

Membership Handbook



Louisiana State Employees' Retirement System
as of January 2012

Retirement Options and the Self-Funded COLA

(La. R.S. 11:446)

When you retire you must select a retirement option and a beneficiary(ies). You can name anyone as a beneficiary. Generally, a married member must choose a retirement option which provides a benefit for their spouse that is at least fifty percent of the benefit payable to the retiree. (Please see the chapter on Community Property and Divorce if you and your spouse have a separate property agreement.) You may choose an option that does not leave a monthly benefit for your spouse or name another beneficiary, if your spouse agrees with the choice, and signs form 4-04, *Spousal Consent* in the presence of a Notary Public. Depending on the retirement option chosen, your beneficiary may receive a lifetime benefit in the case of your death. Below are the seven retirement options:

Maximum Option pays the maximum monthly benefit to you for your lifetime. This option does not pay a monthly benefit to a beneficiary(ies). Should you die before your member contributions are depleted, your beneficiary(ies) will receive a lump-sum payment of your remaining member contributions. Contributions are typically exhausted within two to three years after your retirement or entry into DROP.

Option 1 pays you a slightly reduced monthly benefit for your lifetime. The benefit reduction is based on your employee contributions, your age, and your life expectancy at the time of your retirement. It does not pay a monthly benefit to a beneficiary(ies). Should you die before your member contributions are depleted, your beneficiary(ies) will receive a lump-sum payment of your remaining member contributions. Your contributions are depleted at an actuarially reduced rate, and are typically exhausted in approximately eight or more years after your retirement or entry into DROP. *This option is not available to members who choose the Initial Benefit Option (IBO).*

Option 2A pays you a reduced monthly benefit for your lifetime, and a benefit to your beneficiary after your death. The benefit reduction is based on the ages of you and your beneficiary at the time of your retirement. Upon your death, your beneficiary will receive a lifetime benefit of the same monthly amount for their lifetime. You can only select one beneficiary, and this beneficiary cannot be changed after retirement.

Option 2B is only available to members with a mentally handicapped child or children and pays you a reduced monthly benefit for your lifetime. The benefit reduction is based on the ages of you, your beneficiary, and your mentally handicapped child or children at the time of your retirement. Upon your death, your beneficiary will receive the same amount for their lifetime. At the beneficiary's death, a benefit is paid to the legal guardian of any mentally handicapped child or children. You must submit Form 6-03, *Option 2B Mentally Handicapped Designee*, along with your retirement application. This form must be certified by a physician.

Option 3 pays you a reduced monthly benefit for your lifetime, and a benefit to your beneficiary after your death. The benefit reduction is based on the ages of you and your beneficiary at the time of your retirement. Upon your death, your beneficiary will receive 50 percent of your benefit for their lifetime. You can only select one beneficiary, and this beneficiary cannot be changed after retirement.

If your named beneficiary dies, you may request to have your retirement benefit increased to the amount that you would have received had you initially selected the Maximum Option.

Option 4A is only available to members who have been married at least two years at the time of their retirement. Only your spouse may be named as your beneficiary. This option pays you 90 percent of the Maximum Option benefit for your lifetime. Upon your death, your spouse will receive 55 percent of your Maximum Option benefit for their lifetime. *This option is not available to Disability retirees.*

Option 4B pays you a reduced monthly benefit for your lifetime. The benefit reduction is based on the ages of you and your beneficiary at the time of your retirement. Upon your death, your beneficiary will receive 55 percent of your benefit for their lifetime. You can only select one beneficiary, and this beneficiary cannot be changed after retirement.

For all options other than the Maximum Option or Option 1, only one beneficiary may be named, and the beneficiary cannot be changed after your retirement. If your named beneficiary dies, you may request to have your retirement benefit increased to the amount that you would have received had you initially selected the Maximum Option. If you named your spouse as your beneficiary, and you are now divorced, you may request to have your benefit increased to an actuarially reduced Maximum amount. You must provide a court order showing that your former spouse has irrevocably relinquished all rights to a benefit and pay a \$150.00 nonrefundable actuarial calculation fee.

If you choose an option which will leave your spouse a monthly benefit in the event of your death, they will receive this benefit for their lifetime, even if they remarry.

Martha is retiring with 13.20 years of service at age 60 and her beneficiary is age 64. She has an annual final average compensation of \$31,668.00 and an accrual rate of 2.5%, so her Maximum retirement benefit is \$895.87 per month. This amount will be reduced if she chooses a retirement option other than the Maximum. The chart below shows the monthly amount that she will receive depending on which retirement option she chooses:

	Maximum	Option 1	Option 2A	Option 3	Option 4A	Option 4B
Member Retirement Payment	100%	Reduced amount from maximum	Reduced amount based on ages at retirement	Reduced amount based on ages at retirement	90 percent of maximum	Reduced amount based on ages at retirement
Monthly Benefit to Member	\$895.87	\$890.27	\$813.94	\$852.94	\$806.28	\$848.88
Beneficiary Payment (after your death)	Lump sum of remainder of unused employee contributions	Lump sum of remainder of unused employee contributions	Same amount as retiree	50 percent of retiree's benefit	55 percent of maximum	55 percent of retiree's benefit
Monthly Benefit to Beneficiary	None	None	\$813.94	\$426.47	\$492.73	\$466.88

Self-Funded COLA (La. R.S. 11:446:A(6))

At the time of retirement or entry into DROP, you may elect to receive an actuarially reduced retirement allowance plus a 2.5 percent cost-of-living adjustment (COLA), which will be paid annually on your retirement anniversary date. If you are not 55 at the time of retirement or entry into DROP, you are eligible to select the COLA, but it will not be payable to you until the anniversary date after you turn age 55. If you choose a retirement option which leaves your spouse a monthly benefit, the Self-Funded COLA will be added to their monthly benefit after your death. However, if you name a non-spouse beneficiary the Self-Funded COLA will not be added to their monthly benefit after your death. If you retire under the HAZ PLAN and select this option, the Self-funded COLA will not be added to any monthly survivor benefits payable after your death. *The Self-Funded COLA is not available for Disability retirement. If you selected the COLA at the time of retirement or entry into DROP, the COLA will apply to benefits received during your DROP participation period. The Self-funded COLA also applies to supplemental benefits.*

Martha is retiring with 13.20 years of service at age 60 and her beneficiary is age 64. She has an annual final average compensation of \$31,668.00 and an accrual rate of 2.5%, so her Maximum retirement benefit is \$895.87 per month. However, she has decided to take the Self-Funded COLA option so this Maximum amount is reduced from \$895.87 to \$718.24. The chart below shows the monthly amount that she will receive depending on which retirement option she chooses with the Self-Funded COLA.

	Maximum	Option 1	Option 2	Option 3	Option 4B
Member Retirement Payment	100%	Reduced amount from maximum	Reduced amount based on ages at retirement	Reduced amount based on ages at retirement	Reduced amount based on ages at retirement
Monthly Benefit to Member	\$718.24	\$706.75	\$638.28	\$675.90	\$671.94
Beneficiary Payment (after your death)	Lump sum of remainder of unused employee contributions	Lump sum of remainder of unused employee contributions	Same amount as retiree	50 percent of retiree's benefit	55 percent of retiree's benefit
Monthly Benefit to Beneficiary	None	None	\$638.28	\$337.95	\$369.57

The choice to take the Self-Funded COLA is irrevocable, and you will receive this actuarially reduced benefit for your lifetime. We strongly suggest that you obtain a retirement estimate prior to making this selection.

LASERS

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