

**Do you provide reimbursement of employees' unused PTO benefits if they are terminated or if they resign? We have always reimbursed in either situation; however, I recently came across another company's handbook where they don't pay-out in either case. It is a little uneasy to pay someone PTO after termination.**

***Summary: 35 responses. Most of you pay earned/accrued PTO. For companies that do not use a PTO system, you typically pay vacation days but not sick days. If an employee resigns, sometimes it depends on whether they provide advance notice.***

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We pay out any unused PTO. The employee earned it so why wouldn't you pay it to them for any reason... It is just a respect to them as a person.

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We pay whatever accrued vacation someone has earned at the time of their termination whether it is voluntary or involuntary.

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We pay out vacation time upon termination for any reason. We do not have a sick pay plan currently but that will be changing with the new Cook County (Illinois) laws.

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If the employee gives us a 2 week notice we pay unused PTO. However, if they walk off the job or give less than 2 weeks, they do not get their earned PTO

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We pay all remaining PTO in all instances. An attorney once advised us that paying the employee will serve in your favor if ever questioned.

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We reimburse terminated employees with any remaining unused vacation hours. We don't offer "PTO" time, but we do offer our employees sick time – paid AND unpaid. Upon termination, we do not reimburse for unused sick time.

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We pay it out.

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We pay for earned PTO if they are laid-off. If terminated or resigned no pay for unused PTO .

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Our PTO is accrued on a weekly basis. Therefore, it is an earned benefit. We pay out or deduct the balance from an employee who is leaving.

They would be negative if they took more PTO hours faster than they were accrued. We allow employees in good standing to take their vacation during the summer months, which may cause them to be negative for a short period of time.

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We pay out up to 40 hours as long as the employee is either terminated or provides 2 weeks' notice.

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We always pay them what is due.

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When we terminate an employee, they only receive a payout of any vacation earned as of the date of termination.

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We recently changed our policy. In the past we did pay out for all unused vacation days. It was very common for those leaving the company to leave in early January and per our old policy they would be paid for all vacation hours earned in the prior year.

Currently, our policy is structured with the understanding that vacation days are earned throughout the year.

If you are eligible (based on years of service) for 160 hours of vacation, you can take them at any time. However, we state that hours are earned at each pay period, so over 26 pay periods you are earning 6.15 hours of vacation time. If after 13 pay periods you chose to leave the company, you would have earned 80 hours of vacation. If you had only used 40 hours, we would pay you for the other 40 you earned. If you had taken 120 hours, thereby exceeding your 80 earned hours, we would withhold 40 hours from your last paycheck.

Employees are allowed to carry-over only 2 days from one year to the next.

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We calculate the prorated portion of PTO earned for the current year, based on completed months, and pay that out with the person's final pay.

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We pay out all accrued PTO when employees are terminated or resign with full carry over. We are contemplating doing buyouts on anniversary dates.

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PTO is a paternal benevolent benefit without a specific purpose that encourages disappointment, theft, untruths and abuse. The intent is to make life easier for emergency situations, but is costly for management to handle and since no situation is similar awards are granted on a case by case occurrence. Is it to be banked if not used? If yes then it is earned and payable as is vacation. Is it approved by whom on each occasion? then it's to managements prerogative and possible discrimination results. Is it recorded in employees file for reference – personal stories may not comply with HIPPA. If someone is tired and stays off is it work related and thus reportable? Are they ill or just not job ready that day?. The trend is for work to pay for life's situations such as FMLA, medical, jury duty, military duty, court, pensions, \$15 minimum wages it goes on, whose Ox is going to be gored next time? At some point management must determine their maximum per hour cost of labor they are willing to incur for each employee. As society changes different names for paid non-worked hours will arise. What named benefits are accepted for employees to use their earned minutes for? Lastly do they accumulate year over year as a company liability to eventually be paid out? Then all insurances apply such as UE, WC, FICA, Medicare, 401K etcetera. It might be simpler to earn minutes of benefits per hours rolling worked and apply to the term desired within a rolling year and pay off earned minutes older than one calendar year with management scheduling time off without hourly pay.

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We reimburse accrued vacation only upon termination. It's time that was earned while they were still employed. However any unused personal days are forfeited.

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If an employee is terminated/resigns/retires, etc. we pay out any unused, as well as any accrued PTO time. I don't know how a company could NOT pay out time already earned and not used PTO, but apparently they do. That is not my company's policy. We also issue a separate check for the payout of PTO so the employee can see how many hours they were paid out. Helps a little bit on taxes as well.

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It is my understanding that part of the issue revolves around "earned" vs "given" PTO. If an employee "earns" PTO every pay period, it is theirs and must be paid out at termination. We "give" an employee PTO (at hire and on the 1st of the year) and have a "use it or lose it" policy. Our labor attorney has told us that since we give the PTO and have the use it or lose it policy, the PTO days are ours until they are used. We do not pay out PTO at termination, and have never had it challenged. If it was challenged, I'm not sure what would happen. I believe this is a state issue not a federal issue and we are in Wisconsin with no out of state employees.

Before I changed anything, I'd consult a qualified and respected labor attorney.

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We always pay out PTO whether the employee has been terminated, resigned or during a RIF.

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We pay out any earned vacation as we do not have PTO or sick time. If employees have not reached their anniversary when they leave, we consider that their vacation has not yet been earned. When we used to have sick time, we did not pay it out.

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It depends on how your policy is written and how employees are "earning" vacation, the operative word being **earnings** which are always payable to an employee when they separate employment.

At our company, vacation days are **earned during the calendar year in which they are received**. For example, an eligible employee with two years of service will receive two weeks equivalent to his or her standard workweek that may be used, and are earned, during that calendar year. **Vacation is earned on a monthly basis**, and a person must be employed by the company for at least 15 days of each month for vacation to be earned in that month. So when an employee terminates, regardless of the reason, Indiana law requires that we pay them what they have earned from January 1 through their termination date.

However, if your employees earn vacation days during the **previous** calendar year for which they are paid the following year, you would be obligated to pay out their full vacation allowance **earned**.

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We pay out unused PTO anytime an employee separates from the company regardless of who initiates the separation. We treat PTO as a benefit the employee earned.

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We will pay for unused PTO. Most of the people we've terminated in the past have been "in the hole" on PTO as we earn PTO throughout the year. Does anyone deduct overused PTO off the final check? We currently do not.

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Any accrued, but not used Vacation will be paid out at termination; reversely, we will deduct from final paycheck if they have overused.

Sick time is not paid out or deducted.

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We do pay out any unused PTO balance on anyone who separates employment regardless of the cause.

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We would pay out any earned PTO with the final paycheck

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I don't use PTO... I still default to Holidays, Vacation Days, Personal Day (singular).

- I do not pay for non-accrued vacation... if someone has earned (accrued) 2 or whatever weeks, I do pay for any unused days but I don't pay for future unearned/non-accrued time.
- I do not pay for holidays that are in the future
- I do not pay for an unused personal day.
- I do not pay sick pay but will allow folks to use vacation for pay purposes (up to 3 days/year)

Side-bar notes:

- We have 8 national holidays
- We have 1 personal holiday
- 2 weeks vac after 1 year (vacation can be taken during the first year also)
- 3 weeks vac after 5 years
- 4 weeks vac after 15 years

I will allow people to use vacation prior to accruing so in other words you could take 2 weeks in January and quite in February... I would deduct non-accrued vacation from the last check. Yes, this is not fool proof... however, I can only think of 1 instance over the past 20 some years that I got burned. Perhaps, if I dug into it, I may find another... but it has not been problematic.

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We pay all unused PTO and/or vacation time upon termination or resignation. Those amounts are earned by the employee (in our case January 1st of each year) so we feel that it is owed and properly paid to the employee.

Unused available sick pay is not paid.

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Our company policy is as follows:

Upon termination of employment, any PTO that has been earned but not used will be paid out to the coworker.

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Yes, we pay out PTO upon end of employment, regardless of the reason for the termination.

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We pay out vacation and sick pay to any employee leaving the company.

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We have vacation and not PTO. Vacation is earned throughout the year so we pay out the amount of vacation earned but not used.

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We do not pay out any unused PTO time upon termination (see below in yellow). We also do not require an employee to pay us back for PTO time that they have used. They are eligible to use that year's PTO time on January 1<sup>st</sup>.

From our handbook:

**Time Off**

We believe that our employees work hard and should be able to take periodic time off. It is beneficial to you and to us for you to have down time from work. To make sure employees get the time off they deserve but also to keep production on track, we request notice in advance when you will be taking time off. We also know that, from time to time, and hopefully rarely, we may ask you to adapt your plans because of changes at work. Finally, not everyone can take time off at the same time, but we will schedule time off as fairly as we can.

**Paid Time Off**

There are many reasons you will want time off from work – to take a vacation, to take care of sick children, to wait for the plumber, etc. So instead of designating time off as vacation, sick, or personal, we have established a Paid Time Off (PTO) benefit for your use, for any reason.

All **full time employees** who are actively at work shall be entitled to PTO as follows:

- All full time employees who have completed one (1) calendar year of service (from a January 1<sup>st</sup> to a December 31<sup>st</sup>) earn 80 hours of PTO per year, to be taken within the following year.
- All full time employees who have completed five (5) calendar years of service earn 120 hours of PTO per year, to be taken within the following year.
- All full time employees who have completed fifteen (15) calendar years of service earn 160 hours of PTO per year, to be taken within the following year.

<u>Completed length of service</u>	<u>PTO</u>	<u>To take by</u>
Upon 1 calendar year completed	80 hours	December 31 <sup>st</sup> of that year
Upon 5 calendar years completed	120 hours	December 31 <sup>st</sup> of that year
Upon 15 calendar years completed	160 hours	December 31 <sup>st</sup> of that year

PTO can be taken in one (1) hour increments.

**Part time employees** are not eligible for this PTO benefit.

The PTO you take will be counted against your earned time; therefore, it is critical that PTO slips are completed, signed by your supervisor, and turned in to the Office Assistant or placed in the tray in the production office in a timely manner. This applies to all employees, whether you are paid on an hourly or salary basis (exempt or non-exempt).

To schedule time off, submit a PTO Request form to your supervisor at least 30 days in advance so that we may schedule workloads. Due to work commitments and previous requests for time off, you may not always receive the specific time period you request, and we reserve the right to schedule PTO based on business necessities. A PTO Request form must also be completed for any unpaid time off.

We encourage our employees to use their PTO benefit, but we know this is not always possible. Up to 40 hours of unused PTO time remaining at the end of the year will be paid. Any remaining unused PTO time, over the 40 hours, cannot be carried over into the next calendar year and will not be paid.

Here are some questions that you may have about PTO:

- **Can I take PTO ahead of time?** No, PTO cannot be taken before it is earned.
- **What if I am sick – do I have sick pay?** We have gone to a PTO policy to cover a variety of situations. You take the time off that you have earned for the reasons that you need it.
- **What happens if I use all my time and something comes up?** We know that life happens, but we believe that our PTO benefit is very fair. If you have used all of your earned PTO, additional time off, if approved, will be unpaid. This applies to both hourly and salary (exempt and non-exempt) employees.

Extended leave must be pre-approved by management and must not cause undue hardship to the company. When on an extended leave all earned PTO must be used first.

- **What about new employees?** Since we are on a calendar year, we use a prorated system to calculate time off for new employees.
  - For example: Bill, a small machine operator, began work with us July 1, 2014. At December 31, 2014, he has only completed 6 months of employment, or  $\frac{1}{2}$  of a calendar year. So, Bill will get  $\frac{1}{2}$  of the PTO we give to first year employees at January 1<sup>st</sup>, or 40 hours PTO, to take between January 1, 2015, and December 31, 2015. Then on January 1, 2016, he will have completed one full calendar year (2015) and will earn 80 hours of PTO, just like all other full time employees who worked their first full calendar year.
  - Prorating means that we calculate percentages of a year. An employee beginning April 1<sup>st</sup> will work 9 months of the calendar year, or  $\frac{3}{4}$  of a year. An employee beginning October 1<sup>st</sup> will work 3 months of the calendar year, or  $\frac{1}{4}$  of a year.
- **What if I leave my employment with the company before I take all of my PTO time?** In the case of termination from the company, voluntary or involuntary, regardless of the reason, unused PTO time will not be paid out.

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We pay out vacation in both situations, but only earned vacation. Employees accrue their vacation as they work throughout the year, so if someone terms in June they are only eligible for a 50% payout (or whatever they have earned). That helps with the sting a little. ☺

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