

Chapter 4: Refund of Contributions

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Overview

Members who have terminated from state service may be eligible for a refund of their accumulated contributions in the retirement system. Accumulated contributions include all employee contributions paid by a member, excluding interest paid on the repayment of a refund. All funds paid to purchase Air Time are considered “accumulated contributions” and will be included in the refund. Employer contributions and interest earned on contributions are not refunded.

NOTE: *Members who transfer from one state agency to another or from one division to another within a state agency do not qualify for a refund of contributions.*

The Application Process

A member can apply for a refund of contributions upon separation from all state employment; however, he or she must remain out of state service for at least 30 calendar days before the application can be processed. To apply, the member must submit [Form 02-01: Refund of Accumulated Contributions](#) to LASERS. **This form does not need to be certified by the agency.** Along with Form 02-01, the member must provide a copy of his or her Social Security card to LASERS. The name on the Social Security card must match the name on the refund application. These documents may be mailed, faxed, or delivered to LASERS. Applications are processed once LASERS has received all necessary documents and all of the member's contributions have been received. Most refunds are paid within 60 days of receipt of the necessary documents.

NOTE: *LASERS will not accept refund applications that are submitted prior to the member's date of separation.*

Emergency Refunds

Refunds of accumulated contributions may be made in less than 30 calendar days from the date of separation in situations deemed to be emergencies. To qualify for an emergency refund, a member must be separated from all state service and meet one of the following criteria:

- ❖ **Loss of member's home** - member must provide an eviction notice or foreclosure notice that has been filed in court.
- ❖ **Loss of member's vehicle** - member must provide a repossession notice that has been filed in court.
- ❖ **Medical expenses** – member must prove that he or she has \$2,000 or more of outstanding medical bills for which the member is liable and will not be paid by an insurance carrier.
- ❖ **Death of a member** – if a member dies after submitting a refund request but before it is processed, then his or her family may request prioritization by providing a copy of the member's death certificate. However, the refund check will be made payable to the member. Alternately, the member's family has the option to apply for survivor benefits (for more information, refer to Chapter 6: Survivor Benefits).

A member who is eligible for an emergency refund of contributions must submit [Form 02-02: Emergency Refund Request](#) to LASERS along with any supporting documentation. Applications submitted prior to the date of separation will not be accepted. In addition, if a member is transferring from one state agency to another or from one division to another within the same agency, then he or she **does not qualify** for an emergency refund.

All emergency refund requests are approved by the Executive Director of LASERS or their designee on a case-by-case basis. Once approved, the amount of the current contributions posted to the member's account will be distributed based on the method of distribution chosen on [Form 02-02: Emergency Refund Request](#). A member can select to have the funds directly deposited into his or her account or directly rolled over into a qualified plan.

If additional contributions post after the refund has been issued, then a second payment will be issued to the member.

If a member does not qualify for an emergency refund, then his or her application will be treated as a regular refund application. For more information, refer to the section *The Application Process* in this chapter.

NOTE: A member is limited to one emergency refund in a lifetime. A member will not be eligible for another emergency refund if he or she returns to active membership with LASERS and later terminates employment.

Reporting Termination Dates

When a member separates from state service, it is important that the agency report the termination date through LaGov or [Employer Self-Service \(ESS\)](#). LASERS uses this information to verify that a member has been terminated and that all contributions have been reported. If LASERS is unable to verify a termination date, an email will be sent to the agency for confirmation.

Ramifications of Accepting a Refund

Members should be aware of the ramifications of accepting a refund. Acceptance of a refund of accumulated contributions automatically cancels all of a member's service credit in LASERS. A member forfeits all prior service credit, military service, and purchased service credit as well as eligibility credit for the period refunded. In other words, a refund cancels the member's membership in the system and renders him or her ineligible for benefits. If a former member returns to work in a LASERS eligible position, then he or she will be enrolled in the retirement plan available at the time of re-entrance into the system (for more information on enrollments, refer to [Chapter 1: Membership and Enrollment](#)).

Upon returning to active state service, the member is eligible to repay the refunded time after he or she has 18 months of non-refunded service credit on record with LASERS. Members should be aware that in order to restore previously refunded time, they will have to pay back the refunded employee contributions plus interest, which may be costly (for more information on repayments of refunds, refer to [Chapter 5: Purchases, Transfers & Reciprocals](#)).

Income Taxes

Contributions that were sheltered from income taxes (contributions paid after December 31, 1983) are subject to federal income taxes when refunded, unless the sheltered contributions are rolled over into a qualified retirement plan, such as an IRA or deferred compensation account. If not rolled over, these funds are subject to a mandatory 20 percent federal income tax withholding. The funds are exempt from Louisiana state income taxes. If the member resides in another state, then the member would be subject to that state's laws.

Frequently Asked Questions

1. Is a member allowed to borrow from contributions or pledge contributions against a debt?

No, a member is not allowed to borrow from contributions or pledge contributions against a debt. A member may apply for a full refund of contributions only after separation from state service.

2. Is the member allowed to refund only a portion of his or her contributions?

No, a member can only receive a full refund of contributions.

3. Can members receive a refund of contributions in a situation of an emergency?

Yes, members can apply for an emergency refund, but must meet certain criteria. The member must be separated from state service. A refund cannot,

under any circumstance, be submitted to an active state employee. [Form 02-02: Emergency Refund Request](#) should be submitted to LASERS, and it must be approved by the LASERS executive director or designee.

Reference Material

APPLICABLE FORMS

- [02-01: Refund of Accumulated Contributions](#)
- [02-02: Emergency Refund Request](#)
- [02-16: Request Research of Refundable Contributions](#)

APPLICABLE AGENCY LIAISON MEMORANDA

- [13-27: Refund of Accumulated Contributions Process](#)

APPLICABLE LAWS

(Note: this list is not exhaustive)

- [La. R.S. 11:403\(23\) Definitions](#)
- [La. R.S. 11:537 Refund of Contributions; Application, Payment, Effect, Repayment to System; Restoration of System](#)
- [LAC 58.I.113 Rollover of Refunds](#)
- [LAC 58.I.1301 Conditions Giving Rise to an Emergency Refund](#)
- [LAC 58.I.1303 Procedure for an Emergency Refund](#)
- [LAC 58.I.1305 Responsibility for Overpayment of a Refund](#)

APPLICABLE CHAPTER IN MEMBER'S GUIDE TO RETIREMENT

- [Chapter 5: Refund of Contributions](#)