Organizational Policy

PAID TIME OFF (PTO)

Purpose

The City of Rochester is committed to providing a work environment that recognizes work-life balance and employee well-being. This policy provides employees with a paid time off (PTO) benefit to encourage an opportunity for rest, relaxation, and rejuvenation. It also outlines the criteria governing eligibility, the accrual and use of PTO.

This policy conforms to Minnesota's Earned Sick and Safe Time (ESST) requirements. Employees on PTO can reference the City of Rochester's Sick Leave Policy for a complete list of ESST eligible use and definition of family member. [1]

Nothing stated in this policy creates an employment contract between the City of Rochester and its employees.

Eligibility

City employees hired on or after the date in which their collective bargaining or non-contract group converted to PTO, who are classified as benefit eligible, full-time or part-time regular employees, unless otherwise provided for by a collective bargaining agreement, will accrue PTO benefits. "Regular benefit-eligible" is defined as employees whose length of employment is scheduled to last longer than 12 months and who are working 20 hours or more per week. Regular part-time employees accrue PTO benefits on a prorated basis to reflect hours worked compared to full-time equivalency (FTE). Employees regularly scheduled to work less than 20 hours per week or hired as a temporary or seasonal employee shall not be eligible for accrued PTO benefits.

City employees hired or transferring to a new position on or after the date in which their collective bargaining or non-contract group converted to PTO, will be converted to PTO as of the effective date of their new position. 100% of accrued vacation time and 40% of the first 1,200 hours of sick leave will be converted to PTO. However, employees hired prior to April 1, 2013[2], will have 40% of their first 1,200 hours of sick leave converted to PTO with any hours in excess of 1,200 placed in a sick bank that is eligible for use under the sick leave policy. Any remaining sick leave bank will be subject to the terms of the unused sick leave program policy and/or CBA at the time of termination or retirement.

Paid Time Off Accrual

The amount of PTO which an employee earns is determined by the employee's length of service as of their employment anniversary date. Employees accrue PTO as specified in in the following accrual schedule, unless otherwise provided for by a collective bargaining agreement:

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[1] *Effective January 1, 2025, the documentation provisions referenced in the Earned Sick and Safe Time (ESST) Act, MS 181.9447, Subd 3, shall not apply to paid leave available to an employee for absences from work in excess of the minimum amount required by ESST, as such absences are covered by this article.*

[2] *If this date varies from the date listed in a CBA, the CBA will take precedent.*

Years of Service	Per Pay Period Accrual	Hours Per Year	Approximate Days Per Year
Year 0 – 4	7.25 hours	188.5	23.5
Year 5 – 9	8 hours	208	26
Year 10 – 14	8.75 hours	227.5	28.5
Year 15 – 19	9.5 hours	247	31
Year 20 – 24	10.25 hours	266.5	33.5
Year 25+	11 hours	286	35.75

Accrued PTO shall appear each pay period on the employee's payroll advice or as stated in the Employee Self-Service electronic record.

A PTO accrual cap of 740 hours (prorated by current FTE) will be applied each December after the last pay date of the year. Any amount above the cap on that date will be forfeited.

PTO shall not accrue during the time an employee is laid off or during a period of an unpaid leave of absence. Accruals are calculated based on regular, non-overtime hours. Employees must be paid their full FTE in regular and/or accrued paid leave time in order to receive their full PTO accrual. Employees must be paid a combination of regular and/or paid leave time totaling their normal work schedule in any given pay period to be eligible for an accrual.

Paid Time Off Use

The PTO program places greater responsibility with the employee as to how they choose to use their time off. PTO is meant to be used for any time needed away from regularly scheduled work hours, excluding City recognized holidays, but including; vacations, personal business, bereavement and personal or family member illness. Employees may use PTO only after it has been earned and they may not borrow against future accruals. PTO is to be applied to their timesheet in accordance to their regular schedule of work, up to the employee’s FTE, and in no less than 15-minute increments. PTO hours cannot be applied to exceed the employee’s FTE. Only PTO accrued in the employee’s bank prior to the pay period is available for use in that pay period.

The supervisor or their designee will approve the use of PTO providing a reasonable advance request was provided and based on departmental workload priorities. PTO requests will also be balanced with staff-level requirements and previously approved PTO for other employees. Organizational tenure may be a factor when granting PTO requests.

Paid Time Off Sell Program

Employees participating in the PTO plan will have an annual opportunity to sell a portion of their PTO balance to be paid to an eligible 457 deferred compensation plan. Per IRS rules, employees wishing to participate in the PTO sell program must make an irrevocable election during the election period that will take place in the fall of each year. Hours must be sold from future year accruals and cannot be sold from the current PTO bank. The

PTO sell payout will take place on a designated payroll that falls after all future year accruals have been earned by all participants.

PTO participants may elect to sell between 10 and 40 hours if they have used or will use at least 80 hours of PTO within the 12 months use window that is designated each year. Participants may elect to sell between 41 and 80 hours if they have used or will use at least 120 hours of PTO within the use window. If an employee does not use the required amount of PTO by the deadline, it will be deducted from their PTO bank in order to comply with the requirement and the employee will be suspended from participation in the sell program for the next year. If an employee has not scheduled and received supervisor approval to take the 80 or 120 hours of PTO by the deadline, their supervisor may assign them time off to ensure compliance with the election, and to avoid forfeiting any PTO from their bank.

Paid Time Off Payout

Accrued unused PTO will be paid out at termination, retirement or when an employee transfers to a non-benefited position that does not accrue leave benefits. If an employee transfers from a PTO covered position to a position only offering vacation and sick leave, their PTO will be converted to vacation and subject to the terms of the vacation policy.

Non-exempt employees who give a minimum of a 14-day working notice [3] and exempt employees who give a minimum of a 28-day working notice, may submit a written request to Human Resources to remain on payroll using PTO or compensatory time for up to four calendar weeks after their last day of employment. This four calendar week runout period will follow the employee's regular work schedule. Any remaining PTO banked will be paid out on the final paycheck at the employee's base rate of pay in effect at that time. Employees choosing to runout time would not be eligible for a performance review increase that falls within the runout period but would be eligible for a general salary increase that applies City-wide.

PTO payouts are subject to all federal and state withholding requirements and a Minnesota State Retirement System (MSRS) Health Care Savings Plan (HCSP) agreement in place at the time of payout.

Policy revisions approved by City Administrator:

Alison Zelms

Alison Zelms	11/07/2025 Date

[3] *A working notice consists of an employee continuing to work their scheduled shifts and perform their regular work duties for a minimum of a 2-week period for non-exempt employees and a 4-week period for exempt employees. Leave time does not count toward the working notice requirement.*

Policy History Current Revision: 09/2025

<u>Associated Form(s)</u>

The forms associated with this policy can be found on RW - Human Resources – Forms

<u>Legal/Statutory Authority</u>
Constructive receipt doctrine of section 451 of IRS Code
MN Statute 181.9446