

Representative Karen W. Morgan proposes the following substitute bill:

UNUSED SICK LEAVE AT RETIREMENT

AMENDMENTS

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: David Clark

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 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 for use of sick leave upon retirement to Unused Sick Leave Retirement Option Program I and provides that only employees who were employed by the state prior to July 1, 2005, are eligible for this program;
- ▶ 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 by new employees who are hired on or after July 1, 2005, which



26 provides:

27 • 25% of unused sick leave, upon retirement, shall be received as a contribution
28 into a 401k defined contribution plan; and

29 • participation in a benefit plan that provides for reimbursement for medical
30 expenses using the remainder of unused sick leave hours at the employee’s rate
31 of pay at the time of retirement;

32 ▶ allows employees to make a one-time election to transfer unused sick leave hours to
33 the new program beginning January 1, 2011;

34 ▶ the Division of Finance must develop and maintain a system of accounting for sick
35 leave as necessary to implement these programs;

36 ▶ the Utah State Retirement Systems must develop and maintain a program to provide
37 a benefit plan that provides for reimbursement for medical expenses; and

38 ▶ makes technical changes.

39 **Monies Appropriated in this Bill:**

40 None

41 **Other Special Clauses:**

42 This bill takes effect on July 1, 2005.

43 **Utah Code Sections Affected:**

44 AMENDS:

45 **67-19-14**, as repealed and reenacted by Chapter 28, Laws of Utah 2004

46 **67-19-14.1**, as enacted by Chapter 28, Laws of Utah 2004

47 **67-19-14.2**, as enacted by Chapter 28, Laws of Utah 2004

48 **67-19-14.3**, as enacted by Chapter 28, Laws of Utah 2004

49 ENACTS:

50 **67-19-14.4**, Utah Code Annotated 1953

51 **Uncodified Material Affected:**

52 ENACTS UNCODIFIED MATERIAL



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

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

56 **67-19-14. Sick leave -- Definitions -- Unused sick days retirement programs --**

57 **Rulemaking.**

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

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

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

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

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

69 (i) annual leave;

70 (ii) sick leave; or

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

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

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

80 (4) The Division of Finance shall develop and maintain a system of accounting for
81 employee sick leave and converted sick leave as necessary to implement the provisions of
82 Sections 67-19-14 through 67-19-14.4.

83 (5) (a) Except as provided under Subsection (5)(b), an employee who is reemployed by
84 the state to a position that receives sick leave benefits shall be treated the same as a new
85 employee.

86 (b) (i) If the employee is reemployed within 12 months of separation, the employee's
87 previously accrued unused sick leave credit that was forfeited at termination shall be reinstated.

88 (ii) The reinstated accrued unused sick leave shall be credited for purposes of Sections
89 67-19-14 through 67-19-14.4 to the unused sick leave retirement program under which the sick
90 leave was earned.

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

92 **67-19-14.1. Converted sick leave.**

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

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

99 (3) Converted sick leave hours;

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

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

102 (i) Unused Sick Leave Retirement Option Program I under Section 67-19-14.2 if the
103 employee begins employment with the state prior to July 1, 2005, unless the transfer is made
104 under Subsection 67-19-14.4(1)(c); or

105 (ii) Unused Sick Leave Retirement Option Program II under Section 67-19-14.4 if the
106 employee begins employment with the state on or after July 1, 2005.

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

108 **67-19-14.2. Unused Sick Leave Retirement Option Program -- Creation -- Payout**
109 **at retirement -- Continuing medical and life insurance benefits after retirement.**

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

111 (b) An agency ~~[may]~~ shall offer the Unused Sick Leave Retirement Option Program I
112 to an employee who;

113 (i) is employed with the state prior to July 1, 2005; and

114 (ii) is eligible to receive retirement benefits in accordance with Title 49, Utah State
115 Retirement and Insurance Benefit Act.

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

118 (2) The Unused Sick Leave Retirement Option Program I provides that upon retirement

119 an employee who was employed by the state prior to July 1, 2005:

120 (a) ~~[is paid]~~ receives a contribution under Subsection (3) for [up to] 25% of the
121 employee's unused accumulated sick leave at the employee's rate of pay at the time of
122 retirement;

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

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

126 (ii) up to the following number of years:

127 (A) five years if the employee retires during calendar year 2005 or 2006;

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

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

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

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

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

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

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

140 (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution
141 limitations, the employee's unused accumulated sick leave hours representing the excess shall
142 be used for the purchase of continuing medical and life insurance benefits under Subsection
143 (4).

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

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

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

150 (A) 480 hours if the employee retires during calendar year 2005 or 2006;

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

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

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

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

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

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

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

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

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

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

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

170 **67-19-14.3. Continuation of Medical and Dental Insurance Benefits Program --**
171 **Creation -- Coverage following death in the line of duty.**

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

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

177 (3) The program provides that unused accumulated sick leave of a deceased employee
178 may be used for additional medical coverage in the same manner as provided under Section
179 67-19-14.2 or 67-19-14.4 as applicable.

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

181 67-19-14.4. Unused Sick Leave Retirement Program II -- Creation --

182 **Remuneration at retirement -- Medical expense account after retirement.**

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

184 (b) An agency shall offer the Unused Sick Leave Retirement Option Program II to an
185 employee who:

186 (i) begins employment with the state on or after July 1, 2005; and

187 (ii) is eligible to receive retirement benefits in accordance with Title 49, Utah State
188 Retirement and Insurance Benefit Act.

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

194 (2) (a) The Unused Sick Leave Retirement Program II provides that upon retirement an
195 employee who begins employment with the state on or after July 1, 2005, shall receive
196 remuneration for the employee's unused accumulated sick leave and converted sick leave
197 accrued in accordance with this section as follows:

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

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

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

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

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

212 (b) accrued earnings.
213 Section 6. **Effective date.**
214 This bill takes effect on July 1, 2005.