http://www.chbc.isgs.lmco.com/policies_procedures/graphics/banner_policies_procedures.jpg

*Lockheed Martin Information Systems & Global Services*  
Technology Services Procedure No: SGP-520  
Effective: 12/12/2008  
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Copyright 2006 by Lockheed Martin Corporation**IMPORTANT NOTICE:** A hard copy of this Procedure may not be current. The current version is on the Lockheed Martin Intranet.

**VACATION**

This Information Systems & Global Services Procedure contains the following sections:

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[http://www.chbc.isgs.lmco.com/policies_procedures/ready/blue_button.gif](http://www.lmsg.lmco.com/policies_procedures/ready/520a.html)Exhibit A: Request for Vacation Payout Due to Severe Financial Hardship

**1.0 Scope**

**This Procedure applies to the companies of the Lockheed Martin Services, Inc., hereafter referred to as "Services Segment" or "Company", as described in Technology Services Procedure** [**SGP-010**](http://www.lmsg.lmco.com/policies_procedures/ready/010.html)**.**

This Procedure applies to non-represented salaried employees who are not following a PTO policy.

**2.0 Purpose**

The purpose of this Procedure is to set forth the Company policy for providing paid vacation time to employees.

This Procedure is to be used in place of Corporate Policy Statement CPS-520.

**3.0 Responsibility**

Local Product Line management and human resources personnel are responsible for the interpretation and administration of this procedure. The Services Segment Director, Compensation and Recognition is responsible for establishing the necessary procedures and controls for the administration of this Procedure. Direct all questions that cannot be answered by local management or the Product Line's Human Resources Office to Services Segment Compensation and Recognition.

Any deviation or waiver from or exception to this Procedure requires the prior written approval of Services Segment Vice President, Human Resources in Cherry Hill, NJ. Send written requests to Compensation and Recognition for review with the Services Segment Vice President, Human Resources.

**4.0 Policy**

It is the Company's policy to provide vacation time with pay to eligible salaried employees, recognizing that vacation benefits both the employee and the Company by promoting greater productivity through improved morale and health. The Company encourages employees to take vacations in the year earned, subject only to exceptional operational requirements.

**5.0 Accruing Vacation**

Note: Sections 5.1 & 5.2 do not apply to employees covered by the Service Contract Act (SCA). SCA employees covered under a Wage Determination (WD) refer to section 5.3 for details regarding vacation accrual.

5.1 The rate of vacation accrual is based on the employee's length of service as shown below.

5.1.1 All Lockheed Martin Operation Support (LMOS) benefited employees:

|  |  |
| --- | --- |
| **Benefit Plan ID: LMOSM**  Vacation Accrual Schedule for Full Time Employees | |
| *Completed Years of Service* | *Vacation Accrual* |
| Less than 4 years | 6.67 hours per month |
| 4-18 years | 10.00 hours per month |
| 19 years or more | 13.34 hours per month |

5.1.2 All other employees:

|  |  |
| --- | --- |
| **Benefit Plan ID: SALNR**  Vacation Accrual Schedule for Full Time Employees | |
| *Completed Years of Service* | *Vacation Accrual* |
| 0-14 years | 10.00 hours per month |
| 15 years | 10.67 hours per month |
| 16 years | 11.34 hours per month |
| 17 years | 12.00 hours per month |
| 18 years | 12.67 hours per month |
| 19 years or more | 13.34 hours per month |

5.2 Vacation will be accrued at the monthly rate shown above, in full or partial accrual amounts, for any calendar month or partial calendar month. Monthly accruals will be credited on the last Sunday of each calendar month.  The vacation balance used to determine eligibility for that month’s accrual is the balance reflected in LMPeople on the Tuesday prior to the last Sunday of the month.  When employees have completed the years of service necessary to reach the next vacation accrual milestone, updated accrual levels will begin the last Sunday of the month following the applicable service anniversary. Rules governing vacation accruals during leave of absence are in [SGP-534](http://www.lmsg.lmco.com/policies_procedures/ready/534.html), Absence From Work.

5.3 For employees covered by the SCA, in accordance with the SCA, time worked (including that of a predecessor contractor) without a break in service will be credited for the purpose of calculating vacation entitlements and eligibility on the same (and follow-on) contract.

Note: All SCA employees are classified as non-exempt.

5.3.1 Employees covered by the SCA will be granted vacation semi-annually or in accordance with the applicable WD. Timing of the grant will occur based on the employee's WD Date.

5.4 A Regular Part Time employee will earn a pro-rata portion of the full time accrual described in paragraph 5.1 based on the actual hours paid (up to 40 hours per week) in the preceding vacation period as a percent of the available hours for a Full Time employee, or 100%, whichever is less.

For example: A Regular Part Time employee has 12 completed years of service and was paid for 84 of the 168 hours that were available for a Full Time employee during the preceding month. A Full Time employee with 12 completed years of service would receive a vacation accrual of 10.00 hours per month, based on paragraph 5.1. The Regular Part Time employee will receive a pro-rata share of that accrual, calculated as follows:

1.       84 hours paid ÷168 hours available for a Full Time employee = .5, meaning that the employee worked half (or 50%) of the available hours.

2.       50% x 10.00 hours per month of vacation accrual for a Full Time employee = 5.00, which is the Regular Part Time employee's pro-rata share. The employee will receive a vacation accrual of 5.00 hours.

Note: This calculation will be done automatically.

5.5 In the case of a former Lockheed Martin employee who is rehired, the employee's vacation accrual will be based on the years of credited service recognized by an approved bridging of service application. Adjustments to service dates for vacation accrual purposes will be handled through the "bridged service" process. Requests for a bridged service review must be submitted on or after the date of rehire. Accrued vacation based on this "bridged service" will be granted retroactively to the date the employee requested a "bridged service" review.   Any grandfathered accrual, including those outlined below, will cease upon separation from Lockheed Martin and will not be reinstated if the employee is rehired.

5.6 All Appointed Vice Presidents will be eligible for a minimum of three weeks (120 hours) of annual vacation.

5.7 Casual employees (not covered by the SCA) are not eligible for Vacation unless dictated by local, state or federal law.

5.8 Customer requirements and/or cost considerations may cause certain organizations to apply variations of the vacation accrual schedule or other practices providing paid time off. In no case will any contract provide vacation accrual in excess of that set forth in this policy, unless previously approved by the Services Segment Vice President, Human Resources.

**6.0 Grandfathering**

6.1 Transferred General Electric employees (those who transferred as a part of the business combination on April 5, 1993, or as a part of the subsequent Lakeland Service Center acquisition) who have earned vacation in excess of the schedule in paragraph 5.1, based on service as of December 31, 1993, and using the General Electric schedule in effect on April 5, 1993, remain eligible for their levels of vacation earned as of December 31, 1993. Additional vacation will be earned at a higher rate only when the employee's service under the schedule in paragraph 5.1 would make the employee eligible for more hours of vacation per year.

6.2 During calendar year 1998 employees of heritage Loral entities hired prior to January 1, 1998 continued to accrue vacation using their heritage Loral schedules in effect during 1997. (Employees of heritage Loral entities hired January 1, 1998 or later are covered by the schedule in paragraph 5.1.) This exception included award of increased vacation accrual if during 1998 an employee satisfied the service requirement for the next greater level of vacation using the heritage Loral schedule. As of January 1, 1999 employees of heritage Loral entities were grandfathered at the level of their vacation accrual in effect December 31, 1998. Commencing January 1, 1999, additional vacation will be earned at a higher rate only when the employee's service under the schedule in paragraph 5.1 would make the employee eligible for more hours of vacation per year.

6.3 Other "grandfathering" provisions or exceptions to the schedules in Section 6.0 must be approved by Services Segment Vice President, Human Resources.

**7.0 Scheduling Vacation**

7.1 Vacation will be scheduled and approved by management in advance.

7.2 When a scheduled holiday falls within an employee's vacation period, that holiday will not be counted as vacation.

7.3 Vacation pay for any period, such as a holiday or a period of disability, for which an employee normally receives pay, is prohibited.

**8.0 Using Vacation**

8.1 Employees are to be encouraged to use their vacation during the 12 month period in which it is earned.

8.2 Employees are expected to manage their vacation time so that earned vacation hours are available to cover normal situations. However, there may be extraordinary events, which require additional vacation throughout the year (refer to section 9.0 for details).

8.2.1 The timekeeping system will reject the entry of a vacation pay code if the employee does not have an appropriate vacation balance.

8.3 An employee may use his or her unused vacation accrual to bridge to retirement from Lockheed Martin.

8.4 An employee may not use his or her unused vacation accrual:

* To delay the effective date of layoff when the employee has been notified that such layoff is pending
* During or to extend the period of an Extended Medical Leave, Personal Leave, Educational Leave.
* During or to extend the covered period of a Short Term Disability Leave (SGP-534) or to extend the covered period of a Family and Medical Leave.  After the leave has been exhausted, the employee may append the period of leave with vacation when approved in advance by management in accordance with this policy.

8.5 At the time of termination for any reason (including retirement), the unused vacation accrual of the terminating employee (including that accrued in the month of termination) will be paid to that terminating employee. The vacation payout will be in the form of a lump sum, less all applicable legal withholdings

**9.0 Vacation Buy/Vacation Advance**

9.1 Vacation Buy - LMOS employees only

9.1.1 All LMOS employees are eligible to purchase up to one week of Vacation Buy during the annual benefits open enrollment period. There are no provisions for Vacation advance. Due to IRS regulations, Vacation Buy may only be used once all other vacation balances have been exhausted. When used, Vacation Buy is charged to the VAC pay code.

9.1.2 If an employee has not used his/her Vacation Buy by the last week of November, the unused Vacation Buy time will be paid out at the purchased rate.

9.2 Vacation Advance - All Other employees

9.2.1 All non-LMOS employees may be approved for an advance of up to 40 hours of vacation. There are no provisions for Vacation Buy. Vacation advance requires prior management approval and is not an entitlement. Advanced vacation hours must be granted in full day increments only and coded to the pay code VAC. Future earned vacation hours will offset any hours of advanced vacation. The employee must repay any negative balance due to vacation advance, at the time of termination.

**10.0 Vacation Banking**

10.1 When an employee is unable to use accrued vacation in a timely fashion due to work requirements imposed and directed by management or other personal reasons, accrued vacation time will be handled as follows:

10.1.1 LMOS Employees (not covered by the SCA): The employee will forfeit all hours in excess of 400 at the end of the calendar year (unless prohibited by local or state law, in which case hours will be paid to the employee in a lump sum, less all applicable legal withholdings, at the employee's base salary at the time of the payout.)

10.1.2 All other non-LMOS employees (not covered by the SCA) may accrue vacation to a maximum number of hours as shown in Table 1:

|  |  |
| --- | --- |
| **TABLE 1. Vacation accrual limits** | |
| **Date** | **Vacation**  **Accrual Limit** |
| January 1, 2008 ..... | 560 hours |
| January 1, 2009 ..... | 520 hours |
| January 1, 2010 ..... | 480 hours |
| January 1, 2011 ..... | 440 hours |
| January 1, 2012 ..... | 400 hours |

10.1.2.1 After an employee's accrual reaches the vacation accrual limit, additional accruals will no longer be awarded until such time as the employee’s accrued vacation total falls below the vacation accrual limit. At no time will any accrued vacation be forfeited. Employees leaving the company will continue to have their vacation balances paid out upon termination. See paragraph 8.5.10.1.3 The Service Contract Act (SCA) does not permit banking of unused vacation. These employees should normally have no more than their total annual vacation entitlement at any given time. Should the balance exceed this limit, the employee will receive a payout of all vacation hours over his or her annual entitlement. Timing of this payment will occur in accordance with the employee's WD Date.

**11.0 Transferring Employees**

11.1 An employee transferring from any element of the Corporation will bring any earned but unused vacation with him or her.

11.2 Employees who transfer from the standard corporate vacation schedule (SALNR) into the standard LMOS vacation schedule (LMOSM) may be eligible for vacation milestone grandfathering.

11.3 Employees who transfer from a regular FT/PT status into a Casual status should be paid out any earned, unused vacation hours (excluding SCA employees). Local human resources may submit the Request for Payment in Lieu of Vacation form (Exhibit A) to facilitate this.

11.4 SCA employees transferring to another contract (other than follow-on contract) will follow the vacation schedule in practice at the new contract based upon the employee's service date with the Company. Grandfathering of WD vacation schedules from one contract to another is not permitted.

11.5 Employees who transfer out of LMOS benefits and have Vacation Buy hours remaining will be paid out upon transfer, at the rate which it was purchased.

**12.0 Vacation Payout for Severe Financial Hardship**

12.1 An employee may request full or partial payout of his or her unused vacation accrual if a severe financial hardship exists as described in Section 409A of the Internal Revenue Code.

12.2 For the purposes of this policy, "severe financial hardship" may include:

         Unforeseen and extraordinary illness or accident of the employee, the employee’s spouse, or a dependent of the employee; or the death of the employee's spouse or dependent. See [IRS Publication 501](http://www.irs.gov/pub/irs-pdf/p501.pdf), Exemptions, Standard Deduction, and Filing Information, for the current definition of "dependent."

         Loss of the employee’s property due to casualty or unplanned, catastrophic events, for example, imminent foreclosure on or eviction from the employee’s primary residence, or damage to or loss of the employee's primary residence due to a natural disaster.

12.3 "Severe financial hardship" does not include (and vacation payout will not be provided for) expenses incurred in connection with events that can be planned, reasonably foreseen, and are not extraordinary, such as:

         Payment of mortgage, down payment, or rent or home remodeling/renovation.

         Payment of college tuition or expenses.

         Cosmetic or elective surgery.

         Payment of credit card bills or other incurred debt; normal ongoing monthly expenses.

         Payment of property taxes or an increase in an adjustable rate mortgage.

12.4 An employee may be eligible to receive a vacation payout if all of the following conditions exist:

         The employee recently experienced an unforeseen and extraordinary event.

         The event caused the employee to incur expenses for the employee, the employee's spouse or qualifying dependents, creating a severe financial hardship.

         The expenses incurred relate to medical care, the employee's primary residence, funeral expenses, or basic food and shelter.

         The employee has exhausted all other resources (loans, selling assets, etc.) to help address the severe financial hardship.

         The employee has in the last 12 months been denied a loan from a financial institution to cover the expenses incurred as a result of the severe financial hardship.

12.5 A vacation payout will not be provided if the severe financial hardship can be relieved though other sources.

12.6 To request vacation payout, the employee must complete Exhibit A, Request for Vacation Payout Due to Severe Financial Hardship, attach the following required information to the form and provide it to the Human Resources Business Partner:

         Proof of severe financial hardship such as medical bills showing out-of-pocket expenses; a statement of funeral expenses; an eviction or foreclosure notice together with a copy of a lease agreement or mortgage statement; or an itemized property loss statement, insurance statement, or repair bill.

         Proof that all other income sources have been exhausted.

         A loan denial less than 12 months old from a financial institution.

Note: An employee, who has a security clearance, special access, or both, must contact his or her security representative.

12.7 The Services Segment Vice President Human Resources or designee will review and approve or disapprove the vacation payout request. The review normally will occur within 30 calendar days after receipt of the request, but may take longer if clarification or additional documentation is needed. The employee will be notified of the approval or disapproval as soon as practical after the review.

12.8 If the vacation payout request is approved, Human Resources will determine the number of hours to be paid out. Sufficient accrued hours will be paid out for the employee to receive a net payment equal to the amount of the financial hardship. The vacation payout will not exceed the amount necessary to satisfy the financial hardship. The vacation payout will be included in the next paycheck following approval.

12.9 Vacation payouts will be taxed at the supplemental withholding rate. Vacation payouts will be in the form of a lump sum, less all required tax withholdings and other withholdings permitted by law.

**No provisions of this or any other Lockheed Martin policy or procedure will be construed as an employment agreement. Employment with Lockheed Martin can be terminated at any time with or without cause by either the employee concerned or by Lockheed Martin.**