

# Initial Benefit Option

(La.R.S. 11:446 (A)(5))

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(13) Photo by Cynthia McKinney (Please see pages 100-101)

The Initial Benefit Option (IBO) is an optional method of retirement which allows you to receive a lump-sum equivalent of up to 36 months of your maximum retirement benefit at the time of your retirement. Any member who is eligible for an unreduced Regular retirement may select the Initial Benefit Option (IBO). Members who take an actuarially reduced retirement, Disability retirement, or who participate in DROP are not eligible to select the IBO. At the time of your retirement, you will select the dollar amount you will be

paid, up to an equivalent of 36 months of your maximum retirement benefit. All future monthly benefits will be reduced based on your age at retirement, and the amount of the IBO selected. All IBO participants must select a retirement option at the time of retirement. However, IBO participants cannot select retirement Option 1.

**NOTE:** Retiring out of state service may impact your coverage eligibility with the Office of Group Benefits (OGB). Contact OGB for more information.

Mark began employment on April 10, 1980, and is now retiring at age 52 with 30 years of service credit. He has selected the Maximum Option and the maximum IBO amount. His benefit amount is calculated in the following manner:

$$\begin{array}{r} \$55,000.00 \\ \text{average} \\ \text{compensation} \end{array} \times \begin{array}{r} .025 \\ \text{accrual} \\ \text{rate} \end{array} \times \begin{array}{r} 30.0 \\ \text{years of} \\ \text{service credit} \end{array} + \begin{array}{r} \$300.00 \\ \text{(since hired} \\ \text{before} \\ \text{July 1, 1986)} \end{array} = \begin{array}{r} \$41,550.00 \text{ per year} \\ (\$3,462.50 \text{ per month}) \end{array}$$

Since he chose the maximum IBO amount he will receive a lump-sum payment of 36 times \$3,462.50 or \$124,650.00.

To estimate the approximate monthly cost of the one-time IBO payment, use the following chart to find your age and the corresponding cost per \$1,000.00, in this case \$7.12. The approximate monthly cost to receive a \$124,650.00 IBO would be \$7.12 times 124, or \$882.88. The \$882.88 is subtracted from the \$3,462.50 monthly maximum benefit to determine the actuarially reduced monthly benefit. Therefore, \$3,462.50 minus \$882.88 leaves a monthly benefit of \$2,579.62.

Mark will receive an IBO of \$124,650.00 and a lifetime monthly benefit of \$2,579.62. If Mark had selected Regular retirement with no IBO his lifetime monthly benefit would be \$3,462.50. By selecting the IBO, Mark will receive an initial lump-sum payment of \$124,650.00, but his monthly benefit is reduced from \$3,462.50 to \$2,579.62. He will receive this benefit for his lifetime.

## Age and Approximate Cost per \$1,000.00 (Chart changes periodically)

35 – 6.48	46 – 6.80	57 – 7.53	68 – 9.15	79 – 12.90
36 – 6.50	47 – 6.84	58 – 7.63	69 – 9.36	80 – 13.45
37 – 6.52	48 – 6.89	59 – 7.74	70 – 9.60	81 – 14.06
38 – 6.54	49 – 6.94	60 – 7.86	71 – 9.86	82 – 14.72
39 – 6.57	50 – 7.00	61 – 7.99	72 – 10.13	83 – 15.44
40 – 6.60	51 – 7.06	62 – 8.12	73 – 10.43	84 – 16.24
41 – 6.62	52 – 7.12	63 – 8.26	74 – 10.76	85 – 17.10
42 – 6.65	53 – 7.19	64 – 8.42	75 – 11.12	86 – 18.04
43 – 6.69	54 – 7.27	65 – 8.58	76 – 11.51	87 – 19.05
44 – 6.72	55 – 7.35	66 – 8.76	77 – 11.93	88 – 20.12
45 – 6.76	56 – 7.44	67 – 8.94	78 – 12.40	89 – 21.24

### Application Process

To apply for retirement with an IBO, you must submit the following to LASERS:

- [Form 06-01A or 06-01B: Application for Retirement with IBO](#)
  - Form 6-01A is for members who were eligible to retire on or after January 1, 2004
  - Form 6-01B is for members who were eligible to retire before January 1, 2004
- [Form 04-04: Spousal Consent](#) (if you are married and select maximum or Option 1, or name a beneficiary who is not your spouse). Alternately, you may submit a Certified Matrimonial Contract, Pre-nuptial Agreement, Separate Property Agreement, etc. (if applicable).
- Copies of Social Security cards and birth certificates for you and your beneficiary(ies)
- Certified Copy of a Judgment of Divorce from your former spouse and/or a copy of the death certificate of your former spouse (if applicable)
- Copy of Marriage Certificate (if Option 4A was selected)
- [Form 02-01A: Authorization for Direct Rollover](#) (if rolling over your payment for unused leave)
- [Form 04-05: Authorization for Direct Deposit](#)
- [Form 06-02: Insurance Premium Deduction Authorization](#) (if applicable)
- [Form W-4P: Withholding Certificate for Pension or Annuity Payments](#). This form is not required. If the form is not submitted to LASERS, your federal tax withholding will be set to the IRS default, which is currently “Married with three allowances.”
- [Form 07-01: Certification of Unused Annual and Sick Leave](#) (submitted by your agency)

**No retirement benefits will be paid until LASERS receives all of the required documents.** You can assist LASERS in promptly paying your monthly benefit upon your retirement by having all necessary documents on file prior to your retirement.

LASERS will make the first deposit into your IBO account once your preliminary benefit

calculation has been performed. When all final earnings have been received, we will finalize your retirement benefit, and make the second and final deposit into your IBO account. Therefore, the entire balance of your IBO will not be available for withdrawal until your retirement benefit has been finalized.

## Self-Directed Plan (LAC 58:I.4101 et seq.)

Members eligible for Regular retirement **before January 1, 2004**, have the option to leave their IBO at LASERS or to transfer it to the Self-Directed Plan. If a member elects to join the Self-Directed Plan this selection is irrevocable.

Members eligible for Regular retirement **on or after January 1, 2004**, will have their IBO transferred to the Self-Directed Plan. EMPOWER Retirement™ will administer the IBO account, so all withdrawals and account changes must be made through EMPOWER Retirement™, not LASERS.

Please [see the chapter on DROP/IBO Account Withdrawals and the Self-Directed Plan](#) for information relating to making withdrawals from your IBO account.

## Interest on IBO Accounts Held at LASERS

IBO accounts held at LASERS may accrue interest until the IBO balance is depleted. The interest rate is equal to the LASERS actuarial rate of return on investments for the prior fiscal year minus 0.5 percent. This interest rate changes from year to year and is based on investment earnings. Interest, if applicable, will be retroactively credited to your account based on your month-end account balance. If interest is earned it will be shown on your IBO annual statement which is issued in the first quarter of each year. For example, an annual statement received in March 2016 would show the interest posted for July 2014 – June 2015.