

# Calculating Unused Sick Leave Hours

# at Termination or Retirement

### **Employer Reporting Guide**

This guide explains how to calculate the number of unused sick leave hours to report for a Tier One or Tier Two employee.

Employer Service Center



### **Contents**

Introduction	, <b>3</b>
About the Unused Sick Leave Program	3
How the program affects Tier One/Tier Two benefits	3
How the program affects OPSRP benefits	3
Using donated sick-leave hours	4
Reporting donated sick leave	. 4
Tier One/Tier Two: including donated hours in unused sick leave total at termination	. 4
Calculating net unused sick leave	. 5
Overview	. 5
Step 1: Gather sick leave hours information	. 5
Step 2: Calculate the total accrued sick leave hours	. 6
Step 3: Check your total for any reinstated, transferred-in, or donated sick leave hours (1D, 1E)	. 6
Step 4: Subtract actual sick leave used (1C) from gross sick leave and subtract any hours added in step 3 (1D, 1E)	. 6
Step 5: Submit to PERS	. 7
Accrual rate explained	10
Correcting incorrectly reported unused sick leave hours	12
If you find that you reported hours incorrectly	12
If PERS finds that you reported hours incorrectly	13
Definitions	1/1

**Updated May 2025** 

### Introduction

The Unused Sick Leave Program, established by Oregon Revised Statutes (ORS) 238.350 and 238.355, has been around for nearly 50 years. However, confusion, incorrect calculations, and inconsistent reporting persist.

This guide explains the program and breaks down the instructions for properly calculating the net unused sick leave hours that you will report for Tier One/Tier Two members.

If you need help calculating unused sick leave or if you think you have calculated someone's hours incorrectly, contact your Employer Service Center (ESC) representative for help.

### About the Unused Sick Leave Program

This program only applies to Tier One and Tier Two employees who work for an organization that participates in the program. The program allows these employees to be compensated for a portion of their unused sick leave in the form of increased retirement benefits upon regular service retirement or disability retirement.

Employer participation is optional, but once you begin the program, your organization cannot stop participating. To find out if your organization participates in the program, contact your ESC representative.

### How the program affects Tier One/Tier Two benefits

Half of the value of a Tier One/Tier Two employee's net unused sick leave hours are included in the calculation of their final average salary. These additional hours increase their retirement benefits under the Full Formula and Formula Plus Annuity benefit calculations. The hours do not impact the Money Match calculation because final average salary is not a factor in this calculation. For definitions of benefit calculation methods, go to the Tier One and Tier Two Overview and Benefit Calculation webpage, "How Is My Tier One/Tier Two Pension Calculated?" section.

### How the program affects OPSRP benefits

The program is not available to Oregon Public Service Retirement Plan (OPSRP) employees. How their unused sick leave is handled upon termination depends on their employer's policy.

Employers still need to fill in the Unused Sick Leave Hours field on the Detail 1 Termination record, however, because EDX requires it. You can enter 0 or enter the employee's unused sick leave hours as explained in this guide, even though the hours will not be included in their final average salary.

### Using donated sick-leave hours

When an employee is on an extended sick leave, your organization may allow them to use sick leave hours donated by another public employee. Your organization may also convert donated vacation leave or compensatory time to sick leave. Some organizations allow unused donated leave to be returned to the donor (usually determined by collective bargaining agreement).

To find out your organization's policies for donating and receiving sick-leave hours, contact your human resources or benefits department.

### Reporting donated sick leave

### Recipient of sick-leave hours

When an employee takes sick leave using donated sick-leave hours, those hours work the same as regular sick leave hours when reporting wages and hours to PERS.

When the employee uses donated sick leave, which is a paid leave, report the hours to PERS the same way you report the employee's regular wages. Enter the employee's wages in the Subject Salary field of the Detail 2 Wage and Service record.

If your employee is in a qualifying position, include 6% IAP contributions on those hours.

#### Donor of sick-leave hours

The donor's donation of hours does not need to be reported to PERS. The hours are considered used by the donor and need to be subtracted from the donor employee's total number of sick leave hours.

## Tier One/Tier Two: including donated hours in unused sick leave total at termination

The Unused Sick Leave program is only available to Tier One and Tier Two members.

### Recipient of sick-leave hours

If a Tier One/Tier Two employee received donated sick leave hours and did not use them all, those unused hours would be included in the unused sick leave total that the employer would report to PERS at retirement or termination, subject to any applicable caps (i.e., lowest rate in effect or maximum eight hours per month), less usage, as explained in the next section of this guide, "How to Calculate Net Unused Sick Leave."

#### Donor of sick-leave hours (or vacation or comp time)

Only unused, donated sick leave hours that are deducted from the recipient's sick leave bank and returned to the donor can be included in the donor's unused sick leave total at retirement or termination. Donated sick leave hours that are used by the recipient, or unused but not returned, cannot be included in the donor's total at retirement.

Unused, donated vacation leave or compensatory time returned to the donor may be used by the donor. If the donor receives a lump-sum payment for their unused vacation or compensatory time, that payment is reported to PERS. For instructions on reporting lump-sum payments to PERS, read the article "EDX Tip: How to Report Lump Sums" in the September 2024 *Employer News*.

### Calculating net unused sick leave

There are five steps to correctly calculate and report an employee's net unused sick leave hours. These steps are listed below and explained in more detail over the next few pages.

### Overview

- 1. Gather all the necessary information.
- 2. Calculate the sick leave hours the employee earned, capped at a max of eight hours/month.
- 3. Subtract sick leave hours that the employee used.
- 4. If you added any other hours (reinstated, transferred-in, or donated), subtract those.
- 5. Report that number in the Unused Sick Leave Hours field of the Detail 1 termination record.

### Step 1: Gather sick leave hours information

Step	Information needed	Explanation			
1a	Your organization's lowest sick-leave accrual rate.	This is the lowest monthly accrual rate for any Tier One or Tier Two employee at your organization who is entitled to sick leave — up to a maximum accrual rate of eight hours a month. See the "Accrual Rate Explained" section for more explanation.			
1b	The number of months the employee was employed with you.	Count any month in which the employee worked (or received paid leave) for more than half of the days of the month. Does not include their six-month wait-time.			
1c	The number of hours of sick leave the employee has used.*	This is how many hours they have used throughout their employment with you. Decimal numbers are allowed.			
1d	Any transferred-in or reinstated sick leave hours.*	Check if the employee's sick leave hours include any transferred-in or reinstated sick leave hours and make note of those amounts. (Go to the "Definitions" section for explanations of these terms.)			
1e	Any donated sick leave hours (whether given or received).*	Check if any of the employee's sick leave hours were donated to another employee or received from another employee.			
1f	Any sick leave that the employee was allowed to "cash out."*	If your organization allows any sick leave to be paid out, that sick leave is considered to be used and is not reported to PERS as unused sick leave. Any unused sick leave payoff amount should be reported to PERS as non-subject salary for Tier One/Tier Two and OPSRP even if the calendar/academic year is qualifying (i.e., employee worked at least 600 hours).			

<sup>\*</sup>Not included in net unused sick leave total.

### Step 2: Calculate the total accrued sick leave hours

Multiply the monthly sick leave accrual rate from step 1A (eight hours or less) by the number of months the employee has worked for you (1B). (Refer to steps in the table on page 4 of this guide.) This gives you the employee's allowed total sick leave hours.

### **Example:**

Maximum accrual rate		Months of employment		Total hours accrued
8	х	62	=	496

# Step 3: Check your total for any reinstated, transferred-in, or donated sick leave hours (1D, 1E)

Reinstated, transferred-in, and donated sick leave hours are not included in the number you will report to PERS in step 5. Therefore, if you have these type of sick leave hours included in your gross unused sick leave total, you will need to subtract them in the next step to get to your net unused sick leave total.

The reason is because PERS already has on record any reinstated and transferred-in hours reported from the employee's prior terminated employment(s). If you include them, they could accidentally be added more than once.

### Example

Total hours accrued		Reinstated, transferred-in, or donated sick leave		Total <b>gross</b> sick leave at retirement
496	+	80	=	576

Go to the **Definitions** section for information about these types of sick leave.

## Step 4: Subtract actual sick leave used (1C) from gross sick leave and subtract any hours added in step 3 (1D, 1E)

Actual sick leave used is the total number of hours of sick leave the employee has used during their career with you. If the net unused sick leave hours number comes to zero or a negative number, report unused sick leave hours of 0.

### **Example:**

Total sick leave		Sick leave hours used*		Any hours added in step 3		<b>Net</b> unused sick leave hours
576	_	96	-	80	=	400

<sup>\*</sup>Decimals are allowed.

If employee doesn't have any reinstated, transferred-in, or donated sick leave hours to add in step 3, then simply subtract the actual sick-leave hours used from the accrued sick leave total you got in step 2. If the difference equals 0 or less, report 0 unused sick leave hours.

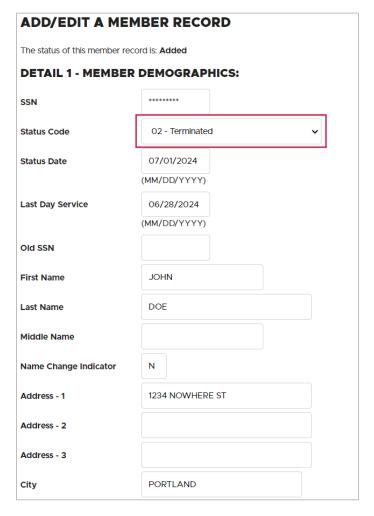
**Important:** Make sure to subtract actual sick leave hours used from the allowed accrual total you calculated in step 2 and not from the total sick leave hours they have remaining (i.e., the uncapped total).

### **Example:**

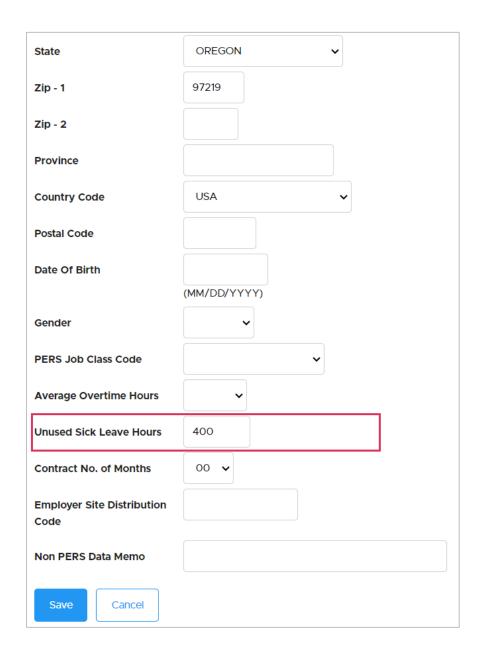
Total sick leave allowed (from step 2)		Actual sick leave hours used		<b>Net</b> unused sick leave hours
496	_	96	=	400

### Step 5: Submit to PERS

Create (or edit) a Demographics and Adjustment Report and fill out a Detail 1 Member Demographics termination record. Enter the net unused sick leave hours in the Unused Sick Leave Hours field.



Continued



### CALCULATING UNUSED SICK LEAVE HOURS

The image below shows an example of what PERS might show in our records for this employee. Any transferred or reinstated sick leave from the employee's previous employment is already in our records and is included in PERS' final calculations.

Employer Code	Employer Name	Start Date	Term Date		Transferred Unused Sick Leave Hours	Net Unu Sick Lea Hours	ve
00004	Employer #1	09/01/2015		576	80		400
00003	Employer #2	06/27/2011	08/07/2015	512	128		80
00002	Employer #3	06/01/2009	06/30/2011	576	384		128
00001	Employer #4	07/01/2003	12/30/2008	480			384
						Total 9	92.00

In accordance with ORS 238.350(1)(a), PERS then applies half the total net unused sick leave hours to the employee's final average salary.

Net unused sick leave hours		Hours PERS applies to FAS
992	÷2	496

### Accrual rate explained

ORS 238.350(2)(a) dictates that the sick leave hours that can be applied toward final average salary for a Tier One/Tier Two member must be capped at an accrual rate of eight hours/month.

Whatever rate your organization allows the employee to accrue for usage must be the same rate reported to PERS, unless the rate is greater than the maximum eight hours per month cap. If your organization applies a cap to sick leave accrual, that cap must also be reflected in your reporting to PERS.

IF	THEN
Organization's lowest sick leave accrual rate = 12 hours/month	Report to PERS = 8 hours/month
Organization's lowest sick leave accrual rate = 6 hours/month	Report to PERS = 6 hours/month

### Different accrual rates per employee group

If you have different accrual rates for different groups of employees, the allowed accrual rate is the lowest accrual rate for any of those employee groups.

#### Community college accrual rate

Community colleges have different rules for capping the sick leave accrual rate. The yearly community college accrual is capped based upon 10 days per school year or one day per month employed, whichever is greater. Therefore, the cap is 10 days per school year if they are only employed during the 10 months of the school year with summers off, or one day per month if they are employed more than 10 months of the school year (e.g., if they have 11- or 12-month contracts). But there is a minimum allowance of 10 months.

#### Prorated accrual rates

If you have one accrual rate for all employees, but you prorate the accrual rate based on the hours employees actually work or are scheduled to work (i.e., full time or part time), use the accrual rate for your full-time employees or eight hours per month (whichever is less), as shown in example 2 on the next page.

### Example 1

Police employee accrual rate	Firefighter employee accrual rate	Lowest sick leave accrual rate for any employee group	Capped maximum sick leave accrual rate	Report to PERS
12 hours/month	20 hours/month	12 hours/month	8 hours/month	8 hours/month

Although the employer's lowest rate of accrual is 12 hours per month, the employer can only report 8 hours per month because that is the maximum accrual rate allowed.

### Example 2

Lowest sick leave accrual rate for any <b>full-time</b> employee group	Prorated lowest sick leave accrual rate for any <b>part-time</b> employee group	Capped maximum sick leave accrual rate	Report to PERS
8 hours/month	4 hours/month	8 hours/month	8 hours/month

If the employer's lowest sick leave accrual rate for a full-time employee is eight hours per month or less, it does not need to be capped. It is already at the capped rate.

Also, the employer may prorate the accrual rate for a part-time employee without impacting the lowest sick-leave accrual rate reported to PERS. For example, if the rate is eight hours per month for a full-time employee, it may be prorated to four hours per month for a part-time employee. However, the four hours per month does not become the lowest sick leave accrual rate because the sick leave accrual rate is based on a full-time employee's accrual rate.

### Example 3

Employer's sick leave policy caps sick leave accrual at 6 hours a month for actual usage	Capped maximum sick leave accrual rate	Report to PERS
6 hours/month	8 hours/month	6 hours/month

The employer's accrual rate of six hours per month should be reported to PERS because it is the lowest rate in effect. The PERS cap does not apply because the employer's actual rate is lower than the cap.

# Correcting incorrectly reported unused sick leave hours

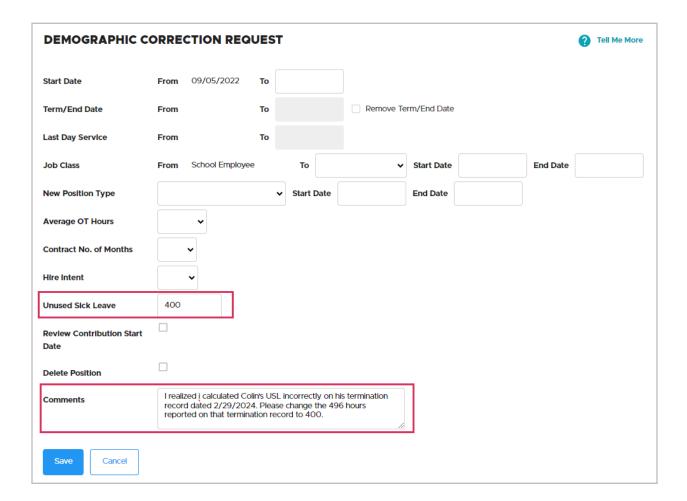
### If you find that you reported hours incorrectly

The most common mistakes people make when calculating unused sick leave are:

- Not capping hours at eight hours/month (or your organization's accrual rate if it is less than eight hours/month).
- Not subtracting transferred-in or reinstated sick leave hours.

If you determine that the unused sick leave you reported on a termination record needs to be corrected, submit a Demographic Correction Request (DCR). Put the correct amount in the Unused Sick Leave field and explain the reason for the correction in the Comments box.

For instructions on creating a DCR, read employer reporting guide 20, *Creating a Demographic Correction Request*.



Please contact your ESC Account Team representative if you have questions.

### If PERS finds that you reported hours incorrectly

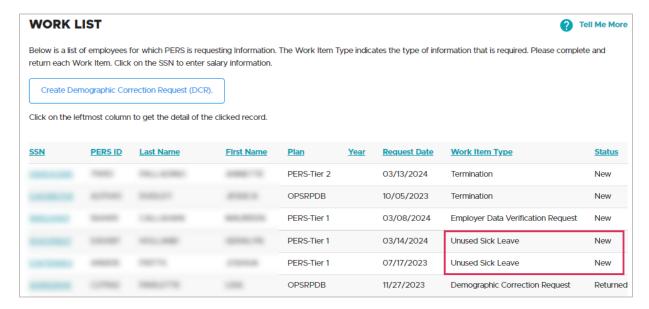
PERS staff members review unused sick leave hours when processing the following:

- Retirement.
- Membership withdrawal.
- Data verification.

If we suspect that the unused sick leave reported may be wrong (e.g., it adds up to more than eight hours/month or it includes transferred-in sick leave already reported by a previous employer), they will send an Unused Sick Leave Work List request.

The request will ask you to verify the unused sick leave hours and/or transferred-in unused sick leave hours that we have on record.

You will need to respond to the Work List request as soon as possible to avoid delaying the employee's benefits.



Please contact your ESC Account Team representative if you have questions.

### **Definitions**

Look for additional terms in the *Glossary* quick-reference guide.

Donated sick leave	When an employee is on an extended sick leave, your organization may allow them to use sick leave hours donated by another public employee. Your organization may also convert donated vacation leave or compensatory time to sick leave. Some organizations also allow unused donated leave to be returned to the donor (this is usually determined by a collective bargaining agreement).
	To find out your organization's policies for donating and receiving sick leave hours, contact your Human Resources department.
	Including donated hours in unused sick leave at termination:
	<ul> <li>Recipient — Leftover donated sick leave hours cannot be included.</li> </ul>
	<ul> <li>Donor — Only unused donated sick leave returned to the donor can be included (only Tier One and Tier Two members). Unused donated vacation leave or compensatory time returned to the donor may be used by the donor. Any lump-sum payment made for the unused leave is reported to PERS.</li> </ul>
Gross unused sick leave hours	Accumulated total of unused sick leave, up to the PERS allowed limit (which is the lowest rate of accrual for any full-time employee of the employer who is entitled to sick leave; may not exceed eight hours per month and may be less). Includes all transferred-in, reinstated, and accumulated unused sick leave hours remaining at termination.
Last day service	The last day a member is physically on the job or is on paid leave.
Month of employment	A month of employment is any month in which the employee worked most of the days and, thus, earned service credit. For example, for a month with 21 working days to be counted, the employee would have to work (and/or be on paid time off) for 11 days or more.
Net unused sick leave hours	Gross unused sick leave hours capped at eight hours a month minus any transferred-in, reinstated, donated, and used sick leave hours.
Reinstated sick leave hours	Unused sick leave hours retained by an employer when an employee departs employment that are credited to that employee if they return to work for that employer.

Continued

Sick time	Sick time, a provision added to state law in 2015 to cover employees who were not eligible for an employer sick leave program, is not counted as sick leave for PERS purposes. Learn more in Employer Announcement #96.
Transferred-in sick leave hours	Unused sick leave hours that were transferred in from a former PERS employer to a current PERS employer. The hours must be available for use by the employee. The amount of unused sick leave hours a hiring employer will accept, if any, is based on the hiring employer's personnel policies or union contract agreements.
Wait time	The initial six-month trial period that a new qualifying employee serves before they become a PERS member and start earning PERS benefits. The employee's first day of membership after wait time is called their contribution start date (CSD).