

# Prescott Unified School District Accrued Sick and Vacation Leave Conversion Plan

## 1.0 Purpose

The Prescott Unified School District (hereinafter, "District") hereby establishes the Prescott Unified School District Accrued Sick and Vacation Leave Conversion Plan (the "Plan"). The purpose of the Plan is to enable the District to provide retiring employees the value of their accrued sick and vacation leave (the "Accrued Leave") either through the District's 403(b) plan (the 403(b) Plan") or the District's supplemental retirement benefit plan named The PRIME Choice Plan (the "Prime Plan"). By adopting the Plan, the District intends to provide flexibility in the converting the Accrued Leave to a dollar value.

## 2.0 General

The District will apply a formula, set forth in paragraph 4.0 below, to convert a retiring employee's Accrued Leave into a dollar value ("Benefits"). Benefits will be paid to the retiring employee through either the 403(b) Plan or the Prime Plan.

The District intends that Benefits not be subject to FICA taxes and be tax deferred for both Federal and State income tax until the retiree withdraws them from either the 403(b) Plan or the Prime Plan, whichever is applicable. However, the District makes no warranties or representations regarding the tax treatment of any contribution made or amount received under the Plan. Employees should consult their own tax advisor to determine how to treat Benefits.

## 3.0 Eligibility

Retiring employee must reach their fiftieth (50) birthday in the calendar year of separation and be receiving at least \$3,000 in accumulated sick and vacation leave. Conversion of a retiring employee's Accrued Leave is automatic and mandatory on the date of his or her separation from service.

## 4.0 Calculation of Benefit

The District will determine a retiring employee's Benefits according to the District's formula for converting Accrued Leave to a dollar value within the employee's job classification.

## 5.0 Payment of Benefits:

5.1 Election of Form of Benefit. Within sixty (60) days of receiving written notice of an employee's retirement, the District will elect the form in which the retiring employee will receive Benefits. Benefits can only be paid to the retiring employee in one of the forms set forth in paragraph 5.2 below. In making the

election, the District will consider several established factors including the retiring employee's access to other health insurance coverage, the value of the retiring employee's Accrued Leave and the ability of the retiring employee to demonstrate the need for coverage. The District will notify the retiring employee (within the 60-day time period identified above) of the District's election.

**5.2 Form of Payment.** Each retiring employee who is eligible to receive Benefits will be paid in one of the following forms (subject to the election made in paragraph 5.1 above):

(a) A contribution to the Prime Plan to pay for the retiring employee's health insurance premiums and un-reimbursed medical expenses specified under Internal Revenue Code Section 213. This benefit will continue until fully exhausted by the retiree or his or her qualified dependant beneficiaries under the terms of the Prime Plan.

(b) A contribution to the 403(b) Plan which will be paid to the retiring employee according to the terms of the 403(b) Plan. In addition the district will pay the retiree 2.35% of the sick pay contribution if the retiree has not reached their 55<sup>th</sup> birthday in their retirement year and surrenders their employer 403b contribution balance within 30 days of the employer contribution. The 2.35% check when added to the 7.65% savings of payroll taxes equals the 10% excise tax penalty, therefore making the retiree whole.

## 6.0 Plan Administrator

The District is hereby designated as the Plan Administrator. The Plan Administrator will have the authority to control and manage the operation and administration of the Plan, including the authority to make and enforce rules or regulations for the efficient administration of the Plan; to interpret the Plan; and to decide all questions concerning the Plan and the eligibility of any person to participate in the Plan. The Plan Administrator will give reasonable notice of the availability and terms of the Plan to employees and will keep accurate records of all benefits paid under the Plan.

## 7.0 Miscellaneous

**7.1** All terms expressed herein will be deemed to include the feminine and neuter genders and all references to the plural will be deemed to include the singular and visa versa, all as proper construction will dictate.


**7.2** The Plan does not enlarge or diminish the employment rights of any employee nor does it confer any right upon any employee to be retained in the service of the District.

**7.3** The Plan will be construed and enforced according to the laws of the State of Arizona.

7.4 This document contains all of the operative provisions of this Plan. Any conflict between the provisions of this document and any other document purporting to explain the rights, benefits, or obligations of the parties hereunder will be resolved in favor of this Plan document. In the event that one or more of the provisions of the Plan will be interpreted as if the offending language had been stricken from its provisions and the remainder of the Plan document will continue in full force and effect.

The Plan will be effective as of the July 1, 2014.

Prescott Unified School District

By:   
David C. Smucker, Superintendent