

Unused Sick Leave

This document provides information on unused sick leave for Defined Benefit Program members pursuant to Education Codes 22170.5, 22717, and 22718. Specific citations to the Education Code (EDC) are provided where applicable.

Questions? Contact EmployerTraining@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review.

Revised: 03/27/2023

What are the benefits of unused sick leave?

A member's monthly retirement benefit equals their service credit multiplied by their age factor multiplied by their final compensation. When unused sick leave is converted into service credit and added to the retirement formula calculation, the member's retirement benefit increases. To the employer's benefit, the ability to convert unused sick leave to service credit at the time of member's retirement encourages employees to bank their sick leave. This may increase employee attendance and reduce expenses associated with an absent employee.

What is the difference between basic sick leave versus excess sick leave? (EDC 22170.5)

Basic Sick Leave

Basic sick leave is the number of days of paid leave of absence due to illness or injury granted by each employer that are not excess sick leave days. DB members can earn up to 12 days of basic sick leave per school year and employer. Track accordingly at the beginning of the year.

Excess Sick Leave

Excess sick leave days are the total number of days of paid leave due to illness or injury granted by each employer in excess of the 12 basic sick leave days per school year. Excess sick leave is funded by the employer when unused excess sick leave is being converted to service credit at the time of the member's retirement. Track accordingly and separately at the beginning of the year.

Tracking Sick Leave Example

A member is granted sick leave as a condition of their contract or employment agreement, and they can earn two days of sick leave per month. The member accrues 16 sick days over the course of eight months. The member can bank 12 of those 16 days as basic sick leave. While the remaining four days the employee earned and additional eight days, they will earn for month 9 through 12, would be banked as excess sick leave. If those excess sick leave days are not used by the time the member retires, the employer will need to cover the cost of the excess sick days.

Tracking Contractual Sick Leave Example

A member is granted sick leave as a condition of their contract or employment agreement. The member starts the year off with 20 sick leave days. Since the member can only bank twelve of those twenty days as basic sick leave, the remaining eight days the employee earned would be banked as excess sick leave. If those excess sick leave days are not used by the time the member retires, the employer, will need to cover the cost of converting unused excess sick leave to service credit.

What order is sick leave used in? (EDC 22724)

To determine the number of excess sick leave days a member is entitled when they, the employer shall deduct the days of sick leave used by the member from the member's accumulated and unused sick leave balance according to the following method:

1. A member must first use any sick leave granted prior to July 1st, 1986, since this sick leave wasn't accounted for when the 0.25% contribution rate was created.
2. Of the two types of sick leave (basic and excess), basic sick leave granted on or after July 1, 1986, must be exhausted prior to accessing any excess sick leave.
3. Once all their basic sick leave has exhausted, they may begin to use any excess sick leave granted on or after July 1, 1986.

Excess sick leave is unfunded and must remain intact until the employee depletes the remaining balance of their basic sick leave.

Sick Leave Usage Example

You have a member who needs to use fifteen days of sick leave and they have one (1) day of sick leave in their leave bank that they earned prior to 07/01/1986. In addition, they have sixty days of basic sick leave earned after 07/01/1986 and five days of excess sick leave they earned after 07/01/1986.

1. The employee must first deplete the one day of sick leave they earned prior to 7/1/1986 from their sick leave bank before using their basic or excess sick leave earned after 7/1/1986.
2. After using the one day of sick leave earned before 7/1/1986, the employee can access the 60 days of basic sick leave to cover their remaining fourteen days of sick leave.
3. This leaves 46 days of basic sick leave and five (5) days of excess sick leave earned after 7/1/1986 in their sick leave bank.

How is unused sick leave funded? (EDC 22951, 22718)

Unused Basic Sick Leave

Basic sick leave is funded by the 0.25% of the member's creditable compensation reported to CalSTRS. This 0.25% contribution is included in the standard member contributions of the current year. The 0.25% contribution assumes that an employee earns up to 12 days of sick leave in a school year.

Unused Excess Sick Leave

Excess sick leave is funded by the last employer to employ the member to perform creditable service subject to coverage by the Defined Benefit Program. If the member is employed by more than one employer, unused excess sick leave days shall be certified and paid for by the employer for the period in which the member was eligible to use those excess sick leave days.

Employers are required to remit the amount due within 30 days after the effective date of the member's retirement or within 30 days after the date the system has notified the employer that a certification must be made, whichever is later. If payment is not received within 30 calendar days, the present value shall be recalculated to include regular interest from the due date to the date full payment is received.

How does sick leave become service credit? (EDC 22717, 22106.2 & 22138.5)

Converting Sick Leave

To calculate the service credit increase derived from converting unused sick leave, we add unused basic sick leave days and unused excess sick leave days, then divide this total amount of unused sick leave by the employee's base days. Please note, employers are not required to calculate the service credit increase.

Base Days

Base days are the number of days of creditable service the employer requires the member's class of employees to perform in a school year during the member's most recent year of creditable service to earn one year of service credit. Base days shall not include school and legal holidays and shall not be less 175 days as specified in EDC 22138.5. Base days must be reported as a daily figure on the *Express Benefit Report* (SR 554E) form. If the full-time equivalent for the position is an hourly figure, EDC 22106.2 requires the number of hours to be divided by six to determine the number of base days.

Estimating the Present Value of Excess Sick Leave

Estimate the present value of unused excess sick leave to prepare for the costs of unused excess sick leave. The calculation is unused excess sick leave divided by base days multiplied by prior year earnable and multiplied by the present value factor. The estimation of the present

value of excess sick leave can be calculated on the *Express Benefit Report* (SR 554E). The order in which you complete this calculation does not impact the resulting present value.

What are my responsibilities as an employer? (EDC 22724, 22717 & 24204)

Reporting unused sick leave

When a member has submitted a complete *Service Retirement Application* (SR 059), the employer shall certify to the board the number of days of accumulated and unused sick leave days that the member was entitled to on the final day of employment. The certification must be reported on the *Express Benefit Report* (SR 554E) form and submitted to CalSTRS within 30 days after the member's most recent retirement date or the date the retirement application is received by CalSTRS, whichever is later.

The *Express Benefit Report* is available on CalSTRS.com and on the Secure Employer Website (SEW).

How do I correct employment termination information or sick leave data?

If corrections on the *Express Benefit Report* (SR 554E) are required, employers shall submit the corrections on the *Employment Termination or Sick Leave Data Correction* (SR 559) or if requested by CalSTRS, amend the SR 554E. When completing the SR 559, only complete fields for the information that needs to be corrected.

Common reasons for completing the SR 559 include but are not limited to:

- An audit finding
- The member used sick leave after the SR 554E was submitted to CalSTRS
- A mistake was made while completing the form