

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2231 - Sick Leave Incentive Program (LSB 5360 SV)

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Fiscal Note Version - NEW

Description

Senate File 2231 extends the Sick Leave Incentive Program, provided to the American Federation of State County and Municipal Employees (AFSCME) members under their collective bargaining agreement, to certain non-Regent employees in the Executive Branch not covered by a collective bargaining agreement (employee).

Background

The Incentive Program was submitted by the Department of Administrative Services as required by HF 881 (FY 2006 Salary Act).

Currently a full-time employee accrues 12 hours of sick leave per month. The Bill changes the rate that employees accrue sick leave based upon the employee's accrued sick leave balance as follows:

- An employee with a balance of 750 hours or less will accrue 12 hours of sick leave per month.
- An employee with a balance of at least 751 hours and not more than 1,500 hours will accrue eight hours of sick leave per month.
- An employee with a balance of more than 1,500 hours will accrue four hours of sick leave per month.

Currently a full-time employee can convert 12 hours of sick leave to four hours of vacation during any month the employee does not use any sick leave hours. The Bill changes the rate of conversion based upon the employee's sick leave accrual rate as follows:

- If an employee accrues 12 hours per month, the employee could convert 12 hours of sick leave to four hours of vacation.
- If an employee accrues eight hours per month, the employee could convert eight hours of sick leave to four hours of vacation.
- If an employee accrues four hours per month, the employee could convert four hours of sick leave to four hours of vacation.

Currently an employee is entitled to a cash payment of not more than \$2,000 upon retirement, based upon the value of the employee's accrued sick leave balance. The value of the balance is determined by multiplying the employee's accumulated hours times the employee's regular hourly rate.

An employee covered by the Iowa Public Employees' Retirement System (IPERS), that retires, can elect to have the value of the employee's sick leave balance used to pay the State share for the employee's continuation of the State group health insurance coverage, after the deduction for any cash payment. The actual value of the balance that can be used is based upon the number of hours the employee has accrued. The amount that can be used is determined as follows:

- An employee with 750 hours or less of accrued sick leave balance will be able to use 60.0% of the accrued value.

- An employee with an accrued sick leave balance of at least 751 hours and not more than 1,500 hours will be able to use 80.0% of the accrued value.
- An employee with more than 1,500 hours of accrued sick leave balance will be able to use 100.0% of the accrued value.

The use of the value of the accrued sick leave balance continues until the earliest of the following:

- The accrued value is exhausted.
- The employee is eligible for Federal Medicare Program benefits, currently age 65.
- The employee dies.
- The employee is reinstated or reemployed in a permanent full-time or permanent part-time position with State Government. The employee in this case would also forfeit the remaining accrued value.

Assumptions

1. An employee for the purpose of SF 2231 includes only Non-contract Executive Branch employees and excludes the Board of Regents, the Department of Public Safety, and Community Based Corrections employees.
2. Every year 100 of the 1,200 employees' age 55 through ages 64 will retire the first day of each fiscal year.
3. The current State share of health cost for employees is \$8,600 per year.
4. Health costs will increase 8.0% per year.
5. Wages will increase 4.0% per year.
6. Wage increases and retirement rates will reflect the Iowa Public Employers' Retirement System's (IPERS) actuarial methods and assumptions.
7. The average employee that is at least 55 years of age, and not more than 64 years of age, will have an accrued value of \$22,500 in their sick leave balance after the \$2,000 cash payment.
8. All retirees will use and exhaust their accrued sick leave balance value.
9. The typical sick leave value will fund between two and five-years of the State share of group health insurance premiums. The value of some employees' balance will not provide for any payments.
10. The Program will not increase the retirement rate for employees.

Fiscal Impact

Senate File 2231 will increase State expenses for the payment of retirees' health insurance \$474,000 from the General Fund and \$891,000 from all funds in FY 2007 compared to the estimated FY 2006 expenses.

State expenses will increase for the payment of retirees' health insurance a maximum of \$888,000 from the General Fund and \$1.7 million from all funds in FY 2008 compared to the estimated FY 2006 expenses and increase each year due to salary wage increases, the increased cost of health insurance, and as the total number of retirees impacted increases over the next five-years.

The Department of Administrative Services will add 0.5 FTE position within the State Accounting Enterprise and add 0.5 FTE position within the Human Resources Enterprise to administrate the Program for a total annual cost of \$100,000 beginning in FY 2007.

Sources

Department of Management
Department of Administrative Services
Iowa Public Employers' Retirement System (IPERS)

/s/ Holly M. Lyons

March 8, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
