

UNUSED ANNUAL & SICK LEAVE

(La. R.S. 11:424)

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At the time of retirement, you may receive additional benefits for your unused, accumulated annual and sick leave. Upon certification by your agency of the leave, you will be given the option to have the leave converted to additional credit or to receive a one-time, lump-sum payment. Should you retire out of state service, you will not be given credit for your unused annual and sick leave unless you were eligible for retirement when you terminated state service. (For example, if you are in the rank-and-file plan and had 20 years of service credit when you terminated, you may receive credit for your leave as certified by your agency.) If you terminate employment, and later become re-employed you must contribute to LASERS for at least 18 months before you are eligible to receive credit for any unused leave for retirement purposes. No unused leave can be used for retirement eligibility purposes.

Your agency is required to submit *Form 07-01: Certification of Unused Annual and Sick Leave* to LASERS after you terminate employment. This form shows the balance of your unused annual and sick leave. The balance should not include any amounts that were paid to you by your agency, such as the 300 hours of annual leave paid by most Civil Service agencies.

Your unused leave is converted to days by adding the hours of annual and sick leave and dividing these hours by eight, representing an eight-hour day. Any fractional day of one-half or more will be granted as one day and less than half a day will be disregarded. Your unused leave will be converted to credit based on the following table:

Days of Unused Leave	Credit
1 – 26	.10
27 – 52	.20
53 – 78	.30
79 – 104	.40
105 – 130	.50
131 – 156	.60
157 – 182	.70
183 – 208	.80
209 – 234	.90
235 – 260	One year

EXAMPLE

Cathy has 609 days of unused annual and sick leave. By using the chart above, credit for her unused leave is calculated as follows:

$$\begin{array}{rcl}
 260 \text{ days} & = & 1.00 \text{ year} \\
 260 \text{ days} & = & 1.00 \text{ year} \\
 89 \text{ days} & = & 0.40 \text{ year} \\
 \hline
 609 \text{ total days} & = & 2.40 \text{ years}
 \end{array}$$

Cathy will receive a total of 2.4 years credit for her unused leave.

Your application for retirement will include a section for you to make a choice about the payment of unused annual and sick leave. You will have two options:

- Convert your unused annual and sick leave to credit, or
- Take a lump-sum payment of the actuarial value (not the hourly salary rate) of the unused annual and sick leave. This payment may be rolled over to an IRS qualified plan.

Members who participate in DROP will make their leave selection at the time of their retirement. Disability retirees must convert their unused annual and sick leave to credit.

Convert Leave to Credit

If you decide to convert your unused leave to credit, it will be included in the total credit used to compute your retirement benefit.

EXAMPLE

Fred is retiring at age 54 with 30 years service credit. He has a final average compensation of \$50,000.00. He has 57 days of unused leave, which converts to .30 years of credit. His maximum retirement benefit would be calculated in the following manner:

$$\begin{array}{rcccccc} \$50,000.00 & \times & .025 & \times & 30.0 & = & \$37,500.00 \text{ per year} \\ \text{average} & & \text{accrual rate} & & \text{years of} & & (\$3,125.00 \text{ per month}) \\ \text{compensation} & & & & \text{service credit} & & \end{array}$$

$$\begin{array}{rcccccc} \$50,000.00 & \times & .025 & \times & .30 & = & \$375.00 \text{ per year} \\ \text{average} & & \text{accrual rate} & & \text{years of} & & (\$31.25 \text{ per month}) \\ \text{compensation} & & & & \text{unused leave} & & \end{array}$$

Total retirement benefit	=	\$3,125.00	+	\$31.25	=	\$3,156.25 per month
		<i>retirement benefit</i>		<i>converted leave benefit</i>		

By converting his unused leave, Fred's monthly benefit has increased from \$3,125.00 to \$3,156.25, or \$31.25 per month.

Lump-Sum Payment of Leave Balance

If you decide to take a lump-sum payment of your unused annual and sick leave, the amount paid will be at an actuarial rate, and not at your regular hourly rate. Lump-sum payments are calculated by multiplying the additional annual benefit by the actuarial reserve factor for your age at the time of retirement. The actuarial reserve factor is based on life expectancy.

EXAMPLE

Fred converted his 57 days of unused leave to additional credit. If Fred decided to take a lump-sum payment for his unused leave, the payment would be calculated in the following manner:

$$\begin{array}{rcccccc} \$50,000.00 & \times & .025 & \times & .30 & = & \$375.00 \text{ annual benefit} \\ \text{average} & & \text{accrual rate} & & \text{years of} & & \\ \text{compensation} & & & & \text{unused leave} & & \\ \\ & & \$375.00 & \times & 10.454 & = & \$3,920.25 \text{ lump-sum} \\ & & \text{additional} & & \text{actuarial} & & \text{payment} \\ & & \text{annual benefit} & & \text{reserve factor} & & \end{array}$$

Fred must decide whether to take an additional \$31.25 monthly for his lifetime or accept a one-time lump-sum of \$3,920.25.

Lump-sum payments are subject to mandatory 20 percent federal income tax withholding. You may also be subject to a 10 percent federal early withdrawal penalty. LASERS encourages you to contact a tax consultant to determine if the provisions are applicable to your specific situation. However, you may roll over the lump-sum payment to an IRS qualified plan to avoid the mandatory 20 percent withholding. For a rollover, *Form 02-01A: Authorization for Direct Rollover* must be completed by your financial institution and submitted to LASERS.

You cannot convert all of your unused leave to credit if this will cause your retirement benefit to exceed 100 percent of your final average compensation. In this case, your unused leave will be converted to credit to reach 100 percent of your average compensation, and any remainder of leave will be paid to you in a lump-sum. ■



MEMBER FORMS

Form 02-01A: Authorization for Direct Rollover

EMPLOYER FORMS

Available to HR reps only.

Form 07-01: Certification of Unused Annual and Sick Leave