

**UNUSED SICK LEAVE AT RETIREMENT**

**AMENDMENTS**

2005 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: David Clark**

Senate Sponsor: Beverly Ann Evans

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**LONG TITLE**

**General Description:**

This bill modifies the Utah State Personnel Management Act by amending unused sick leave at retirement provisions.

**Highlighted Provisions:**

This bill:

- ▶ provides that no additional converted sick leave can be added after January 1, 2014;
- ▶ provides that after December 31, 2005, new sick leave hours may not be accumulated for future use under the current Unused Sick Leave Retirement Option Program;
- ▶ provides a five-year phase out of:
  - the guaranteed continuing medical and life insurance benefits for retiring employees; and
  - the 480 hour reduction of unused sick leave;
- ▶ changes the name of the current program to Unused Sick Leave Retirement Option Program I;
- ▶ deletes the provision allowing “up to” 25% of unused sick leave under program I which may be cashed out upon retirement to requiring 25% of unused sick leave received as a contribution into a 401k defined contribution plan upon retirement;
- ▶ creates the Unused Sick Leave Retirement Program II for sick leave hours accumulated on or after January 1, 2006, which provides:
  - 25% of unused sick leave, upon retirement, shall be received as a contribution

into a 401k defined contribution plan; and

- participation in a benefit plan that provides for reimbursement for medical expenses using the remainder of unused sick leave hours at the employee’s rate of pay at the time of retirement but not less than the average rate of pay as for employees who retired in the same state retirement system during the previous calendar year;

- ▶ allows employees to make a one-time election to transfer unused sick leave hours to the new program beginning January 1, 2011;
- ▶ the Division of Finance must develop and maintain a system of accounting for sick leave as necessary to implement these programs;
- ▶ the Utah State Retirement Systems must develop and maintain a program to provide a benefit plan that provides for reimbursement for medical expenses; and
- ▶ makes technical changes.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill takes effect on January 1, 2006.

**Utah Code Sections Affected:**

AMENDS:

**67-19-14**, as repealed and reenacted by Chapter 28, Laws of Utah 2004

**67-19-14.1**, as enacted by Chapter 28, Laws of Utah 2004

**67-19-14.2**, as enacted by Chapter 28, Laws of Utah 2004

**67-19-14.3**, as enacted by Chapter 28, Laws of Utah 2004

ENACTS:

**67-19-14.4**, Utah Code Annotated 1953

**Uncodified Material Affected:**

ENACTS UNCODIFIED MATERIAL

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

Section 1. Section **67-19-14** is amended to read:

**67-19-14. Sick leave -- Definitions -- Unused sick days retirement programs --**

**Rulemaking.**

(1) As used in Sections 67-19-14 through [~~67-19-14.3~~] 67-19-14.4:

(a) "Continuing medical and life insurance benefits" means the state provided policy of medical insurance and the state provided portion of a policy of life insurance, each offered at the same:

(i) benefit level and the same proportion of state/member participation in the total premium costs as an active member as defined in Section 49-11-102; and

(ii) coverage level for a member, two person, or family policy as provided to the member at the time of retirement.

(b) "Converted sick leave" means leave that has been converted from unused sick leave in accordance with [~~this section and~~] Section 67-19-14.1 which may be used by an employee in the same manner as:

(i) annual leave;

(ii) sick leave; or

(iii) unused accumulated sick leave after the employee's retirement for the purchase of continuing medical and life insurance benefits under Sections 67-19-14.2 [~~and~~], 67-19-14.3, and 67-19-14.4.

(2) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the director shall make rules for the procedures to implement the provisions of Sections 67-19-14 through [~~67-19-14.3~~] 67-19-14.4.

(3) For purposes of Sections 67-19-14 through 67-19-14.4 the most recently earned converted sick leave or sick leave hours shall be used first when an employee uses converted sick leave or sick leave hours.

(4) The Division of Finance shall develop and maintain a system of accounting for employee sick leave and converted sick leave as necessary to implement the provisions of

Sections 67-19-14 through 67-19-14.4.

Section 2. Section **67-19-14.1** is amended to read:

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

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

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

(3) Converted sick leave hours:

(a) are not subject to the reduction provided under Subsection 67-19-14.2(4)(a)(ii)[-];

(b) that are not used prior to an employee's retirement date shall be used under the:

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

(ii) Unused Sick Leave Retirement Option Program II under Section 67-19-14.4 if earned on or after January 1, 2006.

Section 3. Section **67-19-14.2** is amended to read:

**67-19-14.2. Unused Sick Leave Retirement Option Program -- Creation -- Payout at retirement -- Continuing medical and life insurance benefits after retirement.**

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

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

~~[(c) An employee's participation in any part of the Unused Sick Leave Retirement Option Program is voluntary.]~~

(2) The Unused Sick Leave Retirement Option Program I provides that upon retirement an employee who was employed by the state prior to January 1, 2006:

(a) ~~[is paid]~~ receives a contribution under Subsection (3) for [up to] 25% of the

employee's unused accumulated sick leave accrued prior to January 1, 2006, at the employee's rate of pay at the time of retirement;

(b) receives continuing medical and life insurance benefits until the earlier of:

(i) the date the employee reaches the age eligible for Medicare; or [~~for up to five years, which ever occurs sooner; and~~]

(ii) up to the following number of years:

(A) five years if the employee retires during calendar year 2006;

(B) four years if the employee retires during calendar year 2007;

(C) three years if the employee retires during calendar year 2008;

(D) two years if the employee retires during calendar year 2009;

(E) one year if the employee retires during calendar year 2010; or

(F) zero years if the employee retires after calendar year 2010; and

(c) may purchase additional continuing medical and life insurance benefits in accordance with Subsection (4).

(3) (a) [~~An employee may have monies from the pay out~~] Subject to federal requirements and limitations, the contribution under Subsection (2)(a) shall be transferred directly to the [~~deferred compensation~~] employee's defined contribution plan qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah State Retirement Board.

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

(4) (a) An employee may purchase continuing medical and life insurance benefits, at the rate of one month's coverage per policy for eight hours of unused sick leave remaining after:

(i) the [~~pay out~~] contribution of unused sick leave under Subsection (2)(a); and

(ii) an additional reduction [~~of 480 hours~~], at the time of retirement, of unused sick leave[-:] hours as follows:

(A) 480 hours if the employee retires during calendar year 2006;

(B) 384 hours if the employee retires during calendar year 2007;

(C) 288 hours if the employee retires during calendar year 2008;

(D) 192 hours if the employee retires during calendar year 2009;

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

(F) 0 hours if the employee retires after calendar year 2010.

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

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

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

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

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

Section 4. Section **67-19-14.3** is amended to read:

**67-19-14.3. Continuation of Medical and Dental Insurance Benefits Program --  
Creation -- Coverage following death in the line of duty.**

(1) There is created the "Continuation of Medical and Dental Insurance Benefits Program" to provide a continuation of medical and dental insurance to the surviving spouse and family of any state employee whose death occurs in the line of duty.

(2) The insurance coverage shall continue for a period of five years or until the surviving spouse becomes eligible for Medicare, whichever occurs first.

(3) The program provides that unused accumulated sick leave of a deceased employee may be used for additional medical coverage in the same manner as provided under Section 67-19-14.2 or 67-19-14.4 as applicable.

Section 5. Section **67-19-14.4** is enacted to read:

**67-19-14.4. Unused Sick Leave Retirement Program II -- Creation -- Remuneration at retirement -- Medical expense account after retirement.**

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

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

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

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

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

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

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

(c) An employee's rate of pay at the time of retirement for purposes of Subsection (2)(a)(ii) may not be less than the average rate of pay of state employees who retired in the same

retirement system under Title 49, Utah State Retirement and Insurance Benefit Act, during the previous calendar year.

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

(a) monies deposited under Subsection (2)(a)(ii); and

(b) accrued earnings.

**Section 6. Effective date.**

This bill takes effect on January 1, 2006.