiring employee accrues additional pension service credit for the accrued time that is gradually paid out.
- The retirement date for calculating pension payments is the date that the employee's accrued hours balance is exhausted. Annuity payments do not commence until after the retirement date.

Example: A retiring employee ending work on June 1, 2012 with 212 hours of payable accrued time would be paid at 80 hours per pay period until the balance is exhausted on 7/11/2012. The employee's pension would be based on a 7/11/12 retirement date, and annuity payments would commence on the next distribution cycle. No pension payment is made for the time from 6/1/12 through 7/11/12.

Process Change

Effective pay period 16 (July 9, 2012), Human Resources / Payroll will only process payout of other accrued time at retirement as described in Option 1. Corporation Counsel has been consulted, and confirmed this change in past practice is a change in department operating procedure, requiring no additional legislative action. However, notice of a change to past practice will be sent to the County's two public safety unions.

Rationale for Process Change

The gradual payout method complicates the processing of pensions by setting a later retirement date and allowing additional pension service credit to be earned for the time that elapses during the payout period. This causes an administrative burden in Human Resources for calculating multiple retirement dates, and a significant tracking burden in Payroll for monitoring the progress of each gradual payout that is granted. It also creates a burden on other employees, as allowing the gradual payout creates a significant increase to the time a department must leave a position vacant before being able to actively begin recruiting for the retiree's replacement.

In extreme cases where employees have accumulated a large amount of payable hours, the gradual payout option can have a significant impact on the pension calculation. Further, the gradual payout creates an opportunity for employees to manipulate retirement dates in order to earn additional holiday credit, vacation credit, etc. In other words, this option artificially moves the retirement date forward, allowing employees to earn additional accrued paid time off and pension service credit after they are actually done working at the County.

Eliminating the gradual payout option will simplify the retirement process for ERS, Compensation, and Payroll staff, while eliminating opportunity for abuse of the County's intended paid time off benefits.

Recommend Action

This report is for informational purposes only. Because this administrative change represents a departure from past practice, the Department of Labor Relations will provide a notice of change to past practice to the County's two public safety unions.