At the time of retirement, you may receive additional benefits for your unused, accumulated annual and sick leave.

Your unused leave is converted to days by adding the hours of annual and sick leave and dividing these hours by eight, representing an eight-hour day. Any fractional day of one-half or more will be granted as one day and less than half a day will be disregarded. Your unused leave will be converted to credit based on the following table:

<table>
<thead>
<tr>
<th>Days of Unused Leave</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 26</td>
<td>.10</td>
</tr>
<tr>
<td>27 – 52</td>
<td>.20</td>
</tr>
<tr>
<td>53 – 78</td>
<td>.30</td>
</tr>
<tr>
<td>79 – 104</td>
<td>.40</td>
</tr>
<tr>
<td>105 – 130</td>
<td>.50</td>
</tr>
<tr>
<td>131 – 156</td>
<td>.60</td>
</tr>
<tr>
<td>157 – 182</td>
<td>.70</td>
</tr>
<tr>
<td>183 – 208</td>
<td>.80</td>
</tr>
<tr>
<td>209 – 234</td>
<td>.90</td>
</tr>
<tr>
<td>235 – 260</td>
<td>One year</td>
</tr>
</tbody>
</table>

Cathy has 609 days of unused annual and sick leave. By using the chart above, credit for her unused leave is calculated as follows:

\[
\begin{align*}
260 \text{ days} & = 1.00 \text{ year} \\
260 \text{ days} & = 1.00 \text{ year} \\
89 \text{ days} & = 0.40 \text{ year} \\
609 \text{ total days} & = 2.40 \text{ years}
\end{align*}
\]

Cathy will receive a total of 2.4 years credit for her unused leave.
Your application for retirement will include a section for you to make a choice about the payment of unused annual and sick leave. You will have two options:

- Convert your unused annual and sick leave to credit, or
- Take a lump-sum payment of the actuarial value (not the hourly salary rate) of the unused annual and sick leave. This payment may be rolled over to an IRS qualified plan.

Members who participate in DROP will make their leave selection at the time of their retirement. Disability retirees must convert their unused annual and sick leave to credit.

**Convert Leave to Credit**

If you decide to convert your unused leave to credit, it will be included in the total credit used to compute your retirement benefit.

Fred is retiring at age 54 with 30 years service credit. He has a final average compensation of $50,000.00. He has 57 days of unused leave, which converts to .30 years of credit. His maximum retirement benefit would be calculated in the following manner:

\[
\text{average compensation} \times 0.025 \times 30.0 = 37,500.00 \text{ per year (}$3,125.00 \text{ per month)}
\]

\[
\text{average compensation} \times 0.025 \times 0.30 = 375.00 \text{ per year (}$31.25 \text{ per month)}
\]

\[
\text{Total retirement benefit} = 3,125.00 + 31.25 = 3,156.25 \text{ per month}
\]

By converting his unused leave, Fred’s monthly benefit has increased from $3,125.00 to $3,156.25, or $31.25 per month.
Lump-Sum Payment of Leave Balance

If you decide to take a lump-sum payment of your unused annual and sick leave, the amount paid will be at an actuarial rate, and not at your regular hourly rate. Lump-sum payments are calculated by multiplying the additional annual benefit by the actuarial reserve factor for your age at the time of retirement. The actuarial reserve factor is based on life expectancy.

Fred converted his 57 days of unused leave to additional credit. If Fred decided to take a lump-sum payment for his unused leave, the payment would be calculated in the following manner:

\[
\text{average compensation} \times \text{accrual rate} \times \text{years of unused leave} = \text{additional annual benefit}
\]

\[
\text{additional annual benefit} \times \text{actuarial reserve factor} = \text{lump-sum payment}
\]

Fred must decide whether to take an additional $31.25 monthly for his lifetime or accept a one-time lump-sum of $3,920.25.

Lump-sum payments are subject to mandatory 20 percent federal income tax withholding. You may also be subject to a 10 percent federal early withdrawal penalty. LASERS encourages you to contact a tax consultant to determine if the provisions are applicable to your specific situation. However, you may roll over the lump-sum payment to an IRS qualified plan to avoid the mandatory 20 percent withholding. For a rollover, Form 02-01A: Authorization for Direct Rollover must be completed by your financial institution and submitted to LASERS.

You cannot convert all of your unused leave to credit if this will cause your retirement benefit to exceed 100 percent of your final average compensation. In this case, your unused leave will be converted to credit to reach 100 percent of your average compensation, and any remainder of leave will be paid to you in a lump-sum.