

Thomas W. Peterson proposes the following substitute bill:

State Employee Leave Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Thomas W. Peterson

Senate Sponsor:

LONG TITLE

General Description:

This bill modifies retirement benefits for state employees.

Highlighted Provisions:

This bill:

- ▶ establishes the Unused Sick Leave Retirement Option Program III (Program III) for state employees;
- ▶ provides that, under Program III, a state employee receives a payment equal to 50% of the value of the employee's unused sick leave hours accrued on or after January 4, 2014, calculated at the employee's rate of pay at the time of retirement;
- ▶ allows a state employee with unused Program I or Program II sick leave hours to make a one-time, irrevocable election to convert those hours to Program III sick leave hours eligible for the 50% payment described above; and
- ▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

- 49-22-403**, as last amended by Laws of Utah 2021, Chapter 345
- 49-23-403**, as last amended by Laws of Utah 2021, Chapter 345
- 63A-17-505**, as renumbered and amended by Laws of Utah 2021, Chapter 344
- 63A-17-506**, as renumbered and amended by Laws of Utah 2021, Chapter 344
- 63A-17-507**, as renumbered and amended by Laws of Utah 2021, Chapter 344
- 63A-17-508**, as renumbered and amended by Laws of Utah 2021, Chapter 344

29 **67-19d-201**, as last amended by Laws of Utah 2021, Chapter 344

30 ENACTS:

31 **63A-17-508.1**, Utah Code Annotated 1953



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

34 Section 1. Section **49-22-403** is amended to read:

35 **49-22-403 . Eligibility to receive a retirement allowance for a benefit tied to a**
36 **retirement date for defined contribution members.**

37 (1) As used in this section, "eligible to receive a retirement allowance" means the date
38 selected by the member who is a participant under this part on which the member has
39 ceased employment and would be qualified to receive an allowance under Section
40 49-22-304 if the member had been under the Tier II Hybrid Retirement System for the
41 same period of employment.

42 (2) The office and a participating employer shall make an accounting of years of service
43 credit accrued for a member who is a participant under this part in order to calculate
44 when a member would be eligible to receive a retirement allowance for purposes of
45 establishing when a member may be eligible for a benefit tied to a retirement date that
46 may be provided under Section 63A-17-508, Section 63A-17-508.1, this title, another
47 state statute, or by a participating employer.

48 Section 2. Section **49-23-403** is amended to read:

49 **49-23-403 . Eligibility to receive a retirement allowance for a benefit tied to a**
50 **retirement date for defined contribution members.**

51 (1) As used in this section, "eligible to receive a retirement allowance" means the date
52 selected by the member who is a participant under this part on which the member has
53 ceased employment and would be qualified to receive an allowance under Section
54 49-23-303 if the member had been under the Tier II Hybrid Retirement System for the
55 same period of employment.

56 (2) The office and a participating employer shall make an accounting of years of service
57 credit accrued for a member who is a participant under this part in order to calculate
58 when a member would be eligible to receive a retirement allowance for purposes of
59 establishing when a member may be eligible for a benefit tied to a retirement date that
60 may be provided under Section 63A-17-508, Section 63A-17-508.1, this title, another
61 state statute, or by a participating employer.

62 Section 3. Section **63A-17-505** is amended to read:

63 **63A-17-505 . Sick leave -- Definitions -- Unused sick days retirement programs --**
 64 **Rulemaking.**

- 65 (1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 66 director shall make rules:
 67 (a) for the procedures to implement the provisions of this section through Section [
 68 ~~63A-17-508~~] 63A-17-508.1; and
 69 (b) to establish the maximum number of hours of converted sick leave an employee may
 70 accrue.
 71 (2) The Division of Finance shall develop and maintain a system of accounting for
 72 employee sick leave and converted sick leave as necessary to implement the provisions
 73 of this section through Section [~~63A-17-508~~] 63A-17-508.1.

74 Section 4. Section **63A-17-506** is amended to read:

75 **63A-17-506 . Converted sick leave.**

76 Converted sick leave hours that are not used [~~prior to~~] before an employee's retirement
 77 date shall be used under the:

- 78 (1) Unused Sick Leave Retirement Option Program I under Section 63A-17-507 if earned [
 79 ~~prior to~~] before January 1, 2006, unless the transfer is made under Subsection
 80 63A-17-508(1)(c)[~~;~~] or Subsection 63A-17-508.1(1)(c);
 81 (2) Unused Sick Leave Retirement Option Program II under Section 63A-17-508 if earned
 82 on or after January 1, 2006[~~;~~] , and on or before January 3, 2014, unless the transfer is
 83 made under Subsection 63A-17-508.1(1)(c); or
 84 (3) Unused Sick Leave Retirement Option Program III under Section 63A-17-508.1 if
 85 earned on or after January 4, 2014.

86 Section 5. Section **63A-17-507** is amended to read:

87 **63A-17-507 . Unused Sick Leave Retirement Option Program I -- Creation --**
 88 **Payout upon eligibility for allowance -- Continuing medical and life insurance benefits**
 89 **after retirement.**

- 90 (1)(a) There is created the "Unused Sick Leave Retirement Option Program I."
 91 (b) An agency may offer the Unused Sick Leave Retirement Option Program I to an
 92 employee who is eligible to receive a retirement allowance in accordance with Title
 93 49, Utah State Retirement and Insurance Benefit Act.
 94 (2) The Unused Sick Leave Retirement Option Program I provides that, upon becoming
 95 eligible to receive a retirement allowance, an employee who was employed by the state [
 96 ~~prior to~~] before January 1, 2006:

- 97 (a) receives a contribution under Subsection (3) [~~for~~] equal to 25% of the employee's
98 unused accumulated sick leave accrued [~~prior to~~] before January 1, 2006, at the
99 employee's rate of pay at the time of retirement; and
- 100 (b) may purchase additional continuing medical and life insurance benefits in
101 accordance with Subsection (4).
- 102 (3)(a) Subject to federal requirements and limitations, the contribution under Subsection
103 (2)(a) shall be transferred directly to the employee's defined contribution plan
104 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by
105 the Utah State Retirement Board.
- 106 (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution
107 limitations, the employee's unused accumulated sick leave hours representing the
108 excess shall be used for the purchase of continuing medical and life insurance
109 benefits under Subsection (4).
- 110 (4)(a) An employee may purchase continuing medical and life insurance benefits, at the
111 rate of one month's coverage per policy for eight hours of unused sick leave
112 remaining after the contribution of unused sick leave under Subsection (2)(a).
- 113 (b) The medical coverage level for member, two person, or family coverage that is
114 provided to the member at the time of retirement is the maximum coverage level
115 available to the member under this program.
- 116 (c) The purchase of continuing medical and life insurance benefits at the rate provided
117 under Subsection (4)(a) may be used by the employee to extend coverage:
118 (i) until the employee reaches the age of eligibility for Medicare; or
119 (ii) if the employee has reached the age of eligibility for Medicare, continuing
120 medical benefits for the employee's spouse may be purchased until the employee's
121 spouse reaches the age of eligibility for Medicare.
- 122 (d) An employee and the employee's spouse who are or who later become eligible for
123 Medicare may purchase Medicare supplemental insurance at the rate of one month's
124 coverage for eight hours of the employee's unused sick leave per person.
- 125 (5)(a) The continuing medical and life insurance benefits purchased by an employee
126 under Subsection (4):
127 (i) may not be suspended or deferred for future use; and
128 (ii) continues in effect until exhausted.
- 129 (b) An employer participating in the Program I benefits under this section may not
130 provide medical or life insurance benefits to a person who is:

- 131 (i) [~~reemployed~~] reemployed after retirement; and
 132 (ii) receiving benefits under this section.

133 Section 6. Section **63A-17-508** is amended to read:

134 **63A-17-508 . Unused Sick Leave Retirement Option Program II -- Creation --**
 135 **Remuneration upon eligibility for allowance -- Medical expense account after retirement.**

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

137 (b) An agency shall offer the Unused Sick Leave Retirement Option Program II to an
 138 employee who is eligible to receive a retirement allowance in accordance with Title
 139 49, Utah State Retirement and Insurance Benefit Act.

140 (c) An employee who is participating in the Unused Sick Leave Retirement Option
 141 Program I under Section 63A-17-507 may make a one-time and irrevocable election
 142 to transfer all unused sick leave hours[~~which shall include all~~] , including all
 143 converted sick leave hours under Section 63A-17-506, for use [~~under~~] in accordance
 144 with the Unused Sick Leave Retirement Option Program II [~~under~~] described in this
 145 section.

146 (2)(a) The Unused Sick Leave Retirement Option Program II provides that, upon
 147 becoming eligible to receive a retirement allowance, an employee employed by the
 148 state between January 1, 2006, and January 3, 2014, shall receive remuneration for
 149 the employee's unused accumulated sick leave and converted sick leave accrued
 150 between January 1, 2006, and January 3, 2014, in accordance with this section as
 151 follows:

152 (i) subject to federal requirements and limitations, a contribution at the employee's
 153 rate of pay at the time of retirement [~~for~~] equal to 25% of the employee's unused
 154 accumulated sick leave and converted sick leave shall be transferred directly to the
 155 employee's defined contribution plan qualified under Section 401(k) of the
 156 Internal Revenue Code which is sponsored by the Utah State Retirement Board;
 157 and

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

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

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

169 (3) The Utah State Retirement Office shall develop and maintain a program to provide a
 170 benefit plan that provides for reimbursement for medical expenses under Subsection
 171 (2)(a)(ii) with money deposited under Subsection (2)(a)(ii).

172 Section 7. Section **63A-17-508.1** is enacted to read:

173 **63A-17-508.1 . Unused Sick Leave Retirement Option Program III -- Creation --**
 174 **Payment upon eligibility for allowance -- Amount equal to 50% of unused accumulated**
 175 **sick leave.**

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

177 (b) An agency shall offer the Unused Sick Leave Retirement Option Program III to an
 178 employee who is eligible to receive a retirement allowance in accordance with Title
 179 49, Utah State Retirement and Insurance Benefit Act.

180 (c) An employee who is participating in the retirement program described in Section
 181 63A-17-507 or Section 63A-17-508, or both, as applicable, may make a one-time and
 182 irrevocable election to transfer all unused sick leave hours, including all converted
 183 sick leave hours under Section 63A-17-506, for use in accordance with the Unused
 184 Sick Leave Retirement Option Program III described in this section.

185 (2) The Unused Sick Leave Retirement Option Program III provides that, upon becoming
 186 eligible to receive a retirement allowance, an employee shall receive a payment equal to
 187 50% of the employee's unused accumulated sick leave and converted sick leave accrued
 188 on or after January 4, 2014, calculated at the employee's rate of pay at the time of
 189 retirement.

190 Section 8. Section **67-19d-201** is amended to read:

191 **67-19d-201 . Trust fund -- Creation -- Oversight -- Dissolution.**

192 (1) There is created a post-retirement benefits trust fund entitled the "State Post-Retirement
 193 Benefits Trust Fund."

194 (2) The trust fund consists of:

195 (a) revenue provided from an ongoing labor additive as defined in Subsection

196 67-19d-202(2)(g);

197 (b) appropriations made to the fund by the Legislature, if any;

198 (c) income as defined in Section 67-19d-102; and

- 199 (d) other revenues received from other sources.
- 200 (3) The Division of Finance shall account for the receipt and expenditures of trust fund
201 money.
- 202 (4)(a) The state treasurer shall invest trust fund money by following the procedures and
203 requirements of Part 3, Trust Fund Investments.
- 204 (b)(i) The trust fund shall earn interest.
- 205 (ii) The state treasurer shall deposit all interest or other income earned from
206 investment of the trust fund back into the trust fund.
- 207 (5) The board of trustees created in Section 67-19d-202 may expend money from the trust
208 fund for:
- 209 (a) the employer portion of the costs of the programs established in Sections 63A-17-505
210 through [~~63A-17-508~~] 63A-17-508.1; and
- 211 (b) reasonable administrative costs that the board of trustees incurs in performing their
212 duties as trustees of the trust fund.
- 213 (6) The board of trustees shall ensure that:
- 214 (a) money deposited into the trust fund is irrevocable and is expended only for the
215 employer portion of the costs of post-retirement benefits;
- 216 (b) assets of the trust fund are dedicated to providing benefits to retirees and their
217 beneficiaries according to the terms of the post-retirement benefit plans established
218 by statute and rule; and
- 219 (c) creditors of the board of trustees and of employers liable for the post-retirement
220 benefits may not seize, attach, or otherwise obtain assets of the trust fund.
- 221 (7) When all of the liabilities for which the trust fund was created are paid, the Division of
222 Finance shall transfer any assets remaining in the state trust fund into the appropriate
223 fund.

224 Section 9. **Effective Date.**

225 This bill takes effect on May 6, 2026.