

## **Present Value Factor for Unused Excess Sick Leave**

### **SUBJECT**

Adoption of the Present Value Factor for Unused Excess Sick Leave

### **SUMMARY**

The “present value”, as defined by Section 22156.1 and applied for the purposes of section 22718, “means the amount of money needed on the effective date of retirement to reimburse the system for the actuarially determined cost of the portion of a member’s retirement allowance attributable to unused excess sick leave days.” To determine the amount to bill the employer, the present value factor for unused excess sick leave is used. Members generally accrue excess sick leave if the employer grants sick leave in excess of one day per pay period.

At retirement, unused excess sick leave is converted to service credit by dividing the number of unused excess sick leave days by the number of days required of the member to earn one year of service credit in the position. To determine the amount to bill the employer, this service credit is multiplied by the member’s prior year earnable annual salary in the position. The resulting amount is then multiplied by the present value factor for unused excess sick leave service credit. The current factor is 0.335.

Since the board adopted new actuarial assumptions for the Defined Benefit Program in January 2024, the present value factor for unused excess sick leave needs to be reviewed. The present value factor is calculated using the mortality assumptions, the investment return assumption, the average age at retirement and the gender distribution. The mortality assumption was updated resulting in a small decrease in life expectancies, however this change was small enough that no change was calculated to the present value factor for unused excess sick leave. Thus, it is recommended that the factor remain at 0.335.

Due to the nature of this calculation, the factor does not change on a year-to-year basis and is only updated following changes to the underlying actuarial assumptions. As a result, this factor will not be reviewed and changed until the board adopts the next actuarial experience study, currently scheduled to take place in four years.

### **RECOMMENDATION**

Staff recommends the board maintain the present value factor of 0.335 for service credited for excess sick leave effective beginning with the 2024-25 fiscal year.

RESOLUTION  
OF THE  
TEACHERS' RETIREMENT BOARD

SUBJECT: Adoption of Present Value Factor for Unused Excess Sick Leave

RESOLUTION NO. XX-XX

WHEREAS, Section 22718 of the Education Code requires the Teachers' Retirement board to bill the employer for the present value of the service credit awarded for unused sick leave at time of retirement when sick leave in excess of one day per pay period has been granted; and

WHEREAS, the Board adopted an Experience Analysis in January 2024, which changed the assumptions on which the Present Value Factor for Unused Excess Sick Leave was based; and

WHEREAS, a Present Value Factor for Unused Excess Sick Leave has been calculated based on the new Experience Analysis; therefore, be it

RESOLVED, that the Teachers' Retirement Board retains the present value factor of 0.335 for use in preparing billings for the present value of excess sick leave service credit effective July 1, 2024.

Adopted by:  
Teachers' Retirement Board  
On May 2, 2024

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Cassandra Lichnock  
Chief Executive Officer

Reviewed by:

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Brian J. Bartow  
General Counsel