

## **Purchasing Air Time for Retirement Eligibility**

Senate Bill 9 (ACT 322), by Senator Butch Gautreaux, has been signed by the Governor and has an effective date of **July 1, 2011**. It allows a member of LASERS with at least five years of service credit in LASERS to purchase up to five years of service credit, in one-year increments, which may be used for retirement eligibility.

The air time for retirement eligibility purchases allowed under SB 9 will be in addition to the purchase of air time for computation of benefits currently allowed. Members who previously purchased air time for computation purposes, and have not yet retired, will be eligible to pay to upgrade that air time for eligibility.

Five years is the maximum amount of air time which may be purchased, whether the time is purchased for computation purposes or retirement eligibility. For example, if a member has already purchased five years of air time for computation purposes they may upgrade that time, but may not buy additional air time.

The cost to purchase air time for eligibility shall be the greater of the actuarial cost **or** the employee contributions for each additional year of service credit being obtained based on the greater of the member's current salary or the member's final average compensation. It must be paid in one lump sum. **See below** for samples demonstrating the cost of these purchases in hypothetical situations.

Members wishing to obtain the cost of an air time purchase must pay a nonrefundable actuarial fee of \$150. Form 2-07, *Application for Purchase of Service Under La. R.S. 11:429(B)* should be used by members wishing to upgrade prior air time or purchase air time until a new form is developed. Members who submit a Form 2-07 will be sent an acknowledgement letter with a request for more information about the type of purchase information requested. In some instances an additional actuarial fee may be required.

### **Important Note about Impact on Insurance Premiums:**

A member who purchases air time for retirement eligibility and retires earlier than he would otherwise have been eligible to retire must pay the increase in his employer's premium resulting from the early retirement. The increased premium must be paid until the member reaches the age at which they would have met regular retirement eligibility. The premium will be deducted from the retiree's monthly benefit and remitted to the Office of Group Benefits. Twenty years at any age actuarially reduced retirement is considered a regular retirement. Therefore, if a member has actually worked 20 years and retires (other than those in the Wildlife Plan hired after July 1, 2003 and members of the Corrections Secondary Plan) they would not pay an increased premium.

To assist you with making a decision as to whether you should request an air time cost calculation, the actuary for LASERS has prepared calculations for two hypothetical

members, as described below.

### **Example 1**

Sam is a 40 year old employee at the Department of Natural Resources with 15 years of service. His annual salary is \$48,000 and his average compensation using his highest 36 months of service would be \$51,600. If Sam were to purchase air time, the cost would be:

Type of Air Time	1 Year Cost	2 Years Cost	5 Years Cost
Computation Only	\$3,600	\$ 7,200	\$18,000
Computation & Eligibility	\$ 7,105	\$15,292	\$44,338

If Sam purchases five years of air time for eligibility at the \$44,338 cost he would be eligible to retire with a 20 year actuarially reduced retirement. If he took that retirement option he would be responsible for paying any increased cost for his health insurance premium to Group Benefits that would accrue to his employer because of his early retirement. Sam should go to the Office of Group Benefits website at [www.groupbenefits.org](http://www.groupbenefits.org) to review the rate schedules currently in effect to determine his obligation there. At age 60, Sam would reach normal retirement age for retirement and would no longer be responsible for any increased premium cost.

### **Example 2**

Beth is a 55 year old employee at the Department of Social Services with 23 years of service. Her annual salary is \$54,000 and her average compensation using her highest 36 months of service would be \$57,600. If Beth were to purchase air time, the cost would be:

Type of Air Time	1 Year Cost	2 Years Cost
Computation Only	\$9,470	\$ 18,940
Computation & Eligibility	\$ 47,030	\$91,909

Beth is currently eligible to retire since she has at least 20 years of service. But, if she took that retirement, her monthly benefit would be actuarially reduced. Beth could purchase 2 years of air time for eligibility at a cost of \$91,909, and retire with 25 years of service at age 55. Under either circumstance Beth would not be required to pay any

increased health insurance premium.

[Reporting Fraud](#) | [DROP Interest Rate](#) | [LASERS Sees Increase in Returns](#) | [Home](#)

© 2009 LASERS. All Rights Reserved. [Privacy Policy](#)

Local Baton Rouge area: 225-922-0600

Toll-Free: 1-800-256-3000 (Outside Baton Rouge)

Physical Address: 8401 United Plaza Blvd. Baton Rouge, LA 70809

Mailing Address: P.O. Box 44213, Baton Rouge, LA 70804