

EMPLOYEE COMPENSATION AMENDMENTS

2011 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah State Personnel Management Act by amending provisions related to employee leave programs.

Highlighted Provisions:

This bill:

- ▶ provides definitions;
- ▶ discontinues accrual of sick leave for state employees beginning June 25, 2011;
- ▶ discontinues accrual of new converted sick leave hours for state employees;
- ▶ discontinues accrual of new unused sick leave hours after June 24, 2011, under the

Unused Sick Leave Retirement Program II;

- ▶ requires a state agency to offer annual leave to an employee who is eligible to

receive paid leave beginning June 25, 2011;

- ▶ requires a state agency to allow an employee to use unused annual leave hours and sick leave hours accrued before June 25, 2011, in accordance with the rules in effect

on January 1, 2011;

- ▶ requires the Division of Finance to:

- recognize the full expense and liability for the annual leave; and
- establish accounts to accumulate assets to cover the liability;

▶ provides legislative intent language that ~~H~~→ **an agency reduce rate of accrual of annual leave for an employee by the rate of accrual. as of January 1, 2011, of sick leave and**

that ←~~H~~ any reduction of benefits under the bill will

be offset with commensurate salary increases; and



28 ▶ makes technical changes.

29 **Money Appropriated in this Bill:**

30 None

31 **Other Special Clauses:**

32 None

33 **Utah Code Sections Affected:**

34 AMENDS:

35 **67-19-14.1**, as last amended by Laws of Utah 2005, Chapter 15

36 **67-19-14.2**, as last amended by Laws of Utah 2010, Chapter 249

37 **67-19-14.4**, as last amended by Laws of Utah 2007, Chapter 130

38 ENACTS:

39 **67-19-14.6**, Utah Code Annotated 1953

40 **Uncodified Material Affected:**

41 ENACTS UNCODIFIED MATERIAL



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

44 Section 1. Section **67-19-14.1** is amended to read:

45 **67-19-14.1. Converted sick leave.**

46 (1) Until January 1, [~~2014~~] 2011, an employee who has 144 hours of accumulated
47 unused sick leave immediately prior to the beginning of a calendar year, may elect to convert
48 any unused sick leave hours accumulated during that calendar year, in excess of 64 hours, to
49 converted sick leave.

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

52 (3) Converted sick leave hours[~~:(a) are not subject to the reduction provided under~~
53 ~~Subsection 67-19-14.2(4)(a)(i); (b)] that are not used prior to an employee's retirement date
54 shall be used under the:~~

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

58 [~~(ii)~~] (b) Unused Sick Leave Retirement Option Program II under Section 67-19-14.4 if

59 earned;

60 (i) on or after January 1, 2006[-]; and

61 (ii) before June 25, 2011.

62 Section 2. Section **67-19-14.2** is amended to read:

63 **67-19-14.2. Unused Sick Leave Retirement Option Program -- Creation -- Payout**
 64 **upon eligibility for allowance -- Continuing medical and life insurance benefits after**
 65 **retirement.**

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

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

70 (2) The Unused Sick Leave Retirement Option Program I provides that upon becoming
 71 eligible to receive a retirement allowance an employee who was employed by the state prior to
 72 January 1, 2006:

73 (a) receives a contribution under Subsection (3) for 25% of the employee's unused
 74 accumulated sick leave accrued prior to January 1, 2006, at the employee's rate of pay at the
 75 time of retirement; and

76 ~~[(b) receives continuing medical and life insurance benefits until the earlier of:]~~

77 ~~[(i) the date the employee reaches the age eligible for Medicare; or]~~

78 ~~[(ii) up to the following number of years:]~~

79 ~~[(A) five years if the employee retires during calendar year 2006;]~~

80 ~~[(B) four years if the employee retires during calendar year 2007;]~~

81 ~~[(C) three years if the employee retires during calendar year 2008;]~~

82 ~~[(D) two years if the employee retires during calendar year 2009;]~~

83 ~~[(E) one year if the employee retires during calendar year 2010; or]~~

84 ~~[(F) zero years if the employee retires after calendar year 2010; and]~~

85 ~~[(e)]~~ (b) may purchase additional continuing medical and life insurance benefits in
 86 accordance with Subsection (4).

87 (3) (a) Subject to federal requirements and limitations, the contribution under
 88 Subsection (2)(a) shall be transferred directly to the employee's defined contribution plan
 89 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah

90 State Retirement Board.

91 (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution
92 limitations, the employee's unused accumulated sick leave hours representing the excess shall
93 be used for the purchase of continuing medical and life insurance benefits under Subsection
94 (4).

95 (4) (a) An employee may purchase continuing medical and life insurance benefits, at
96 the rate of one month's coverage per policy for eight hours of unused sick leave remaining
97 after~~[-(i)]~~ the contribution of unused sick leave under Subsection (2)(a)~~[-and]~~.

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

- 100 ~~[(A) 480 hours if the employee retires during calendar year 2006;]~~
- 101 ~~[(B) 384 hours if the employee retires during calendar year 2007;]~~
- 102 ~~[(C) 288 hours if the employee retires during calendar year 2008;]~~
- 103 ~~[(D) 192 hours if the employee retires during calendar year 2009;]~~
- 104 ~~[(E) 96 hours if the employee retires during calendar year 2010; or]~~
- 105 ~~[(F) 0 hours if the employee retires after calendar year 2010.]~~

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

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

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

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

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

119 (5) (a) The continuing medical and life insurance benefits ~~[received under Subsection
120 (2)(b) or]~~ purchased by an employee under Subsection (4):

121 (i) may not be suspended or deferred for future use; and

122 (ii) continues in effect until exhausted.

123 (b) An employer participating in the Program I benefits under this section may not
124 provide medical or life insurance benefits to a person who is:

125 (i) reemployed after retirement; and

126 (ii) receiving benefits under this section.

127 Section 3. Section **67-19-14.4** is amended to read:

128 **67-19-14.4. Unused Sick Leave Retirement Program II -- Creation --**

129 **Remuneration upon eligibility for allowance -- Medical expense account after retirement.**

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

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

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

139 (2) (a) The Unused Sick Leave Retirement Program II provides that upon becoming
140 eligible to receive a retirement allowance an employee who is employed by the state on or after
141 January 1, 2006, but before June 25, 2011, shall receive remuneration for the employee's
142 unused accumulated sick leave and converted sick leave accrued beginning January 1, 2006,
143 and ending June 24, 2011, in accordance with this section as follows:

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

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

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

154 (c) An employee's rate of pay at the time of retirement for purposes of Subsection
155 (2)(a)(ii) may not be less than the average rate of pay of state employees who retired in the
156 same retirement system under Title 49, Utah State Retirement and Insurance Benefit Act,
157 during the previous calendar year.

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

161 (a) money deposited under Subsection (2)(a)(ii); and

162 (b) accrued earnings.

163 Section 4. Section 67-19-14.6 is enacted to read:

164 **67-19-14.6. Annual leave -- Definition -- Previously accrued hours -- Recognition**
165 **of liability.**

166 (1) (a) As used in this section, "annual leave" means leave hours an employee is
167 provided as time off from work for personal use and sick leave without affecting the
168 employee's pay.

169 (b) "Annual leave" does not include:

170 (i) legal holidays under Section 63G-1-301;

171 (ii) time off as compensation for actual time worked in excess of an employee's defined
172 work period;

173 (iii) paid or unpaid administrative leave; or

174 (iv) other paid or unpaid time off from work provided by:

175 (A) state statute or administrative rule; or

176 (B) federal law or regulation.

177 (2) Beginning June 25, 2011, an agency shall offer annual leave to an employee who is
178 eligible to receive paid leave.

179 (3) An agency shall allow an employee who has accrued annual leave or sick leave
180 before June 25, 2011, to use the annual leave and sick leave under the same rules that applied
181 to the annual leave or sick leave on January 1, 2011.

182 (4) For annual leave accumulated beginning June 25, 2011, the Division of Finance

183 shall:

184 (a) recognize, at the end of each fiscal year, the full expense and liability for the annual

185 leave;

186 (b) establish separate accounts as necessary for accumulating assets to cover the full

187 expense and liability recognized under Subsection (4)(a); and

188 (c) invest assets in the separate accounts in the Public Treasurer's Investment Fund,

189 with the earnings credited to the accounts.

190 Section 5. **Legislative intent.**

191 It is the intent of the Legislature that ~~H~~→ :

191a **(1) an agency shall, beginning June 25, 2011, reduce the rate of accrual of annual leave as**

191b **defined under Section 67-19-14.6 by the rate of accrual, as of January 1, 2011, provided to an**

191c **employee for sick leave; and**

191d **(2) ←H any reduction of benefits to an affected state**

192 **employee as result of this bill, be compensated by a commensurate increase in the affected state**

193 **employee's annual salary.**

Legislative Review Note
as of 2-11-11 8:37 AM

Office of Legislative Research and General Counsel

FISCAL NOTE

H.B. 133

SHORT TITLE: Employee Compensation Amendments - As Amended

SPONSOR: Dougall, J.

2011 GENERAL SESSION, STATE OF UTAH

STATE GOVERNMENT (UCA 36-12-13(2)(b))

Assuming a leave reduction of four hours per pay period per employee and a corresponding decrease in full-time equivalent employment of around 950 positions at the State's average salary, this bill would save state agencies approximately \$56 million per year beginning FY 2012. This savings would then be used to increase compensation for remaining employees by between approximately 4% and 5%.

Recognizing and funding the net accrued liability for remaining leave will cost the state approximately \$10,000,000 (\$5.7 million from the General Fund) per year beginning FY 2012 from various sources as estimated in the table below.

STATE BUDGET DETAIL TABLE

	FY 2011	FY 2012	FY 2013
Revenue	\$0	\$0	\$0
Expenditure:			
General Fund	\$0	\$5,700,000	\$5,700,000
Federal Funds	\$0	\$1,700,000	\$1,700,000
Dedicated Credits	\$0	\$500,000	\$500,000
Restricted Funds	\$0	\$2,100,000	\$2,100,000
Total Expenditure	\$0	\$10,000,000	\$10,000,000
Net Impact, All Funds (Rev.-Exp.)	\$0	(\$10,000,000)	(\$10,000,000)
Net Impact, General/Education Funds	\$0	(\$5,700,000)	(\$5,700,000)

LOCAL GOVERNMENTS (UCA 36-12-13(2)(c))

Enactment of this bill likely will not result in direct, measurable costs for local governments.

DIRECT EXPENDITURES BY UTAH RESIDENTS AND BUSINESSES (UCA 36-12-13(2)(d))

Enactment of this bill likely will not result in direct, measurable expenditures by Utah residents or businesses.