



LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

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LIAISON MEMORANDUM

NUMBER 06-08

To: Agency Liaison Officers

From: Jennifer N. Templet
Assistant Director

RE: Act 75 of the 2005 Regular Session

Date: April 27, 2006

Updated June 27, 2006 to clarify provisions regarding eligibility for DROP and IBO

This Liaison Memorandum is to explain the provisions of Act 75 of the 2005 Regular Session of the Louisiana Legislature.

ACT 75 of the 2005 Regular Session

This Act amends and reenacts La. R.S. 11:62(5)(e), 231(C), 403 (introductory paragraph) and (5), 429, 441(A), 444 (A)(1)(a), and 461 (B).

Below is a recap of the changes created by this legislation:

- Employee Contribution Rates -
 - Members employed on or before June 30, 2006, will continue to pay the 7.5 percent rate.
 - Members employed on or after July 1, 2006, will pay the new rate of 8.0 percent.
- Membership –
 - In accordance with La. R.S. 11:537 (c), the acceptance of a refund of accumulated contributions automatically cancels all rights in LASERS. Therefore, any member who has earned service credit in LASERS prior to July 1, 2006, but who terminates and refunds contributions, will be subject to the provisions of Act 75 of 2005 should they return to LASERS covered employment.
- Average Compensation –
 - Members employed on or before June 30, 2006, will continue to have their average compensation based on the thirty-six highest months of successive employment, or for the thirty-six highest joined months of successive employment where interruption of service occurred.

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Part-time employees who do not use thirty-six months of full-time employment for average compensation purposes shall continue to be based on the base pay the part-time employee would have received had he been employed on a full-time basis.

- Members employed on or after July 1, 2006, will have their average compensation based on the sixty highest months of successive employment or for the sixty highest joined months of successive employment where interruption of service occurred. Part-time employees who do not use sixty months of full-time employment for average compensation purposes shall be based on the base pay the part-time employee would have received had he been employed on a full-time basis.

These provisions shall not apply to members who are governed by La. R.S. 11:557 (Judges), 582 (Wildlife Agents), or 602 (Public Safety Officers) or 24:36 (Legislature).

- Purchase of Service Credit –
 - Members with at least one year of service may purchase up to five years of service credit for eligibility and computation in one-year increments if the application was received on or before June 30, 2005, if the member had an active purchase of service credit invoice on that date, and if the member pays the amount of the invoice by June 30, 2006.
 - Members with at least five years of service may purchase up to five years of service credit for computation in one-year increments if the application was received on or after July 1, 2005.
- Eligibility for Retirement –
 - Any member hired on or before June 30, 2006, shall be eligible for retirement if he has:
 - Thirty or more years of service credit at any age;
 - Twenty-five or more years of service credit at age 55 or thereafter;
 - Ten or more years of service credit at age sixty or thereafter; or
 - Twenty years of service credit at any age, actuarially reduced, exclusive of military service and unused sick leave. The employee will not be eligible to participate in the Deferred Retirement Option Plan (DROP) or select the Initial Benefit Option (IBO).
 - Any member hired on or after July 1, 2006, shall be eligible for retirement if he has:
 - Ten years of service credit at age sixty or thereafter.
- Eligibility for DROP/IBO -
 - Any member hired on or after July 1, 2006 **shall be eligible** for participation in the Deferred Retirement Option Plan (DROP) or in the Initial Benefit Option (IBO) program upon reaching eligibility.
- Disability Benefit Accrual –
 - Any member who was hired on or before June 30, 2006, who is approved for a disability benefit:

- Shall receive a benefit calculated at a 2.5 percent accrual.
- Any member who was hired on or after July 1, 2006, who is approved for a disability benefit:
 - Shall receive a benefit calculated at a 1.8 percent accrual.
 - Benefit will be recalculated based on regular retirement upon attaining age 60 and upon making application to the Board.

These provisions will not apply to persons receiving a benefit pursuant to La. R.S. 11:557 (Judges) or La. R.S. 24.36 (Legislature).