



# SICK TIME CONVERSION

**Up to 2499 Gross Hours of  
Accumulated Sick Leave**

Will be converted at **50%**

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**2500 Gross Hours or more of  
Accumulated Sick Leave**

Will be converted at **60%**

120 hours of Net Sick Leave will provide  
6 months extended medical benefits.

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240 hours of Net Sick Leave will provide  
1 year extended medical benefits.

# *How much can I convert?*

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You have the option of converting

**ALL** or **Part**

of your accumulated time.

# EXAMPLE: 1

## Up to 2499 Gross Hours of Accumulated Sick Leave

A Police Officer retires with 2400 Hours of Accumulated Sick Leave.

Conversion at 50% equals 1200 Net Hours.

If the Officer decides to convert ALL of the hours  
 $1200/120 = 10$  Six Month **\*blocks** of Extended Medical Benefits,  
which is 5 full years.

*\*Coverage must be purchased in full blocks\**

# EXAMPLE: 2

## 2500 or more Gross Hours of Accumulated Sick Leave

**A Police Officer retires with 2500 Hours of Accumulated Sick Leave.**

**Conversion at 60% equals 1500 Net Hours.**

**If the Officer decides to convert ALL of the hours  
 $1500/120 = 12.5$  Six Month \*blocks of Extended Medical Benefits.**

**Since the Officer can only purchase 12 full blocks (6 years),  
 $12 \times 120 = 1,440$  hrs.**

**He/She will be paid for the remaining 60hrs.**

## FINANCIAL ADJUSTMENT, POST CONVERSION, BY RANK

**A Chief Inspector's hourly rate is higher than a Police Officer's.**

**Since ALL ranks convert at the same rate, 120 hrs, there is a post conversion process for personnel who retire above the rank of Police Officer.**

Rank	Pay Range		Hours
P/O	202,203,299		120
Det,Cpl	204		110
Sgt	205		105
Lt	206		95

Rank	Pay Range		Hours
Capt	208		80
S/I	209		75
Insp	210		70
C/I	211		65

# EXAMPLE:

## 2500 Gross Hours or more of Accumulated Sick Leave

A Captain retires and has 4100 hours of accumulated sick leave.

Conversion at 60% equals 2460 Net Hours.

$2460/120 = 20.5$  Six Month \*blocks of Extended Medical Benefits.

Therefore, the Captain can only purchase 20 full blocks (10 years)

*\*Coverage must be purchased in full blocks\**

FINANCIAL ADJUSTMENT BY RANK: 20 BLOCKS X 80 = 1600hrs  
2,460 hours converted - 1,600 hours owed based on rank = 860hrs.  
*for which the Captain will be paid.*



## EXAMPLE

### **POLICE OFFICER'S "Extended Medical Coverage" worksheet**

(Please bring this with you to the Pension Board Appointment)

NAME: P/O JONES PAYROLL# 123456

RETIREMENT DATE: 12/13/18

I want to CONVERT ALL sick leave to extend my medical coverage.

I want to CONVERT SOME of my sick leave to extend my medical coverage  
AND

I want to SELL SOME of my sick leave to receive a check.

I want to SELL ALL of my accumulated sick leave to receive a check.

1) CURRENT GROSS ACCUMULATED SICK LEAVE HOURS 2500

2) CONVERSION % **(UP TO 2499 WILL BE CONVERTED AT 50%)**

a. Gross Accumulated Sick Leave Hours \_\_\_\_\_ X .50 = \_\_\_\_\_ Net Hours

3) CONVERSION % **(2500 AND OVER WILL BE CONVERTED AT 60%)**

a. Gross Accumulated Sick Leave Hours 2500 X .60 = 1500 Net Hours

4) NET HOURS I WANT TO SELL AND RECEIVE A CHECK 0

5) NET HOURS I WANT TO CONVERT FOR EXTENDED MEDICAL, DENTAL, OPTICAL AND  
PRESCRIPTION COVERAGE 1500

6) NET HOURS (Line 5) 1500 ÷ 120 EQUALS = 12.5 6 MONTH BLOCKS OF MEDICAL  
COVERAGE. **(NOTE: CONVERSION MUST BE IN WHOLE BLOCKS)**

A. WHOLE NUMBER FROM LINE 6 ABOVE 12 \*\*  
B. DECIMAL REMAINDER FROM LINE 6 ABOVE .5  
(ie .5 or .3)  
C. Remaining hours for which I will be paid (line 6 B .5 X 120) = 60

7) I WILL BE PAID FOR:

THE HOURS OF SICK LEAVE SOLD (Line 4) 0  
PLUS – remaining hours from Line 6 C. above 60  
TOTAL 60

\*\* This is the number of additional 6month blocks of Extended Medical Coverage purchased.

## EXAMPLE

### FOR EMPLOYEES **ABOVE THE RANK OF POLICE OFFICER**

#### Your personalized "Extended Medical Coverage" worksheet

(Please bring this with you to the Pension Board Appointment)

NAME: CAPT JONES PAYROLL# 123456

RETIREMENT DATE: 12/13/18

I want to **CONVERT ALL** sick leave to extend my medical coverage.

I want to **CONVERT SOME** of my sick leave to extend my medical coverage  
AND  
I want to **SELL SOME** of my sick leave to receive a check.

I want to **SELL ALL** of my accumulated sick leave to receive a check.

1) CURRENT GROSS ACCUMULATED SICK LEAVE HOURS 4100

2) CONVERSION % **(UP TO 2499 WILL BE CONVERTED AT 50%)**

a. Gross Accumulated Sick Leave Hours \_\_\_\_\_ X .50 = \_\_\_\_\_ Net Hours

3) CONVERSION % **(2500 AND OVER WILL BE CONVERTED AT 60%)**

a. Gross Accumulated Sick Leave Hours 4100 X .60 = 2460 Net Hours

4) NET HOURS I WANT TO SELL AND RECEIVE A CHECK 0

5) NET HOURS I WANT TO CONVERT FOR EXTENDED MEDICAL, DENTAL, OPTICAL AND  
PRESCRIPTION COVERAGE 2460

6) NET HOURS (Line 5) 2460 ÷ 120 EQUALS = 20.5 6 MONTH BLOCKS OF MEDICAL  
COVERAGE. **(NOTE: CONVERSION MUST BE IN WHOLE BLOCKS)**

A. WHOLE NUMBER FROM LINE 6 ABOVE

20 \*\*  
(there should NOT be a decimal on this line)

\*\* This is the number of additional 6month blocks of Extended Medical Coverage purchased.

## EXAMPLE - continued

### FOR EMPLOYEES **ABOVE THE RANK OF POLICE OFFICER** Your personalized “Extended Medical Coverage” worksheet

The number of compensable sick leave hours for employees who have retired above the rank of Police Officer shall be determined by applying the below formula:

<u>Rank</u>	<u>Pay</u> <u>Range</u>	<u>Required</u> <u>Hours</u>
P/O	202,203,299	120
Det,Cpl	204	110
Sgt	205	105
Lt	206	95
Capt	208	80
S/I	209	75
Insp	210	70
C/I	211	65

$$\begin{array}{r} 7) \text{ THE NUMBER OF 6 MONTH BLOCKS ON LINE 6A.} \\ \text{TIMES} \\ \text{THE APPLICABLE HOURS ON CHART ABOVE} \\ \text{EQUALS} \\ \text{THE ADJUSTED COST IN HOURS} \end{array} \begin{array}{r} \underline{\quad 20 \quad} \\ \text{X} \quad \underline{\quad 80 \quad} \\ = \quad \underline{\quad 1600 \quad} \end{array}$$

$$\begin{array}{r} 8) \text{ TOTAL FROM LINE 5} \\ \text{MINUS} \\ \text{THE "ADJUSTED COST IN HOURS" FROM LINE 8} \\ \text{EQUALS} \\ \text{"RANK ADJUSTED HOURS" TO BE PAID} \end{array} \begin{array}{r} \underline{\quad 2460 \quad} \\ - \quad \underline{\quad 1600 \quad} \\ = \quad \underline{\quad 860 \quad} \end{array}$$

# City of Philadelphia Finance Department

1. The IRS has notified the City that any Sick Leave time that is converted to extent retiree health care coverage is a non-cash taxable fringe benefit; and the City must:
  - Impute this benefit as a non-cash taxable earning on employee's terminal leave check and withhold taxes accordingly.
  - Include those earnings and withholdings on the employee's W-2.
2. Therefore, beginning 1/1/2016, any Sick Leave time that is converted to extend retiree health care coverage will be considered a taxable fringe benefit, imputed on an employee's terminal leave check and W-2, and taxes will be withheld accordingly. All taxes (federal, state, and local) will be applicable.
3. The amount imputed will be the number of hours converted divided by 8 hours to obtain the numbers of days converted. Then the number of days converted is multiplied by the employee's daily pay rate.
4. Per IRS regulations, if the imputed taxes owed on the terminal leave check are greater than the net amount available, the entire net amount will be withheld and remitted to the appropriate taxing authorities. In addition, the entire taxable amount will be reported on the employee's W-2; and the employee may owe additional taxes when they file their annual returns, depending on their individual tax situation.

**There is a misconception that if you “cash out” your tax will be limited to only 25% but if you convert Sick Leave to extend Medical Coverage you will be taxed at 40% or more.**



**While the initial tax paid might be around 25%, when you file your income tax return for the year, the Federal Government will get any additional taxes that are applicable.\***



**\*This has been verified by two CPAs, including the accountant for the State Fraternal Order of Police.**