

POLICY AND PROCEDURES RELATING TO CERTAIN UNION EMPLOYEES ELIGIBLE FOR A BARGAINED-FOR SECTION 125 COMPLIANT VACATION PURCHASE PLAN

Preface

The policies and procedures contain important information about a Section 125 compliant Vacation Purchase Plan (“VP Plan”). While the County currently intends to continue the VP Plan and policies described here, the County reserves the right to change, modify or discontinue the 125 Plan and/or the VP Plan at its discretion at any time. These policies and procedures do not constitute a contract of employment or guarantee any particular benefit. In the event of a discrepancy between these policies and the Plan documents, the collective bargaining agreement, or the legal requirements of a 125 plan, the Plan document, collective bargaining agreement and/or Section 125 legal requirements will govern.

The Vacation Purchase Plan

To supplement earned vacation time, the County offers a bargained-for Vacation Purchase Plan whereby certain eligible Union employees can purchase extra vacation time to be used after the employee has exhausted all earned and banked vacation time for the year. Any unused VP Plan time purchased must be cashed out (on a taxable basis) at the end of the year. The cost of purchased VP Plan time is spread over the Plan Year on a before-tax basis.

Eligibility

An employee is eligible for the VP Plan only if such benefit has been bargained –for in the collective bargaining agreement covering the employee, the employee is eligible under the terms of the collective bargaining agreement, the employee is eligible for and properly enrolled in the County Section 125 Plan; and the employee enrolled in the VP Plan during the open enrollment.

Enrollment

Eligible Employees can enroll in the VP Plan during the annual open enrollment. Coverage will remain in effect for the entire Plan year (January 1 through December 31). Employees do not need to re-enroll each year unless instructed to do so. If you do not make a change during open enrollment and election change period, an eligible employee will remain enrolled in the VP Plan for the following Plan year.

If you do not enroll when eligible, you may elect VP during the next annual open enrollment period. Employees may not elect VP Plan during the Plan year. Employees may not change the VP Plan election during the Plan year. Changes can only be made during the annual open enrollment. As such, during the open enrollment period an eligible employee may do any of the following:

- enroll to participate in the VP Plan;
- cancel participation in the VP Plan,

- change the number of hours the employee has elected to purchase under the VP Plan.

All changes in the VP Plan made during the open enrollment period becomes effective on the first day (January 1) of the new Plan Year.

The per additional vacation hour price is based upon each employee's wage rate at the time of the enrollment for each Plan year. The rate of pay times the number of hours elected is deducted in equal amounts throughout the Plan year. This amount does not increase during the year, even if the employee receives a wage adjustment or step increase during the specific Plan year. However, the purchase price may vary from Plan year to Plan year.

Plan Benefit

Eligible employees may buy additional vacation with pre-tax deductions from the employee's paycheck. Eligible employees may purchase up to a maximum of 40 hours for the year, unless otherwise allowed in the collective bargaining agreement.

125 Compliant VP Plan Rules

Legal Requirements Regarding Use and Taxable Cash-Out.

The additional vacation time that an employee has purchased is available at the beginning of the Plan Year. However, an employee who has purchased pre-tax vacation under the VP Plan must use ALL of his/her earned and banked vacation days before the employee may utilize purchased time.

An employee who has purchased pre-tax vacation under the VP Plan must use all purchased vacation time by the end of the Plan Year. If an employee is not able to use all the purchased hours, Human Resources Department will arrange for TAXABLE cash reimbursement, known as a VP Plan vacation cash-out. This cash-out must be made no later than December 31 of the Plan year. However, even if an employee receives a VP Plan vacation cash-out for all or part of the employee's unused purchased vacation, the payroll deductions will continue and the taxable value of the reimbursed vacation hours will be included in the employee's last paycheck in December.

By law, an employee who has purchased pre-tax vacation under the VP Plan CANNOT bank purchased vacation, nor can the employee otherwise sell earned vacation days.

Legal Requirements on Termination and Unpaid Leaves.

If an employee who purchased pre-tax vacation under the VP Plan terminates employment during the year, the remaining annual cost for the elected purchased vacation will be deducted from the employee's final pay. If the employee has not used all the purchased vacation, the employee will receive a taxable refund for the unused hours in the employee's final pay.

Taking a paid or unpaid leave of absence does not affect the employee's obligations under the VP Plan. An employee who has purchased additional vacation under the VP Plan may ONLY use purchased vacation during periods of scheduled work (not to obtain pay during an unpaid leave). Employees on

leave are responsible for continued payment of the purchased vacation cost while leave of absence (even an unpaid leave). Again, an employee on leave who is not able to use all the purchased hours due to your leave of absence, will receive a vacation cash-out for all or part of the employee's unused purchased vacation. A leave of absence does not alleviate or excuse this employee election requirement.

Use of Purchased Vacation

Purchased vacation must be scheduled and approved in advance and in accordance with the requirements of the collective bargaining agreement and the employee's Department's vacation scheduling practices. In addition, purchased vacation increments can be no less than the vacation increments permitted under the employee's applicable collective bargaining agreement. All purchased vacation hours must be BOTH scheduled and used in the same Plan year in which the hours were purchased.

If You Leave the County or Bargaining Unit Employ

The VP Plan ends when an employee leaves the County for any reason, including retirement, or is no longer employed as an active employee. If an employee terminates or is terminated during the Plan year, the remaining annual cost for purchased vacation elected will be deducted from your final pay. An employee will be required to sign an acknowledgement on enrollment if the employee's Union has not agreed to such repayment from the final check. If the employee has not used all of the vacation purchased, they will receive a taxable reimbursement for unused hours in the employee's final pay. Purchased vacation may not be utilized to extend an employee's termination, notice or retirement.

Overpayments and Other Errors

If a benefit is paid that is larger than the amount allowed by the VP Plan or at law, the Plan has a right to recover the excess amount from the person who received it. Erroneous statements will not change the rights or obligations under the Plan and will not operate to grant additional benefits or coverage.