

Chapter 14: Conversion of Unused Annual & Sick Leave

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Overview

At the time of retirement, LASERS members may receive additional benefits for their unused, accumulated annual and sick leave. Members can choose one of two options: a conversion to service credit, which is added to the member's monthly benefit **OR** a lump sum payment, calculated at an actuarial value.

Members who are **out of state service at the time of retirement** do not receive credit for their unused annual and sick leave *unless they were eligible for regular retirement upon termination of employment*. Any member with at least 20 years of service at the date of termination, who is not in the Correctional Secondary or Wildlife plans, is eligible to retire and therefore eligible for payment of leave, even if out of state service, assuming the leave was certified by the member's agency.

NOTE: *If a member terminates employment and later becomes re-employed, the member must contribute to LASERS for at least 18 months before being eligible to receive credit for any unused leave for benefit purposes.*

Choosing a Leave Option

The application for retirement includes a section in which the member makes a selection regarding his or her unused annual and sick leave. The three options listed on the application are:

- ① Convert all unused annual and sick leave to computation credit
- ② Receive a one-time, lump sum payment of leave calculated at an actuarial value
- ③ Make a direct rollover to an eligible account at a financial institution

Members may choose only one of these options and are unable to split the leave selection by converting to partial service credit and to a partial lump sum. However, if conversion to service credit will result in the member's benefit exceeding 100% of the Final Average Compensation, then a lump sum payment of the excess amount will automatically be made (refer to the section *Leave Exceeding 100% of FAC* in this chapter).



Annual and sick leave cannot be used towards eligibility credit for any retirement or other benefits paid by LASERS. Members must reach eligibility in their enrolled retirement plan prior to any conversion of leave.

Converted retirement credit and lump sum payments cannot be issued until all final earnings and leave balances have been reported to LASERS by the agency and all requested documents have been submitted to LASERS by the agency and the member. Leave is paid approximately 90 days after the date of the member's first retirement payment.

Certifying Unused Annual and Sick Leave

Within 30 days of a member's termination date, the agency is required to submit [Form 07-01: Certification of Unused Annual and Sick Leave](#), even if the member has a zero leave balance. This form is used for Regular Retirement, IBO, Actuarially Reduced Retirement, Disability Retirement and End of DROP Participation (it is not submitted when a member enters DROP).

Form 07-01 certifies the balance of a member's unused annual and sick leave amounts, **not including** the 300 hours of annual leave paid by most agencies upon termination. The agency may pay a member for unused annual leave at their hourly rate of pay at termination; however, this paid leave is not eligible for conversion and should be excluded from the leave balance reported.

NOTE: If a member has earned service credit in multiple retirement plans within LASERS, his or her leave will be pro-rated among the benefit accrual rates based on the service credit earned in each plan. This excludes wildlife agents enrolled in the Wildlife Agents Plan (WLO2) whose last 10 years of service were earned in that plan. Also, pro-rating leave excludes service credit transferred to LASERS from another retirement system.

Form 07-01 should be filled out in its entirety and should be initialed and signed by an agency Personnel Officer (refer to the sample form at the end of this chapter).

Conversion of Unused Leave

A member's unused leave is converted to days by adding the hours of annual and sick leave and dividing those hours by eight (8), representing an eight-hour work day. **Any fractional day of one-half (½) or more will be granted as (1) day**, and less than half a day will be disregarded. The unused leave will be converted to credit based on the following table:

Days of Unused Leave	Service Credit
1-26	0.10
27-52	0.20
53-78	0.30
79-104	0.40
105-130	0.50
131-156	0.60
157-182	0.70
183-208	0.80
209-234	0.90
235-260	1 year

Example: Fred has 609 days of unused annual and sick leave. The credit for his unused leave is calculated as follows:

260 days = 1.00 year
 260 days = 1.00 year
 89 days = 0.40 year
609 days = 2.40 years

Fred will receive a total of 2.40 years of service credit for his unused leave.

Converting Leave to Service Credit

Members may elect to convert their unused annual and sick leave to service credit. If converted, the unused leave will be included in the total service credit used to compute their retirement benefits.

Conversion of leave may not result in a benefit exceeding 100% of the member's Final Average Compensation (refer to the section *Leave Exceeding 100% of FAC* in this chapter).

Example: James is retiring at age 54 with 30 years of service credit. He has a Final Average Compensation (FAC) of \$50,000. He has 150 days of unused leave, which converts to 0.60 of a year of credit. His maximum retirement benefit would be calculated in the following manner:

Retirement Benefit Calculation:

$\$50,000 \text{ FAC} \times 2.5\% \text{ accrual rate} \times 30 \text{ years} = \$37,500 \text{ per year}$
 (\$3,125 per month)

Leave Conversion Calculation:

$\$50,000 \text{ FAC} \times 2.5\% \text{ accrual rate} \times 0.60 \text{ of a year} = \750 per year
 \$62.50 per month)

Total Retirement Benefit = \$3,125 + \$62.50 = \$3,187.50 per month

By converting his unused leave, James' monthly benefit has increased from \$3,125 to \$3,187.50, or \$62.50 per month.

Lump Sum Payment

Members may elect to receive a lump sum payment for their unused annual and sick leave. The lump sum payment will be paid at an actuarial rate, not at the member's hourly rate of pay.

The lump sum value is calculated by multiplying the additional annual benefit by the actuarial reserve factor* for the member's age at the time of retirement.

Lump sum payments are subject to a mandatory 20% federal income tax withholding. They can also be subject to a 10% federal early withdrawal penalty. LASERS encourages all members to seek advice from a tax consultant to determine if this applies to their particular situation.

Example: If James decided to take a lump sum payment for his 150 days of unused leave, the payment would be calculated in the following manner:

Leave Conversion Calculation:

$\$50,000 \text{ FAC} \times 2.5\% \text{ accrual rate} \times 0.60 \text{ years} = \750 per year

Lump Sum Calculation:

$\$750 \text{ additional annual benefit} \times 11.46368 \text{ actuarial reserve factor}^* = \$8,597.76 \text{ lump sum payment}$

James must decide whether to take an additional \$62.50 monthly for his lifetime or accept a one-time lump sum payment of \$8,597.76.

*The actuarial reserve factor is based on the member's life expectancy and is provided by the LASERS Actuary. The factors change periodically.

LUMP SUM ROLLOVER TO A QUALIFIED ACCOUNT

A member is allowed to roll over his or her lump sum payment into an IRS qualified plan to avoid the mandatory tax withholding. This choice should be made on the member's retirement application and [Form 02-01A: Authorization for Direct Rollover](#) must be completed by the financial institution and submitted to LASERS.

These funds are exempt from Louisiana state income taxes. Members may be subject a 10% early withdrawal penalty.



LASERS will not accept a financial institution's direct rollover form in lieu of a completed [Form 02-01A](#).

LEAVE EXCEEDING 100% OF FINAL AVERAGE COMPENSATION

Members who have unused leave that will cause their retirement benefit to exceed 100% of their Final Average Compensation (FAC) will receive an actuarial lump sum payment of the remaining leave. The unused leave will be converted to service credit to reach 100% of the FAC and the remaining amount will automatically be paid as a lump sum at an actuarial rate. The member also has the option to roll over this lump sum to a qualified plan.

Example: Colleen has 38.50 years of service credit and chose to convert 2.50 years of leave, for a total of 41.00 years. The credit for her unused leave is calculated as follows:

Retirement Benefit Calculation:

$\$4,166.67 \text{ monthly FAC} \times 2.5\% \text{ accrual rate} \times 41.00 \text{ years} =$
 $\$4,270.83 \text{ monthly benefit}$

Since the benefit exceeds 100% of the FAC, the monthly benefit will be capped at **$\$4,166.67$** .

Lump Sum Calculation:

$\$4,270.83 \text{ benefit} - \$4,166.67 \text{ FAC} = \$104.16$
 $\$104.16 \text{ difference} \times 12 \text{ months} \times 9.6138 \text{ actuarial factor} =$
 $\$12,017.26 \text{ lump sum payment}$

Colleen's final monthly benefit amount is $\$4,166.67$. The remaining leave would provide a lump sum payment in the amount of $\$12,017.26$.

Certifying Unused Leave for Non-Retirees

When a member terminates employment but is not retiring, LASERS recommends that the agency certify the member's unused leave (in certain circumstances) by submitting [Form 07-01: Certification of Unused Annual and Sick Leave](#).

Leave should be certified if:

- ❖ The member has five years or more of service credit
- ❖ The member has more than 300 hours of leave

It is not necessary to certify leave if:

- ❖ The member is refunding from LASERS
- ❖ The member is accepting employment in another LASERS eligible position

This will allow the member to receive credit for the unused leave if he or she should ever return to a LASERS eligible position or eventually retire.

Form Quick Check

- ✓ Was a leave selection made on the member's retirement application?
- ✓ Was [Form 07-01: Certification of Unused Annual & Sick Leave](#) completed in its entirety and submitted within 30 days of the member's termination date?
- ✓ If applicable, did the member submit [Form 02-01A: Authorization for Direct Rollover](#)?

Leave Certification for Elected Officials and Certain Unclassified Officials

Leave earned while serving as an elected official or an official appointed by the Governor and confirmed by the Senate is exempted from the leave conversion provisions of La R.S. 11:424, unless the official was participating in the Senior Executive Exchange Program.

Frequently Asked Questions

1. Can a member convert part of his or her unused leave and take a lump sum payment for the remaining unused leave in a lump sum?

No. The member must choose to either convert all unused leave to service credit or take a one-time, lump sum payment for the leave. However, if conversion of all leave to service credit would cause the benefit to exceed 100% of the FAC, a partial lump sum payment will be made.

2. If a member has rank and file service credit (RGL1) with a benefit accrual rate of 2.5% and corrections service credit (COR2) with an accrual rate of 3.33%, how will the unused leave be calculated?

The unused leave would be pro-rated based on the service credit earned in each plan.

3. Is there a limit on how much unused leave can be paid?

No. However, the unused leave cannot cause the retirement benefit to exceed 100% of the FAC. In these cases, the remaining leave would be paid as a lump sum at an actuarial rate.

4. Is K-time eligible for leave conversion?

No. Compensatory leave or "K-time" is processed at the discretion of the agency. It is not eligible for leave conversion and is typically not reported to LASERS by agencies. However, since overtime earned by employees of the House, Senate, or an agency of the Legislature is deemed as eligible earned compensation, K-time wages may be contributed to LASERS, but are not eligible for leave conversion.

5. How many combined hours of annual and sick leave must a member accrue in order for the unused leave to be converted to service credit or paid as a lump sum?

Any fractional day of one-half or more will be granted as one day and any fractional day of less than one-half will be disregarded. Therefore, if a member works

a normal 8-hour schedule, then the member must have at least 4 hours of leave in order for leave to be paid as a lump sum or converted to service credit.

6. If a member retires out of state service, then how many years of service must the member have earned to be eligible to be paid for his or her unused leave?

The member will only receive credit for unused leave if he or she had at least 20 years of service or was eligible for regular retirement when the member terminated employment.

7. If a member retires out of state service and is eligible to receive credit for unused leave, then how long does this right exist?

There is no limit, but the leave amount must have been certified by the agency.

8. When can a member expect to receive payment for unused leave?

Unused leave is paid approximately 90 days after the date of the first benefit payment.

9. If a member terminated employment and then made a purchase to become eligible for retirement, would the member be eligible to receive credit for unused leave?

Because the member was not eligible for any retirement upon termination, the member would not be eligible to receive credit for unused leave unless he or she returned to work in a LASERS eligible position for at least 18 months prior to retiring.

Reference Material

APPLICABLE FORMS

- [02-01A: Authorization for Direct Rollover](#)
- [07-01: Certification of Unused Annual and Sick Leave](#)

APPLICABLE AGENCY LIAISON MEMORANDA

- [13-02: Leave Certification Form](#)
- [14-10: Suggestions on Leave Certification](#)
- [16-07: Use of Leave When Returning to State Service](#)
- [17-02: Payment of Leave for Certain Unclassified Officials](#)

APPLICABLE LAWS & RULES

(Note: this list is not exhaustive)

- [La R.S. 11:424](#) Unused Leave
- [LAC 58.1.3701](#) Conversion of Leave to Retirement Credit
- [LAC 58.1.3703](#) Lump Sum Payment of Leave
- [LAC 58.1.3705](#) Tax Liability

APPLICABLE CHAPTER IN MEMBER'S GUIDE TO RETIREMENT

- [Chapter 9: Unused Annual and Sick Leave](#)

APPLICABLE LASERS VIDEO

- [Annual and Sick Leave: How it Affects You](#)

Sample Form 7-01: Certification of Unused Annual and Sick Leave

Form 7-01
R012017PRINT ALL INFORMATION
www.lasersonline.orgP.O. Box 44213, Baton Rouge, LA 70804-4213
225.922.0600 · Toll-Free 1.800.256.3000
Fax 225.935.2856Certification of Unused Annual and Sick Leave
(La. R.S. 11:424)

Member's First Name	Middle Name	Last Name	Today's Date	Social Security Number
Jane	C	Smith	1/15/2017	xxx-xx-5555

IMPORTANT: Complete the entire form. Follow the specific instructions for each section. All dates should be in MM/DD/YYYY format.

SECTION 1: GENERAL INSTRUCTIONS

Provide leave balances as of the termination date. **DO NOT** include any unused leave which will be paid upon termination, such as the 300 hours of unused annual leave. This form must be forwarded to LASERS immediately following the date of termination.

If the member has a break in service, the member must contribute to the system for at least 18 consecutive months after the reemployment date to be eligible to convert the unused sick and annual leave to retirement credit or lump sum payment.

SECTION 2: LEAVE BALANCES

Leave Without Pay Date (if applicable)	Unused Accumulated ANNUAL "A" leave	Hours	Days
		1712.454	214.06

Date of Termination	Unused Accumulated SICK "B" leave	Hours	Days
1/2/2017		3481.454	435.18

DB
Initials

I certify that the amounts listed above do not include any amount of annual leave which was paid upon termination, if applicable.

SECTION 3: AGENCY SIGNATURE AND CERTIFICATION

I hereby certify that the balances of the unused leave shown above are correct as of the termination date and have been accrued at rates established by Civil Service.

Name of Personnel Officer	Name of Agency	Title
Donna Brooks	LA State Agency	Human Resource Manager

Personnel Officer Email Address	Daytime Area Code/Phone Number
dbrooks@lstateagency.gov	225-555-5555

Signature of Personnel Officer	Date
Donna Brooks	1/15/2017

Reset Form