

Glossary of Terms

Accrual rate—the proportion of a member's final average compensation (expressed as a percentage) that the member receives for each year of service in the retirement system. The accrual rate is determined by the retirement plan in which the member is enrolled.

Actuarial transfer—the transfer of service credit from one retirement system to another. This may involve a cost to the member.

Actuary—one who calculates pension and annuity rates based on risk factors obtained from experience tables.

Air Time—service credit that is purchased for time that a member did not actually work and contribute to LASERS. A member may purchase a maximum of five combined years of Air Time (purchased in one-year increments), which can be used to increase a member's retirement benefit and/or eligibility for retirement.

Anti-spiking rate—the rate at which a member's final average compensation (FAC) may be capped in order to avoid excessive spikes in compensation. The rate is determined by the retirement plan in which the member is enrolled.

Average compensation (also referred to as "**Final Average Compensation**" or **FAC**)—the average earned compensation received during 36 or 60 highest months of successive employment, or the highest joined months of compensation if interruption of service occurred. The average compensation for qualified part-time service is based on the full-time base pay that would have been received if employment had been full-time.

Base pay—a member's annual salary reported on a monthly basis. Regardless of the type of employee, monthly base pay should always be reported to LASERS as one-twelfth (1/12) of the member's annual *full-time* salary. Base pay shall not include overtime, per diem, differential pay, premium pay, or payment-in-kind. *See also "Emolument."*

Beneficiary—at the death of an active member, a person or trust who receives the balance of the member's contributions if no survivor benefits are payable. At the death of a retiree, depending on the retirement option chosen, the beneficiary receives a monthly benefit payment.

Computation credit—the earned service credit that is used to compute the amount of a member's retirement or disability benefit. A member cannot earn computation credit unless contributions are paid to LASERS. *See also "Service credit."*

Cost-of-Living Adjustment (COLA)—a system-generated, permanent increase to a member's retirement benefit. System-generated COLAs are funded by the retirement system upon legislative approval. *See also "Self-Funded COLA."*

Deferred Retirement Option Plan (DROP)—an optional retirement method that allows a member to defer his or her retirement benefit for a maximum period of 36 months while he or she continues to work.

Disability retirement—a retirement method available to members who become totally disabled and incapable of performing their normal job duties while actively employed in state service. Disability retirement is not available to members who are eligible for Regular retirement or Regular retirement with an actuarially reduced benefit. *See also "Line of Duty disability."*

DROP account—the account credited with DROP benefits during the participation period. Once the DROP participation period has ended, the DROP account is transferred from LASERS to the Self-Directed Plan (SDP), which is managed by the third-party administrator, EMPOWER Retirement™.

DROP beneficiary—the person designated as beneficiary of the member's DROP account. The DROP beneficiary is not required to be the same person as the participant's retirement beneficiary and may be changed at any time. If a married member designates someone other than his or her spouse as beneficiary, *Form 04-04: Spousal Consent* is required.

DROP benefit—the monthly amount credited to the participant's DROP account during participation. It also becomes the base benefit upon retirement, but does not include annual or sick leave that is converted to retirement credit when the participant retires.

DROP participation period—the time period chosen by the DROP participant beginning with the date of entry into DROP and continuing for up to 36 months. During this time, the participant continues employment and the DROP benefit is credited to the DROP account. The participant and employer cease to contribute to LASERS; therefore, state service during this period cannot be included in calculating total service credit for retirement.

DROP supplemental benefit—the benefit comprised of additional post-DROP service credit earned after the DROP participation period and the conversion of any unused leave, if applicable. It may also include credit for any service purchased during the DROP participation period or while working after DROP. The member's total retirement benefit is the sum of the DROP benefit and the supplemental benefit.

Earned compensation ("earnings")—the base pay plus certain emoluments earned by an employee for a given time period that is reported to LASERS on a monthly basis. It does not include overtime, per diem, differential pay, premium pay, or payment-in-kind. Regardless of the type of employee, earnings should be reported as the actual amount that an employee earned during the reported time period. *See also "Emolument."*

Eligibility credit—the service credit that is used to determine a member's entitlement to a retirement or disability benefit provided by LASERS. It is also used to determine when a survivor is qualified for a retirement benefit. *See also "Service credit."*

Emergency employee—see **"Part-time employee."**

Emolument—a cash compensation which is subject to federal and state income taxes, paid to an employee in addition to the employee's salary, but shall not include overtime, per diem, differential pay, premium pay, or payment-in-kind. *Emoluments should be included in the employee's base pay.*

Employee contributions (EEs)—the percentage of a member's earnings that the member pays to LASERS on a monthly basis. The percentage is determined by the retirement plan in which the member is enrolled.

Employer contributions (ERs)—the percentage of a member's earnings that the member's agency pays to LASERS on a monthly basis. The amounts are calculated based on the member's retirement plan and set annually by the Public Retirement Systems' Actuarial Committee (PRSAC).

Final Average Compensation (FAC)—see **"Average compensation."**

Full-time employee—any employee who has a normal working schedule of greater than 20 hours per week and performs services under an employment arrangement with the employer of more than two years in duration, or an employee who normally works on a full-time basis for five months or more in a year.

Initial Benefit Option (IBO)—an optional retirement plan that allows a member to receive a lump sum equivalent of up to 36 months of his or her maximum monthly retirement benefit. The monthly benefit will be actuarially reduced based on the member's age and the amount of the lump sum chosen.

IBO account—the account credited with IBO funds after the member retires. For members eligible to retire after January 1, 2004, the IBO account is transferred from LASERS to the Self-Directed Plan (SDP), which is managed by the third-party administrator, EMPOWER Retirement™. Members eligible to retire on or before January 1, 2004, have the option to either leave their IBO account at LASERS or transfer it to the Self-Directed Plan (SDP).

IBO beneficiary—the person designated as beneficiary of the member's IBO account. The IBO beneficiary is not required to be the same person as the member's retirement beneficiary and may be changed at any time. If a married member designates someone other than his or her spouse as beneficiary, *Form 04-04: Spousal Consent* is required.

In state service—refers to a member who is currently employed and has not terminated from state employment.

Intermittent employee—an employee who works an indefinite schedule on an "as needed" basis. *See also "Part-time employee."*

Irrevocable—incapable of being retracted or revoked; irreversible.

Job appointment—a situation in which an employee is employed for a fixed period not to exceed two years.

Line of Duty disability—total and permanent disability of a member resulting from injury received in the line of duty or official duties. Available to members of most hazardous duty plans (Corrections, Wildlife, HAZ Plan, and New Orleans Harbor Police).

Minor child—an unmarried child less than 18 years of age or an unmarried student less than 23 years of age.

Nine-month employee—an employee who works nine months in an academic or calendar year.

Out of state service—refers to a member who has previously contributed, but has terminated employment and is not currently contributing to LASERS.

Part-time employee—any employee who has a normal working schedule of 20 hours or less per week, or any employee who is seasonal or temporary. This would also include *emergency employees*.

Permanent Benefit Increase (PBI)—see "**Cost-of-Living Adjustment (COLA)**" and "**Self-Funded COLA.**"

Physically handicapped or mentally disabled child—a child, regardless of age, who is certified incapacitated at the time of the member's death and is dependent upon the surviving spouse or other legal guardian.

Reciprocal recognition of service—service credit in a retirement system is recognized by other public retirement system(s) to determine and attain eligibility for regular retirement, disability retirement, and survivor benefits in each respective system.

Re-employed retiree—a member who has retired from LASERS and returned to state service in a LASERS eligible position.

Refund—the withdrawal of all accumulated contributions at least 30 days after a member's termination from state service. Acceptance of a refund cancels all of the member's rights in LASERS.

Regular retirement—retirement based on the member's eligibility requirements as described by his or her applicable retirement plan.

Regular retirement with an actuarially reduced benefit—an optional retirement method that applies a reduction to a member's monthly benefit based on the member's age and number of months he or she is away from regular retirement eligibility. The reduction factor is provided by the LASERS Actuary. This option is not available to members who participate in DROP or retire with an IBO.

Required Minimum Distribution (RMD)—the minimum yearly amount, set by federal law, that a member must withdraw from his or her IBO or DROP account once the member has attained age 70½. The member must also be retired and receiving monthly retirement benefits for the withdrawal to be required.

Restricted appointment—a situation in which an employee is employed for no greater than six months.

Retirement beneficiary—a person named by the retiree as recipient of a benefit payable in the event of the retiree's death. This person is not required to be the same as the DROP or IBO beneficiary(ies). Once named, the retirement beneficiary cannot be changed after retirement, unless the retiree chose the Maximum option or Option 1. If the original beneficiary is deceased or the retiree has divorced, the retiree may request to have his or her benefit increased to the maximum amount (refer to Chapter 9: Retirement Options & Cost-of-Living Adjustments).

Retirement benefit—the lifetime monthly benefit received by a member who has ended employment and retired. This benefit may include the conversion of unused annual and sick leave to retirement credit, and for DROP participants, it may include additional service earned or purchased after the DROP participation ends. *See also "Supplemental benefit."*

Retirement benefit estimate—an estimated calculation of benefits provided to members who are within 18 months of eligibility for any type of retirement.

Retirement benefit option—one of seven options from which a member can choose at retirement. All but two options (Maximum and Option 1) leave a lifetime benefit to a designated beneficiary(ies) in the event of the member's death.

Seasonal employee—an employee who normally works on a full-time basis for less than five months in a year.

Self-Directed Plan (SDP)—a 401(a) retirement plan, under IRS rules, established by LASERS and held by the third-party administrator, EMPOWER Retirement™. Members eligible to retire after January 1, 2004, are required to have their DROP or IBO accounts transferred to the SDP. Members eligible to retire on or before January 1, 2004, have the option to either leave their DROP or IBO accounts at LASERS or transfer them to the SDP.

Self-Funded COLA—a two and one-half percent cost-of-living adjustment granted annually to a retiree after he or she reaches age 55. It is funded by the retiree through the actuarial reduction of his or her monthly retirement benefit. The Self-Funded COLA must be selected by the member at application for retirement or entry into DROP and is an irrevocable decision.

Service credit—the total of all earned, transferred, reciprocated, and purchased credit that is used to determine a member's eligibility for retirement and/or used to calculate his or her retirement benefit. A member begins to earn service credit upon enrollment in LASERS and payment of employee contributions to the system. *See also "Computation credit" and "Eligibility credit."*

Sheltered contributions—employee contributions paid into LASERS after January 1, 1984, which were not taxed. This may include contributions from purchases of additional service credit, transfers of service, or repayments of refunded service credit that are products of a rollover from an IRA or other qualified retirement plan.

Spousal consent—consent required by the spouse of a married member who selects a retirement benefit option that does not leave at least 50 percent of his or her retirement benefit to said spouse.

Student—an unmarried person under age 23 enrolled full-time in a high school, vocational-technical school, college, or university.

Supplemental benefit—a benefit that is added to the original base benefit when one of the following occurs: 1) additional service credit is earned or purchased after DROP participation has ended; or 2) a re-employed retiree retires after working for 36 or more successive months. *See also "Retirement benefit."*

Surviving spouse—a person who was legally married to a member of LASERS on the member's date of death. Common law marriages are not recognized by Louisiana law.

Survivor—a spouse and/or minor child of a member at the time of the member's death.

Survivor benefit—payment to the surviving spouse, minor children, and physically or mentally handicapped children when an active member dies. Eligibility requirements must first be met in order to receive a survivor benefit.

Temporary employee—an employee performing services under an employment arrangement with the employer of two years or less in duration.

Ten-month employee—an employee who works 10 months in an academic or calendar year.

Testamentary trust—a trust created or authorized through a last will and testament, but not implemented until after the death of the individual who creates and funds the trust.

Tutor—a person who has the legal authority to manage a minor child's financial affairs. Parents are the natural tutors of a child. **Tutorship** can also be appointed by the court.

Twelve-month employee—an employee who works 12 months in an academic or calendar year.

Unsheltered contributions—employee contributions paid into LASERS before January 1, 1984, which were taxed. This may include contributions from purchases of additional service credit, transfers of service, or repayments of refunded service credit. Certain employee contributions from purchases of military service may also be considered unsheltered.

WAE (when actually employed) employee—an employee who works on an "as needed" basis. *See also "Part-time employee."*