

Representative John Dougall proposes the following substitute bill:

EMPLOYEE COMPENSATION AMENDMENTS

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah State Personnel Management Act by amending provisions related to employee leave programs.

Highlighted Provisions:

This bill:

- ▶ discontinues Unused Sick Leave Retirement Option II for state employees initially employed after July 1, 2011;
- ▶ requires the Division of Finance to:
 - recognize the full expense and liability for annual leave and sick leave; and
 - establish accounts to accumulate assets to cover the liability;
- ▶ provides legislative intent language that a state agency allow an employee to cash out excess sick leave and excess annual leave; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:



26 AMENDS:

27 **67-19-14.1**, as last amended by Laws of Utah 2005, Chapter 15

28 **67-19-14.2**, as last amended by Laws of Utah 2010, Chapter 249

29 **67-19-14.4**, as last amended by Laws of Utah 2007, Chapter 130

30 ENACTS:

31 **67-19-14.6**, Utah Code Annotated 1953

32 **Uncodified Material Affected:**

33 ENACTS UNCODIFIED MATERIAL



35 *Be it enacted by the Legislature of the state of Utah:*

36 Section 1. Section **67-19-14.1** is amended to read:

37 **67-19-14.1. Converted sick leave.**

38 (1) Until January 1, 2014, an employee who has 144 hours of accumulated unused sick
39 leave immediately prior to the beginning of a calendar year, may elect to convert any unused
40 sick leave hours accumulated during that calendar year, in excess of 64 hours, to converted sick
41 leave.

42 (2) The conversion is made at the beginning of the next calendar year for unused sick
43 leave hours earned during a calendar year under Subsection (1).

44 (3) Converted sick leave hours[~~:(a) are not subject to the reduction provided under~~
45 ~~Subsection 67-19-14.2(4)(a)(i); (b)] that are not used prior to an employee's retirement date
46 shall be used under the:~~

47 [(i)] (a) Unused Sick Leave Retirement Option Program I under Section 67-19-14.2 if
48 earned prior to January 1, 2006, unless the transfer is made under Subsection 67-19-14.4(1)(c);
49 or

50 [(ii)] (b) Unused Sick Leave Retirement [Option Program II under Section 67-19-14.4 if
51 earned;

52 (i) on or after January 1, 2006[~~;~~]; and

53 (ii) by an employee employed by an agency before July 1, 2011.

54 Section 2. Section **67-19-14.2** is amended to read:

55 **67-19-14.2. Unused Sick Leave Retirement Option Program -- Creation -- Payout**
56 **upon eligibility for allowance -- Continuing medical and life insurance benefits after**

57 **retirement.**

58 (1) (a) There is created the "Unused Sick Leave Retirement Option Program I."

59 (b) An agency may offer the Unused Sick Leave Retirement Option Program I to an
60 employee who is eligible to receive a retirement allowance in accordance with Title 49, Utah
61 State Retirement and Insurance Benefit Act.

62 (2) The Unused Sick Leave Retirement Option Program I provides that upon becoming
63 eligible to receive a retirement allowance an employee who was employed by the state prior to
64 January 1, 2006:

65 (a) receives a contribution under Subsection (3) for 25% of the employee's unused
66 accumulated sick leave accrued prior to January 1, 2006, at the employee's rate of pay at the
67 time of retirement; and

68 [~~(b) receives continuing medical and life insurance benefits until the earlier of:]~~

69 [~~(i) the date the employee reaches the age eligible for Medicare; or]~~

70 [~~(ii) up to the following number of years:]~~

71 [~~(A) five years if the employee retires during calendar year 2006;]~~

72 [~~(B) four years if the employee retires during calendar year 2007;]~~

73 [~~(C) three years if the employee retires during calendar year 2008;]~~

74 [~~(D) two years if the employee retires during calendar year 2009;]~~

75 [~~(E) one year if the employee retires during calendar year 2010; or]~~

76 [~~(F) zero years if the employee retires after calendar year 2010; and]~~

77 [~~(e)] (b) may purchase additional continuing medical and life insurance benefits in
78 accordance with Subsection (4).~~

79 (3) (a) Subject to federal requirements and limitations, the contribution under
80 Subsection (2)(a) shall be transferred directly to the employee's defined contribution plan
81 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah
82 State Retirement Board.

83 (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution
84 limitations, the employee's unused accumulated sick leave hours representing the excess shall
85 be used for the purchase of continuing medical and life insurance benefits under Subsection
86 (4).

87 (4) (a) An employee may purchase continuing medical and life insurance benefits, at

88 the rate of one month's coverage per policy for eight hours of unused sick leave remaining
89 after~~[-(i)]~~ the contribution of unused sick leave under Subsection (2)(a)~~[-and]~~.

90 ~~[(ii) an additional reduction, at the time of retirement, of unused sick leave hours as
91 follows:]~~

92 ~~[(A) 480 hours if the employee retires during calendar year 2006;]~~

93 ~~[(B) 384 hours if the employee retires during calendar year 2007;]~~

94 ~~[(C) 288 hours if the employee retires during calendar year 2008;]~~

95 ~~[(D) 192 hours if the employee retires during calendar year 2009;]~~

96 ~~[(E) 96 hours if the employee retires during calendar year 2010; or]~~

97 ~~[(F) 0 hours if the employee retires after calendar year 2010.]~~

98 (b) The medical coverage level for member, two person, or family coverage that is
99 provided to the member at the time of retirement is the maximum coverage level available to
100 the member under this program.

101 (c) The purchase of continuing medical and life insurance benefits at the rate provided
102 under Subsection (4)(a) may be used by the employee to extend coverage:

103 (i) ~~[beyond the number of years provided under Subsection (2)]~~ until the employee
104 reaches the age of eligibility for Medicare; or

105 (ii) if the employee has reached the age of eligibility for Medicare, continuing medical
106 benefits for the employee's spouse may be purchased until the employee's spouse reaches the
107 age of eligibility for Medicare.

108 (d) An employee and the employee's spouse who are or who later become eligible for
109 Medicare may purchase Medicare supplemental insurance at the rate of one month's coverage
110 for eight hours of the employee's unused sick leave per person.

111 (5) (a) The continuing medical and life insurance benefits ~~[received under Subsection
112 (2)(b) or]~~ purchased by an employee under Subsection (4):

113 (i) may not be suspended or deferred for future use; and

114 (ii) continues in effect until exhausted.

115 (b) An employer participating in the Program I benefits under this section may not
116 provide medical or life insurance benefits to a person who is:

117 (i) reemployed after retirement; and

118 (ii) receiving benefits under this section.

119 Section 3. Section **67-19-14.4** is amended to read:

120 **67-19-14.4. Unused Sick Leave Retirement Program II -- Creation --**
121 **Remuneration upon eligibility for allowance -- Medical expense account after retirement.**

122 (1) (a) There is created the "Unused Sick Leave Retirement Program II."

123 (b) An agency shall offer the Unused Sick Leave Retirement Option Program II to an
124 employee who is eligible to receive a retirement allowance in accordance with Title 49, Utah
125 State Retirement and Insurance Benefit Act.

126 (c) [~~Beginning January 1, 2011, an~~] An employee who is participating in the Unused
127 Sick Leave Retirement Program I under Section 67-19-14.2 may make a one-time and
128 irrevocable election to transfer all unused sick leave hours which shall include all converted
129 sick leave hours under Section 67-19-14.1 for use under the Unused Sick Leave Retirement
130 Program II under this section.

131 (2) (a) The Unused Sick Leave Retirement Program II provides that upon becoming
132 eligible to receive a retirement allowance an employee who is employed by the state on or after
133 January 1, 2006, but before July 1, 2011, shall receive remuneration for the employee's unused
134 accumulated sick leave and converted sick leave accrued beginning January 1, 2006 in
135 accordance with this section as follows:

136 (i) subject to federal requirements and limitations, a contribution at the employee's rate
137 of pay at the time of retirement for 25% of the employee's unused accumulated sick leave and
138 converted sick leave shall be transferred directly to the employee's defined contribution plan
139 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah
140 State Retirement Board; and

141 (ii) participation in a benefit plan that provides for reimbursement for medical
142 expenses using money deposited at the employee's rate of pay at the time of retirement from
143 remaining unused accumulated sick leave and converted sick leave balances.

144 (b) If the amount calculated under Subsection (2)(a)(i) exceeds the federal contribution
145 limitations, the amount representing the excess shall be deposited under Subsection (2)(a)(ii).

146 (c) An employee's rate of pay at the time of retirement for purposes of Subsection
147 (2)(a)(ii) may not be less than the average rate of pay of state employees who retired in the
148 same retirement system under Title 49, Utah State Retirement and Insurance Benefit Act,
149 during the previous calendar year.

150 (3) The Utah State Retirement Office shall develop and maintain a program to provide
151 a benefit plan that provides for reimbursement for medical expenses under Subsection (2)(a)(ii)
152 with:

153 (a) money deposited under Subsection (2)(a)(ii); and

154 (b) accrued earnings.

155 (4) This section does not apply to an employee initially employed by an agency on or
156 after July 1, 2011.

157 Section 4. Section **67-19-14.6** is enacted to read:

158 **67-19-14.6. Accumulated paid leave -- Recognition of Liability.**

159 The Division of Finance shall:

160 (1) at the end of each fiscal year, recognize the full expense and liability for
161 accumulated paid leave, of any kind, earned by an employee;

162 (2) establish separate accounts as necessary for accumulating assets to cover the full
163 expense and liability for accumulated paid leave; and

164 (3) invest the assets accumulated in the separate accounts under Subsection (2) in the
165 Public Treasurer's Investment Fund, with earnings credited to the accounts.

166 Section 5. **Legislative intent.**

167 It is the intent of the Legislature that an agency shall provide a mechanism for an
168 employee to cash out excess sick leave and excess annual leave at least once each fiscal year.