Accrued Leave Conversion Plan

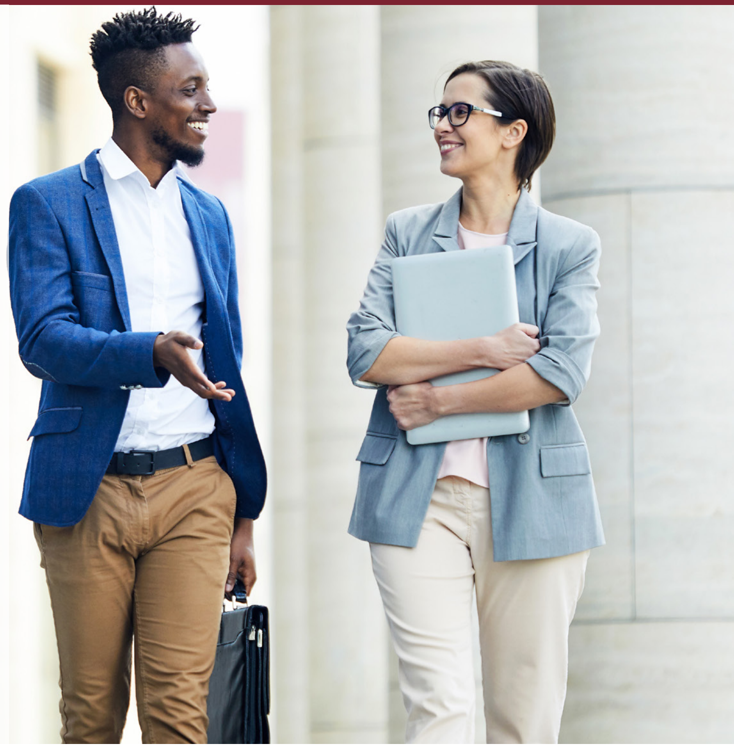
The liability of leave—and the solution.

Vacations, holidays, and sick days are just a few examples of compensated employee absences that must be recorded as a liability on a municipality's annual financial statement (as required by the governmental accounting standards). This typically unfunded liability grows as employees accumulate time and receive pay increases.

This liability is difficult to predict and can be a sudden and severe hit to your organization's budget. Now there is a solution that provides predictability, reduces employer cost, and removes that unfunded accrued leave from your ledger—all while increasing the employee's benefit value.

What is the solution?

MidAmerica's Accrued Leave Conversion Plan.



How it works

Unused accrued leave can be placed into the employee's 401(a) or 403(b)* based Accrued Leave Conversion retirement plan for potential growth. Funding for the plan can occur at the end of each year, or in one lump sum upon the employee's separation from service. The retirement plan is funded with the current value of the accrued leave, eliminating the risk of leave accrual down the line.

Who it benefits

Public sector employers looking to reduce their compensated absence liability while still providing a meaningful benefit to employees.

Unique forms of funding

All types of leave are eligible with the Accrued Leave Conversion Plan, including:

- Sick leave
- Vacation leave
- Administrative leave
- Holiday leave

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Employer Advantages

- Leave is converted at the employee's current rate-of-pay (not future rate)
- All types of leave can be converted
- Reduces and/or eliminates compensated absence liability
- Reduces administrative reporting and overall compliance burden
- Provides budget predictability and increased fiscal stabilization
- Frees budget resources for other purposes

Employee Advantages

- Peace of mind that unused leave time is deposited in a tax-deferred account
- Control over the use of funds, including early withdrawals and loan options**
- Fixed and variable investments available (employee can self-direct investments)
- Plan is portable
- Rollovers available post-employment into an IRA or other qualified plan

**403(b) plans are only available for public education entities.*
***There is no IRS 10% premature distribution penalty if the employee is at least age $59^{1/2}$ or 55 and separated from service. IRS regulations allow an employee to borrow the lesser of up to half their 401(a) account's value, or $50,000.*

Keenan & Associates

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MidAmerica

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