

## **LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (LASERS)**

The Louisiana State Employees' Retirement System (LASERS) is a qualified defined benefit pension and retirement plan under Section 401(a) of the IRS code. It was first established by an act of the Louisiana Legislature in 1946. Detailed information on LASERS is provided in the *Membership Handbook*. The following summary covers the most commonly asked questions.

### ***WHO ADMINISTERS THIS PLAN?***

A 12-member Board of Trustees oversees LASERS' operations. The law designates members of the board as follows: six elected trustees, who are active members of the system; three elected trustees, who are retired members of the system; the chairman of the House Retirement Committee, *ex officio*; the chairman of the Senate Finance Committee, *ex officio*; and the State Treasurer, *ex officio*.

### ***WHO IS ELIGIBLE FOR MEMBERSHIP?***

Membership is mandatory for all classified state employees appointed for greater than 50 percent of full-time effort for greater than two years, except those excluded by law. Membership is optional for employees who are 60 years of age or more at the time of employment, and employees who are 55 years of age or more at the time of employment and who have credit for at least 40 quarters in the Social Security system.

### ***WHAT IS MY CONTRIBUTION?***

Currently, the law sets the employee contribution rate at 7.5 percent of earned compensation (base pay) for most state employees. LSU pays an employer contribution that is determined each year based on an actuarial formula, also set by state law. Since January 1, 1984, your employee contributions have been tax-sheltered. This means the money you contribute to LASERS is not subject to federal or state income taxes until LASERS pays the money to you either as a refund or as a retirement benefit.

### ***CAN MY CONTRIBUTIONS BE REFUNDED?***

You may apply for a refund of your employee contributions, without interest or investment earnings, when you leave state service, even if you are eligible to retire. When you accept a refund of your contributions, you automatically forfeit all service credit and accrued rights in LASERS. Most refunds are processed within 60 days of your date of termination.

### ***HOW LONG MUST I BE EMPLOYED TO BE VESTED?***

You must have 10 years of creditable service to be vested in the system.

### ***IF I PARTICIPATE IN THIS PLAN, DO I CONTRIBUTE TO SOCIAL SECURITY?***

No. If you were employed after April 1, 1986, you will pay the Medicare portion of the FICA tax, which is currently 1.45 percent of gross pay.

### ***WHEN MAY I RETIRE?***

To be eligible for regular retirement, you must have:

- 30 years of service, or more, regardless of age
- 25 years of service, or more, at age 55 or later
- 10 years of service, or more, at age 60 or later

You may retire with 20 years of service credit at any age; however, your retirement benefit will be reduced on an actuarial basis, based on your age, length of service, and number of years from your regular retirement eligibility.

### ***MUST I APPLY FOR RETIREMENT?***

Yes, termination of state service does not automatically constitute application for retirement. You must apply for retirement in writing, using LASERS retirement application form, available from the Office of Human Resource Management. You must select a retirement option at the time of application. The option you select cannot be changed after the effective date of retirement, except in some limited circumstances.

### ***WHAT DETERMINES THE AMOUNT OF MY BENEFIT?***

LASERS uses a benefit formula that is designed to provide you with a maximum retirement benefit equal to 2.5 percent of your final average compensation for every year of creditable service. Benefits may not exceed 100 percent of your final average compensation. If you elect to provide a benefit for a surviving spouse/beneficiary, your benefit will be actuarially reduced to allow your survivor to receive a lifetime benefit.

#### ***Sample Calculation***

[Years of Service] x [% Rate] x [3-Year Average Salary] = Benefit

[25 years of service] x [0.025] x [\$30,000 average salary] = \$18,750 benefit

[30 years of service] x [0.025] x [\$30,000 average salary] = \$22,500 benefit

### ***WILL RETIREMENT BENEFITS INCREASE AFTER I RETIRE?***

Periodic cost-of-living adjustments may be made to your retirement benefits.

### ***WHAT IF I BECOME DISABLED?***

You may be entitled to disability benefits if you have accumulated at least 10 years of service credit and become disabled. You may apply for disability benefits after leaving state service if you have 20 years of service and have withdrawn from active service before the age of regular retirement eligibility.

### ***WHAT IF I DIE BEFORE I RETIRE?***

Survivor benefits are payable under certain conditions to your spouse, minor children, and totally disabled or mentally handicapped children upon your death. If death occurs while you are in active service, you must have credit for at least five years of service for a benefit to be payable to your surviving minor children; you must have at least 10 years of service for a benefit to be payable to your surviving spouse. If death occurs after you have terminated employment, you must have credit for at least 20 years of service for survivor benefits to be payable. If survivor benefits are not payable, your survivors, your beneficiary, or your estate will receive an amount equal to your total employee contributions.

### ***IF I TERMINATE EMPLOYMENT BEFORE RETIREMENT, WHAT BENEFITS ARE AVAILABLE?***

If you leave state service, you may qualify for a monthly benefit upon reaching minimum retirement age provided you have obtained credit for the minimum number of years of service needed to retire (vested), but you had not reached the required age, and you left your contributions on deposit with LASERS. You must provide written application for retirement to LASERS 30 days prior to reaching the required retirement age. In lieu of leaving your contributions on deposit, you may apply for a refund. See section on *Can My Contributions be Refunded?*

### ***WHAT IS LASERS' DROP PROGRAM?***

The Deferred Retirement Option Plan (DROP) is an optional method of retiring from LASERS in which your retirement benefit amount and option are established. Your regular monthly retirement benefit is deposited each month into a special account at LASERS while you continue to work and receive a salary from a LASERS' employer.

### ***WILL I CONTINUE TO CONTRIBUTE TO LASERS?***

No, the retirement contributions that are normally deducted from your salary are discontinued while you are participating in DROP. It may be possible to put this money into an alternative tax-sheltered supplemental retirement account while you are in DROP. See the *Tax-Deferred Supplemental Retirement Account* section for details on tax sheltering a portion of your salary.

### ***WHEN MAY I ENTER THE DROP PROGRAM?***

You may enter the DROP program when you are first eligible to retire from LASERS with 10 years of service and at least age 60; 25 years of service and at least age 55; or 30 years of service, regardless of age. You must enter DROP within a "window" of time. The "window" begins on the earliest date of eligibility for regular retirement and continues for three years and 60 days from that date. In effect, the "window" sets an ending date for DROP participation. Participation in DROP must end no later than three years and 60 days after the first retirement eligibility date.

If you delay entering DROP after your first eligibility, the length of time you can participate in DROP is reduced or eliminated. For example, if you enter DROP one year after first becoming eligible, you can remain in DROP for two years and 60 days. You cannot end DROP prior to the stated ending date unless you terminate employment or in the event of your death. The participation period cannot be extended.

### ***WHAT WILL HAPPEN WHEN THE DROP PERIOD IS OVER?***

At the end of DROP, you may either terminate employment and begin receiving regular retirement benefits or continue employment. If you retire, you may begin withdrawing funds from your DROP account; however, if you continue employment, you cannot withdraw from your DROP account until you retire. During DROP participation, no interest earnings are accrued on your funds; however, interest will be accrued after DROP ends on deposits remaining in the DROP account. Employee and employer contributions to LASERS are resumed if employment is continued. Additional retirement service credit will be accrued for employment after DROP.

When you elect to retire following DROP participation, any additional service credit for employment after DROP and unused sick and annual leave will be converted to service credit to increase your retirement benefit. In lieu of receiving additional service credit for sick and annual leave, you may elect to receive an actuarial payment from LASERS.

### ***WHAT IS LASERS' INITIAL BENEFIT OPTION?***

The Initial Benefit Option is a lump-sum benefit that is available if you do not participate in the DROP program. At the time of retirement, you may elect to receive up to 36 times your monthly retirement benefit in a lump sum and your monthly retirement benefit, as well as that of your beneficiary, will then be reduced on an actuarial basis. You can receive the "initial benefit" in a lump-sum payment, or it can be deposited in an account just like the DROP account. The interest earnings and withdrawals will be the same as for the DROP account. The main difference is that it will be created at the time of retirement with a lump-sum deposit instead of accumulated over a DROP participation period. If you are under age 55 at the time of retirement, the lump-sum payment will be subject to the 10 percent federal penalty for early withdrawal.

