

STATE EMPLOYEE LEAVE AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Ashlee Matthews

Senate Sponsor: _____

LONG TITLE

General Description:

This bill establishes the Unused Sick Leave Retirement Option Program III.

Highlighted Provisions:

This bill:

▶ grants a retiring state employee a retirement benefit for unused sick leave hours accrued on or after January 4, 2014, at the employee's rate of pay at the time of retirement;

▶ provides that, under the retirement benefit described above, a state employer shall make a contribution to the employee's 401(k) account or, if applicable, health savings account, up to the maximum contribution limits authorized by federal law; and

▶ makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

49-22-403, as last amended by Laws of Utah 2021, Chapter 345

49-23-403, as last amended by Laws of Utah 2021, Chapter 345



- 28 [63A-17-505](#), as renumbered and amended by Laws of Utah 2021, Chapter 344
- 29 [63A-17-506](#), as renumbered and amended by Laws of Utah 2021, Chapter 344
- 30 [63A-17-507](#), as renumbered and amended by Laws of Utah 2021, Chapter 344
- 31 [63A-17-508](#), as renumbered and amended by Laws of Utah 2021, Chapter 344
- 32 [67-19d-201](#), as last amended by Laws of Utah 2021, Chapter 344

33 ENACTS:

34 [63A-17-508.5](#), Utah Code Annotated 1953

35

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

37 Section 1. Section **49-22-403** is amended to read:

38 **49-22-403. Eligibility to receive a retirement allowance for a benefit tied to a**
39 **retirement date for defined contribution members.**

40 (1) As used in this section, "eligible to receive a retirement allowance" means the date
41 selected by the member who is a participant under this part on which the member has ceased
42 employment and would be qualified to receive an allowance under Section [49-22-304](#) if the
43 member had been under the Tier II Hybrid Retirement System for the same period of
44 employment.

45 (2) The office and a participating employer shall make an accounting of years of
46 service credit accrued for a member who is a participant under this part in order to calculate
47 when a member would be eligible to receive a retirement allowance for purposes of
48 establishing when a member may be eligible for a benefit tied to a retirement date that may be
49 provided under Section [63A-17-508](#), Section [63A-17-508.5](#), this title, another state statute, or
50 by a participating employer.

51 Section 2. Section **49-23-403** is amended to read:

52 **49-23-403. Eligibility to receive a retirement allowance for a benefit tied to a**
53 **retirement date for defined contribution members.**

54 (1) As used in this section, "eligible to receive a retirement allowance" means the date
55 selected by the member who is a participant under this part on which the member has ceased
56 employment and would be qualified to receive an allowance under Section [49-23-303](#) if the
57 member had been under the Tier II Hybrid Retirement System for the same period of
58 employment.

59 (2) The office and a participating employer shall make an accounting of years of
60 service credit accrued for a member who is a participant under this part in order to calculate
61 when a member would be eligible to receive a retirement allowance for purposes of
62 establishing when a member may be eligible for a benefit tied to a retirement date that may be
63 provided under Section [63A-17-508](#), [Section 63A-17-508.5](#), this title, another state statute, or
64 by a participating employer.

65 Section 3. Section **63A-17-505** is amended to read:

66 **63A-17-505. Sick leave -- Definitions -- Unused sick days retirement programs --**
67 **Rulemaking.**

68 (1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
69 director shall make rules:

70 (a) for the procedures to implement the provisions of this section through Section
71 [\[63A-17-508\]](#) [63A-17-508.5](#); and

72 (b) to establish the maximum number of hours of converted sick leave an employee
73 may accrue.

74 (2) The Division of Finance shall develop and maintain a system of accounting for
75 employee sick leave and converted sick leave as necessary to implement the provisions of this
76 section through Section [\[63A-17-508\]](#) [63A-17-508.5](#).

77 Section 4. Section **63A-17-506** is amended to read:

78 **63A-17-506. Converted sick leave.**

79 Converted sick leave hours that are not used prior to an employee's retirement date shall
80 be used under the:

81 (1) Unused Sick Leave Retirement Option Program I under Section [63A-17-507](#) if
82 earned prior to January 1, 2006, unless the transfer is made under Subsection
83 [63A-17-508\(1\)\(c\)\[;\]](#) or [63A-17-508.5\(1\)\(c\)](#); or

84 (2) Unused Sick Leave Retirement Option Program II under Section [63A-17-508](#) if
85 earned on or after January 1, 2006[;], and on or before January 3, 2014, unless the transfer is
86 made under Subsection [63A-17-508.5\(1\)\(c\)](#).

87 Section 5. Section **63A-17-507** is amended to read:

88 **63A-17-507. Unused Sick Leave Retirement Option Program I -- Creation --**
89 **Payout upon eligibility for allowance -- Continuing medical and life insurance benefits**

90 **after retirement.**

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

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

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

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

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

103 (3) (a) Subject to federal requirements and limitations, the contribution under
104 Subsection (2)(a) shall be transferred directly to the employee's defined contribution plan
105 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah
106 State Retirement Board.

107 (b) If the amount calculated under Subsection (2)(a) exceeds the federal contribution
108 limitations, the employee's unused accumulated sick leave hours representing the excess shall
109 be used for the purchase of continuing medical and life insurance benefits under Subsection
110 (4).

111 (4) (a) An employee may purchase continuing medical and life insurance benefits, at
112 the rate of one month's coverage per policy for eight hours of unused sick leave remaining after
113 the contribution of unused sick leave under Subsection (2)(a).

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

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

119 (i) until the employee reaches the age of eligibility for Medicare; or

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

121 benefits for the employee's spouse may be purchased until the employee's spouse reaches the
122 age of eligibility for Medicare.

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

126 (5) (a) The continuing medical and life insurance benefits purchased by an employee
127 under Subsection (4):

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

129 (ii) continues in effect until exhausted.

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

132 (i) ~~[reemployed]~~ reemployed after retirement; and

133 (ii) receiving benefits under this section.

134 Section 6. Section **63A-17-508** is amended to read:

135 **63A-17-508. Unused Sick Leave Retirement Option Program II -- Creation --**
136 **Remuneration upon eligibility for allowance -- Medical expense account after retirement.**

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

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

141 (c) An employee who is participating in the Unused Sick Leave Retirement Option
142 Program I under Section **63A-17-507** may make a one-time and irrevocable election to transfer
143 all unused sick leave hours ~~[which shall include all]~~, including all converted sick leave hours
144 under Section **63A-17-506**, for use ~~[under the]~~ in accordance with the Unused Sick Leave
145 Retirement Option Program II ~~[under]~~ described in this section.

146 (2) (a) The Unused Sick Leave Retirement Option Program II provides that, upon
147 becoming eligible to receive a retirement allowance, an employee employed by the state
148 between January 1, 2006, and January 3, 2014, shall receive remuneration for the employee's
149 unused accumulated sick leave and converted sick leave accrued between January 1, 2006, and
150 January 3, 2014, in accordance with this section as follows:

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

152 of pay at the time of retirement for 25% of the employee's unused accumulated sick leave and
153 converted sick leave shall be transferred directly to the employee's defined contribution plan
154 qualified under Section 401(k) of the Internal Revenue Code which is sponsored by the Utah
155 State Retirement Board; and

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

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

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

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

168 Section 7. Section **63A-17-508.5** is enacted to read:

169 **63A-17-508.5. Unused Sick Leave Retirement Option Program III -- Creation --**
170 **Contribution upon eligibility for allowance -- Defined contribution and health savings**
171 **accounts.**

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

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

176 (c) An employee who is participating in the retirement program described in Section
177 63A-17-507 or 63A-17-508, or both, as applicable, may make a one-time and irrevocable
178 election to transfer all sick leave hours, including all converted sick leave hours under Section
179 63A-17-506, for use in accordance with the Unused Sick Leave Retirement Option Program III
180 described in this section.

181 (2) The Unused Sick Leave Retirement Option Program III provides that, upon
182 becoming eligible to receive a retirement allowance, an employee employed by the state on or

183 after January 4, 2014, shall receive a contribution under Subsection (3) up to the maximum
184 amount authorized by the Internal Revenue Code for the employee's unused accumulated sick
185 leave accrued on or after January 4, 2014, at the employee's rate of pay at the time of
186 retirement.

187 (3) Subject to federal requirements and limitations, and in accordance with Subsection
188 (4), the contribution described in Subsection (2) shall be transferred directly to the following
189 Utah State Retirement Board sponsored accounts:

190 (a) the employee's deferred compensation account qualified under Section 401(k) of the
191 Internal Revenue Code; or

192 (b) if owned by the employee, the employee's health savings account qualified under
193 Section 223(d) of the Internal Revenue Code.

194 (4) (a) An employee who qualifies to receive a contribution to an account described in
195 Subsection (3) may elect how the contribution is allocated between accounts.

196 (b) If the employee fails to make the election described in Subsection (4)(a), the
197 contribution shall first be paid to the employee's deferred compensation account before the
198 contribution, if any, is paid to the employee's health savings account.

199 Section 8. Section **67-19d-201** is amended to read:

200 **67-19d-201. Trust fund -- Creation -- Oversight -- Dissolution.**

201 (1) There is created a post-retirement benefits trust fund entitled the "State
202 Post-Retirement Benefits Trust Fund."

203 (2) The trust fund consists of:

204 (a) revenue provided from an ongoing labor additive as defined in Subsection
205 **67-19d-202(2)(g)**;

206 (b) appropriations made to the fund by the Legislature, if any;

207 (c) income as defined in Section **67-19d-102**; and

208 (d) other revenues received from other sources.

209 (3) The Division of Finance shall account for the receipt and expenditures of trust fund
210 money.

211 (4) (a) The state treasurer shall invest trust fund money by following the procedures
212 and requirements of Part 3, Trust Fund Investments.

213 (b) (i) The trust fund shall earn interest.

214 (ii) The state treasurer shall deposit all interest or other income earned from investment
215 of the trust fund back into the trust fund.

216 (5) The board of trustees created in Section [67-19d-202](#) may expend money from the
217 trust fund for:

218 (a) the employer portion of the costs of the programs established in Sections
219 [63A-17-505](#) through [~~[63A-17-508](#)~~] [63A-17-508.5](#); and

220 (b) reasonable administrative costs that the board of trustees incurs in performing their
221 duties as trustees of the trust fund.

222 (6) The board of trustees shall ensure that:

223 (a) money deposited into the trust fund is irrevocable and is expended only for the
224 employer portion of the costs of post-retirement benefits;

225 (b) assets of the trust fund are dedicated to providing benefits to retirees and their
226 beneficiaries according to the terms of the post-retirement benefit plans established by statute
227 and rule; and

228 (c) creditors of the board of trustees and of employers liable for the post-retirement
229 benefits may not seize, attach, or otherwise obtain assets of the trust fund.

230 (7) When all of the liabilities for which the trust fund was created are paid, the
231 Division of Finance shall transfer any assets remaining in the state trust fund into the
232 appropriate fund.

233 **Section 9. Effective date.**

234 This bill takes effect on May 1, 2024.