Senate Bill 269

Annual Leave Program II for State Employees

Senate Bill 269

- Requires state employee annual leave to be prefunded as it is earned beginning no later than January 2, 2016.
- Currently, employee annual leave is paid for when it is used or when an employee terminates.

What is the Annual Leave Liability?

- $86 Million in FY 2013
- Represents the total payout of annual leave held by state employees that would materialize if all state employees terminated simultaneously.

What is the Annual Leave Liability?

- Defined by the Governmental Accounting Standards Board (GASB)
- Includes:
  - Leave Value (Annual Hours*Wage)
  - FICA
  - Worker's Compensation
  - Unemployment Insurance

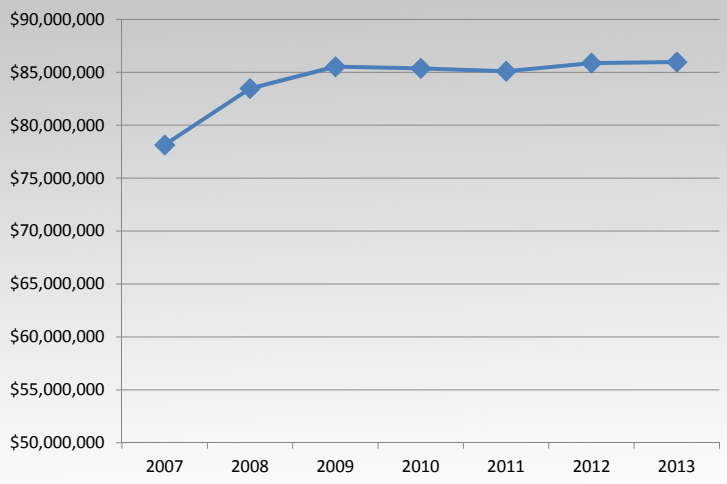
Tax Rates Paid for Additives

Date	FICA	Workers Comp	Unemployment Insurance
6/30/2007	7.65%	0.86%	0.13%
6/30/2008	7.65%	0.86%	0.10%
6/30/2009	7.65%	0.79%	0.10%
6/30/2010	7.65%	0.70%	0.10%
6/30/2011	7.65%	0.70%	0.20%
6/30/2012	7.65%	0.70%	0.20%
6/30/2013	7.65%	0.70%	0.25%

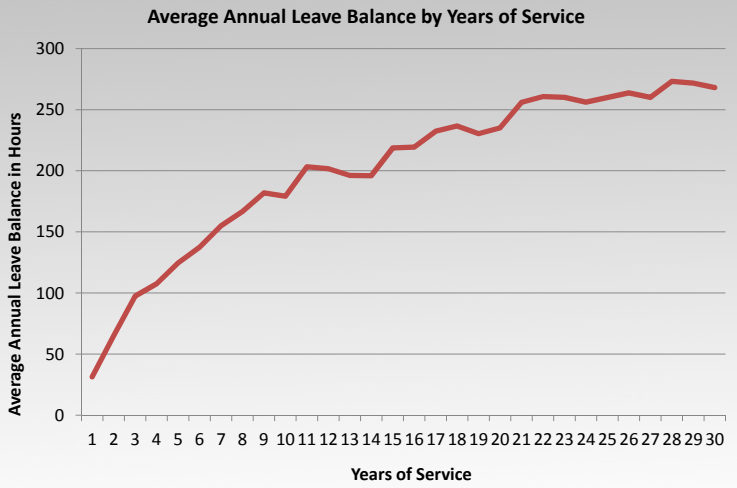
What is the Annual Leave Liability?

- Excludes:
  - Life, Health and Dental Insurance
  - Long Term Disability Insurance
  - Retirement
  - OPEB Pool Rate
- Exclusions would need to be included if all leave were to be prefunded

GASB-Defined Annual Leave Liability



How is the Liability Influenced?



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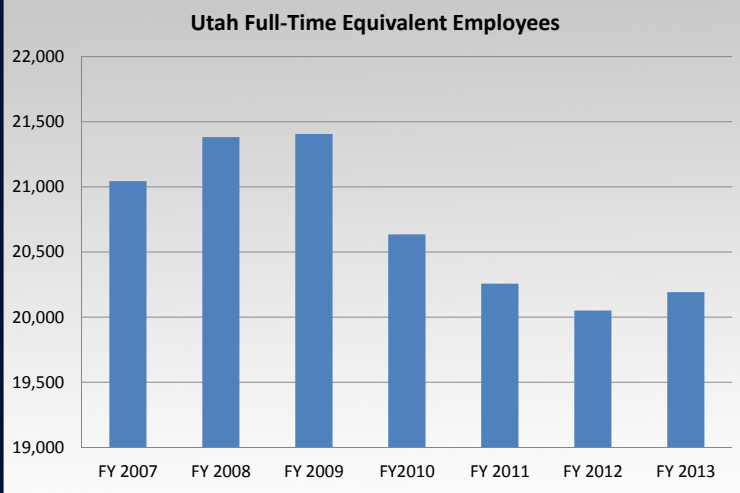

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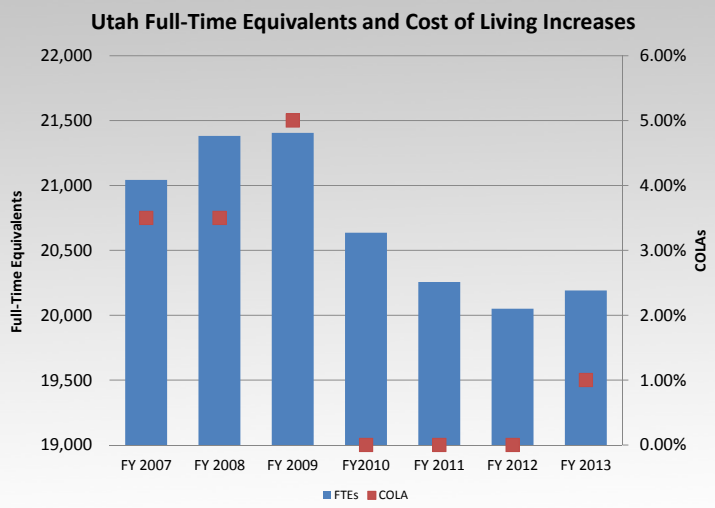
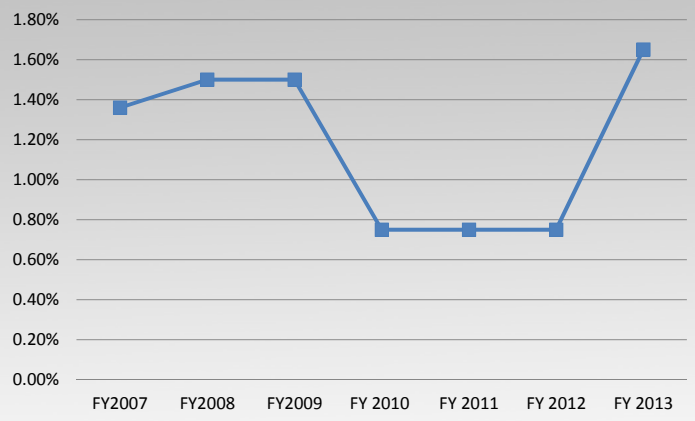


How is the Liability Influenced – Terminations and Payouts

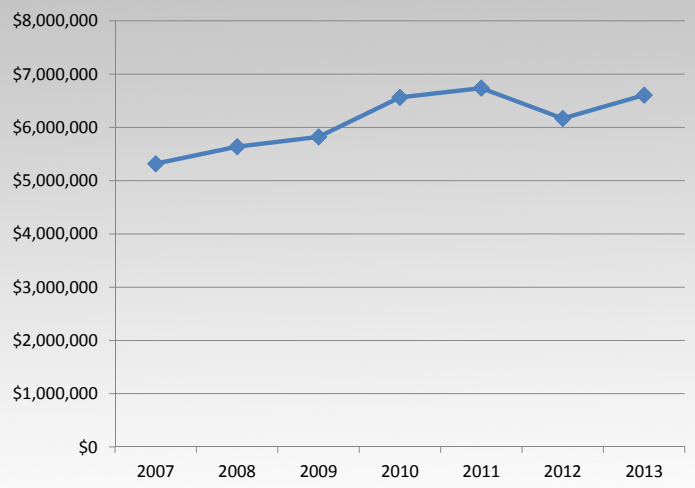
- When an employee terminates, that employee's portion of the pre-funded liability becomes due.
- These payments are made through contributions to the Termination Pool.

Termination Pool Rates



As of April 31st, Termination Pool Balance was over $5 Million

Payouts Upon Termination



Liabilities & Payouts Main Points

- Annual leave liabilities have remained constant the last 5 years
- Natural tendency for employees to build leave balances; Downturns offset that phenomenon
- Payouts are relatively small
- Not Program II Sick Leave – annual leave balances are capped at 320

Opportunity Costs of Prefunding Annual Leave in Entirety

- Noncontributory State and School Pension
  - Over $4 Billion Unfunded Liability
  - 77% Funded Ratio
- Other Post Retirement Employee Benefits
  - $256 Million Unfunded Liability
  - 37% Funded Ratio

Federal Shutdown Concern?

- Estimated leave liability for ~**900** workers with **100%** federal funding for salary is **$3.3** million.
- Employees supported with federal funding at less than 100% could redirect their work activities during a shutdown.

Conclusion

- Total annual leave liabilities behave cyclically.
- Risk is in payouts, which are relatively small and well managed through the Termination Pool.
- Other options may exist for addressing federal shutdown situation and termination shocks.
- Other higher-priority liabilities exist.
- Federal participation in non-GASB leave funding is questionable.