

LIAISON MEMORANDUM NUMBER 13-19

To: Agency Liaison Officers

From: Cindy Rougeou
Executive Director

Re: Selecting a Retirement Date

Date: September 24, 2013

Selecting a retirement date is a very important decision for members of LASERS. The effective date of retirement is the day the application for retirement is received by LASERS, or the day after termination of employment for employees retiring while in state service, whichever is later. The original retirement application must be received on or before the termination date and must be completed in its entirety.

When members select a retirement date, please help them to ensure that they have sufficient service credit to meet retirement eligibility. The calculation of service credit is determined by dividing actual earnings by base salary. No service credit can be received if no earnings have been reported and no contributions paid.

If the application is not received on or before the date of termination, or if there is a break in service between the date of termination and the effective date of retirement, the member will be considered out of state service. Eligibility for leave balances and insurance may be impacted if the member retires out of state service. LASERS recommends the member contact the Office of Group Benefits for insurance eligibility questions.

Retiring while out of state service can result in a significant decrease in monthly benefits, particularly for members younger than age 60, as demonstrated by the example on page 2.

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Example:

Mark is 45 years old, with 22 years of service, and a final average compensation of \$60,000.00.

Provided he has no breaks in service, Mark will first be eligible for an unreduced retirement benefit when he earns 30 years of service. At this time, he will be 53 years old.

If Mark takes a reduced retirement at age 45, and he retires while in state service, his maximum benefit will be \$1,241.71. The calculation is based on 30 years at any age eligibility, when he would be 53 years old. He is 107 months away from this eligibility.

In contrast, if Mark retires at age 45 while out of state service, his maximum benefit will be \$697.26. In this instance, the calculation does not assume continued employment because he is out of state service. The reduction to his benefit is therefore based on retirement at age 60. He is 179 months away from this eligibility.