

AMENDED NOTE

State Impact

Passage of this bill will phase out a current employee benefit which allows accumulated sick leave to be converted to paid-up health coverage at the time of retirement. It is anticipated that in the short term, the discontinuance of this benefit may result in earlier retirements which will increase the projected amount to be withdrawn from the state termination pools. This will necessitate an increase in the labor additive rate charged to all state agencies to cover these types of pay outs. However, it is noted that replacing earlier retirees with lower salaried people could result in a savings to the state. Because it is unknown how many employees will elect to retire earlier, an accurate estimate of these costs or savings is not available. There may also be a short term acceleration in the use of sick leave. In addition, the Utah State Retirement System will expend \$200,000, of which \$50,000 would be on-going to establish and maintain the new programs. Because this program is exclusively for tracking state employees and would not impact other entities within the Utah Retirement System, a General Fund appropriation to cover these costs would be required.

In the long term, it is anticipated that passage of this will result in significantly lower personnel costs to the state. Absent an actuarial study, no reliable estimate of this savings is available. However, as an example, eight hours of sick leave is worth \$160 based on \$20 per hour. If the state were paying \$760 per month for double coverage health insurance, a savings of \$600 would be realized for each similar circumstance. The Division of Finance pays out approximately \$15,000,000 annually from all funding sources for this benefit.

	<u>FY 2006</u> <u>Approp.</u>	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2006</u> <u>Revenue</u>	<u>FY 2007</u> <u>Revenue</u>
General Fund	\$200,000	\$50,000	\$0	\$0
TOTAL	\$200,000	\$50,000	\$0	\$0

Individual and Business Impact

Current employees who have not used their sick leave in anticipation of using it to purchase health insurance upon retirement would experience a decrease in the value of those hours and would not be able to purchase coverage for as long as they otherwise would be eligible for.