H.B. 213
2nd Sub. (Gray)

Representative Eric K. Hutchings proposes the following substitute bill:

1 # UNUSED SICK LEAVE AT RETIREMENT
2 # AMENDMENTS
3 ## 2005 GENERAL SESSION
4 ## STATE OF UTAH
5 ## Sponsor: David Clark

6

7 **LONG TITLE**

8 **General Description:**

9   This bill modifies the Utah State Personnel Management Act by amending unused sick

10 leave at retirement provisions.

11 **Highlighted Provisions:**

12   This bill:

13   ▸ provides that no additional converted sick leave can be added after January 1, 2014;

14   ▸ provides a five-year phase out of:

15   • the guaranteed continuing medical and life insurance benefits for retiring

16 employees; and

17   • the 480 hour reduction of unused sick leave;

18   ▸ changes the name of the current program for use of sick leave upon retirement to

19 Unused Sick Leave Retirement Option Program I and provides that only employees

20 who prior to July 1, 2005, have at least four years service credit as a state employee

21 are eligible for this program;

22   ▸ deletes the provision allowing "up to" 25% of unused sick leave under program I

23 which may be cashed out upon retirement to requiring 25% of unused sick leave

24 received as a contribution into a 401k defined contribution plan upon retirement;

25   ▸ creates the Unused Sick Leave Retirement Program II for sick leave hours

26   accumulated by employees who have less than four years of service credit as a state employee

27   on July 1, 2005, which provides:

28   •   25% of unused sick leave, upon retirement, shall be received as a contribution

29   into a 401k defined contribution plan; and

30   •   participation in a benefit plan that provides for reimbursement for medical

31   expenses using the remainder of unused sick leave hours at the employee's rate

32   of pay at the time of retirement;

33   ▸   allows employees to make a one-time election to transfer unused sick leave hours to

34   the new program beginning January 1, 2011;

35   ▸   the Division of Finance shall develop and maintain a system of accounting for sick

36   leave as necessary to implement these programs;

37   ▸   the Utah State Retirement Systems shall develop and maintain a program to provide

38   a benefit plan that provides for reimbursement for medical expenses; and

39   ▸   makes technical changes.

40   **Monies Appropriated in this Bill:**

41   None

42   **Other Special Clauses:**

43   This bill takes effect on July 1, 2005.

44   **Utah Code Sections Affected:**

45   AMENDS:

46   **67-19-14**, as repealed and reenacted by Chapter 28, Laws of Utah 2004

47   **67-19-14.1**, as enacted by Chapter 28, Laws of Utah 2004

48   **67-19-14.2**, as enacted by Chapter 28, Laws of Utah 2004

49   **67-19-14.3**, as enacted by Chapter 28, Laws of Utah 2004

50   ENACTS:

51   **67-19-14.4**, Utah Code Annotated 1953

52   **Uncodified Material Affected:**

53   ENACTS UNCODIFIED MATERIAL

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

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

57   **67-19-14.   Sick leave -- Definitions -- Unused sick days retirement programs --**
58   **Rulemaking.**
59   (1) As used in Sections 67-19-14 through [67-19-14.3] 67-19-14.4:
60   (a) "Continuing medical and life insurance benefits" means the state provided policy of
61   medical insurance and the state provided portion of a policy of life insurance, each offered at
62   the same:
63   (i) benefit level and the same proportion of state/member participation in the total
64   premium costs as an active member as defined in Section 49-11-102; and
65   (ii) coverage level for a member, two person, or family policy as provided to the
66   member at the time of retirement.
67   (b) "Converted sick leave" means leave that has been converted from unused sick leave
68   in accordance with [this section and] Section 67-19-14.1 which may be used by an employee in
69   the same manner as:
70   (i) annual leave;
71   (ii) sick leave; or
72   (iii) unused accumulated sick leave after the employee's retirement for the purchase of
73   continuing medical and life insurance benefits under Sections 67-19-14.2 [and], 67-19-14.3,
74   and 67-19-14.4.
75   (2) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
76   director shall make rules for the procedures to implement the provisions of Sections 67-19-14
77   through [67-19-14.3] 67-19-14.4.
78   (3) For purposes of Sections 67-19-14 through 67-19-14.4 the most recently earned
79   converted sick leave or sick leave hours shall be used first when an employee uses converted
80   sick leave or sick leave hours.
81   (4) The Division of Finance shall develop and maintain a system of accounting for
82   employee sick leave and converted sick leave as necessary to implement the provisions of
83   Sections 67-19-14 through 67-19-14.4.
84   Section 2. Section **67-19-14.1** is amended to read:
85   **67-19-14.1.   Converted sick leave.**
86   (1) [An] Until January 1, 2014, an employee who has 144 hours of accumulated unused
87   sick leave immediately prior to the beginning of a calendar year, may elect to convert any

88   unused sick leave hours accumulated during that calendar year, in excess of 64 hours, to

89   converted sick leave.

90   (2) The conversion is made at the beginning of the next calendar year <u>for unused sick</u>

91   <u>leave hours earned during a calendar year under Subsection (1)</u>.

92   (3) Converted sick leave hours<u>:</u>

93   <u>(a)</u> are not subject to the reduction provided under Subsection 67-19-14.2(4)(a)(ii)[.]<u>;</u>

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

95   <u>(i) Unused Sick Leave Retirement Option Program I under Section 67-19-14.2 if by</u>

96   <u>July 1, 2005, the employee has at least four years of service credit, as defined under Section</u>

97   <u>49-11-102, as a state employee in a retirement system created under Title 49, Utah State</u>

98   <u>Retirement and Insurance Benefit Act, unless the transfer is made under Subsection</u>

99   <u>67-19-14.4(1)(c); or</u>

100   <u>(ii) Unused Sick Leave Retirement Option Program II under Section 67-19-14.4 if by</u>

101   <u>July 1, 2005, the employee has less than four years of service credit, as defined under Section</u>

102   <u>49-11-102, as a state employee in a retirement system created under Title 49, Utah State</u>

103   <u>Retirement and Insurance Benefit Act.</u>

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

105   **67-19-14.2.   Unused Sick Leave Retirement Option Program -- Creation -- Payout**

106   **at retirement -- Continuing medical and life insurance benefits after retirement.**

107   (1) (a) There is created the "Unused Sick Leave Retirement Option Program <u>I</u>."

108   (b) An agency [may] <u>shall</u> offer the Unused Sick Leave Retirement Option Program <u>I</u>

109   to an employee who<u>:</u>

110   <u>(i) by July 1, 2005, has at least four years of service credit, as defined under Section</u>

111   <u>49-11-102, as a state employee in a retirement system created under Title 49, Utah State</u>

112   <u>Retirement and Insurance Benefit Act; and</u>

113   <u>(ii)</u> is eligible to receive retirement benefits in accordance with Title 49, Utah State

114   Retirement and Insurance Benefit Act.

115   [(c) An employee's participation in any part of the Unused Sick Leave Retirement

116   Option Program is voluntary.]

117   (2) The Unused Sick Leave Retirement Option Program <u>I</u> provides that upon retirement

118   an employee <u>who is eligible under Subsection (1)</u>:

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

120   employee's unused accumulated sick leave at the employee's rate of pay at the time of

121   retirement;

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

123   (i) the date the employee reaches the age eligible for Medicare; or [for up to five years,

124   which ever occurs sooner; and]

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

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

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

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

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

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

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

132   (c) may purchase additional continuing medical and life insurance benefits in

133   accordance with Subsection (4).

134   (3) (a) [An employee may have monies from the pay out] Subject to federal

135   requirements and limitations, the contribution under Subsection (2)(a) shall be transferred

136   directly to the [deferred compensation] employee's defined contribution plan qualified under

137   Section 401(k) of the Internal Revenue Code which is sponsored by the Utah State Retirement

138   Board.

139   (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution

140   limitations, the employee's unused accumulated sick leave hours representing the excess shall

141   be used for the purchase of continuing medical and life insurance benefits under Subsection

142   (4).

143   (4) (a) An employee may purchase continuing medical and life insurance benefits, at

144   the rate of one month's coverage per policy for eight hours of unused sick leave remaining

145   after:

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

147   (ii) an additional reduction [of 480 hours], at the time of retirement, of unused sick

148   leave[.] hours as follows:

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

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

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

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

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

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

155   (b) The medical coverage level for member, two person, or family coverage that is

156   provided to the member at the time of retirement is the maximum coverage level available to

157   the member under this program.

158   (c) The purchase of continuing medical and life insurance benefits at the rate provided

159   under Subsection (4)(a) may be used by the employee to extend coverage:

160   (i) beyond the [five] number of years provided under Subsection (2) until the employee

161   reaches the age of eligibility for Medicare; or

162   (ii) if the employee has reached the age of eligibility for Medicare, continuing medical

163   benefits for the employee's spouse may be purchased until the employee's spouse reaches the

164   age of eligibility for Medicare.

165   (d) An employee and the employee's spouse who are or who later become eligible for

166   Medicare may purchase Medicare supplemental insurance at the rate of one month's coverage

167   for eight hours of the employee's unused sick leave per person.

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

169   **67-19-14.3.   Continuation of Medical and Dental Insurance Benefits Program --**

170   **Creation -- Coverage following death in the line of duty.**

171   (1) There is created the "Continuation of Medical and Dental Insurance Benefits

172   Program" to provide a continuation of medical and dental insurance to the surviving spouse and

173   family of any state employee whose death occurs in the line of duty.

174   (2) The insurance coverage shall continue for a period of five years or until the

175   surviving spouse becomes eligible for Medicare, whichever occurs first.

176   (3) The program provides that unused accumulated sick leave of a deceased employee

177   may be used for additional medical coverage in the same manner as provided under Section

178   67-19-14.2 or 67-19-14.4 as applicable.

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

180   **67-19-14.4. Unused Sick Leave Retirement Program II -- Creation --**

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

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

183   (b) An agency shall offer the Unused Sick Leave Retirement Option Program II to an

184 employee who:

185   (i) by July 1, 2005, has less than four years of service credit, as defined under Section

186 49-11-102, as a state employee in a retirement system created under Title 49, Utah State

187 Retirement and Insurance Benefit Act; and

188   (ii) is eligible to receive retirement benefits in accordance with Title 49, Utah State

189 Retirement and Insurance Benefit Act.

190   (c) Beginning January 1, 2011, an employee who is participating in the Unused Sick

191 Leave Retirement Program I under Section 67-19-14.2 may make a one-time and irrevocable

192 election to transfer all unused sick leave hours which shall include all converted sick leave

193 hours under Section 67-19-14.1 for use under the Unused Sick Leave Retirement Program II

194 under this section.

195   (2) (a) The Unused Sick Leave Retirement Program II provides that upon retirement an

196 employee, who is eligible under Subsection (1), shall receive remuneration for the employee's

197 unused accumulated sick leave and converted sick leave accrued in accordance with this

198 section as follows:

199   (i) subject to federal requirements and limitations, a contribution at the employee's rate

200 of pay at the time of retirement for 25% of the employee's unused accumulated sick leave and

201 converted sick leave shall be transferred directly to the employee's defined contribution plan

202 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah

203 State Retirement Board; and

204   (ii) participation in a benefit plan that provides for reimbursement for medical

205 expenses using monies deposited at the employee's rate of pay at the time of retirement from

206 remaining unused accumulated sick leave and converted sick leave balances.

207   (b) If the amount calculated under Subsection (2)(a)(i) exceeds the federal contribution

208 limitations, the amount representing the excess shall be deposited under Subsection (2)(a)(ii).

209   (3) The Utah State Retirement Office shall develop and maintain a program to provide

210 a benefit plan that provides for reimbursement for medical expenses under Subsection (2)(a)(ii)

211 with:

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

213   (b) accrued earnings.

214   Section 6. **Effective date.**

215   This bill takes effect on July 1, 2005.