Purchasing Air Time for Retirement Eligibility in a Layoff Situation

A LASERS member with at least five years of service credit in LASERS is allowed to purchase up to five years of service credit, in one-year increments, which may be used for retirement eligibility. Also, members who previously purchased air time for computation purposes, and have not yet retired, are eligible to pay to upgrade that air time for eligibility. For employees facing a layoff, an air time purchase can provide an important option.

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) – *Air Time*, should be used.

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 four hypothetical members, as described below.

Example 1

Joe is a 40 year old employee at the University Medical Center with 15 years of service. His annual salary is $48,000 and his average compensation using his highest 36 months of service is $46,000. If Joe 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	$ 7,600	$ 16,500	$ 47,000

If Joe purchases five years of air time for eligibility at the $47,000 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. Joe should go to the Office of Group Benefits website at http://www.groupbenefits.org to review the rate schedules currently in effect to determine his obligation there. At age 60, Joe would reach normal retirement age for retirement and would no longer be responsible for any increased premium cost.

Example 2

Julie is a 55 year old rank-and-file employee at the Department of Corrections with 23 years of service. Her annual salary is $54,000 and her average compensation using her highest 36 months of service is $52,000. If Julie were to purchase air time, the cost would be:

Type of Air Time	1 Year Cost	2 Years Cost
Computation Only	$ 9,950	$ 19,900
Computation & Eligibility	$ 36,200	$ 75,750

Julie 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. Julie could purchase 2 years of air time for eligibility at a cost of $75,750, and retire with 25 years of service at age 55. Under either circumstance Julie would not be required to pay any increased health insurance premium.

<u>Example 3</u>

Bill is a 45 year old rank-and-file employee at the Department of Health and Hospitals with 20 years of service. His annual salary is $31,000 and his average compensation using his highest 36 months of service is $30,000. If Bill were to purchase air time, the cost would be:

Type of Air Time	1 Year Cost	2 Years Cost	5 Years Cost
Computation Only	$ 2,500	$ 5,100	$ 12,700
Computation & Eligibility	$ 8,400	$ 18,400	$ 54,100

Bill is currently eligible to retire since he has at least 20 years of service. But, if he took that retirement, his monthly benefit would be actuarially reduced. Under this circumstance, Bill would not be required to pay any increased health insurance premium. Although he is eligible to retire, Bill may still want to consider buying air time to increase his monthly retirement benefit. He could purchase air time for computation purposes and his benefit would increase as follow:

CURRENT MONTHLY BENEFIT	BENEFIT WITH 1 YEAR OF COMP AIR TIME	BENEFIT WITH 2 YEARS OF COMP AIR TIME	BENEFIT WITH 5 YEARS OF COMP AIR TIME
$521.34	$547.40	$573.47	$651.67

If Bill purchases 5 years of air time for eligibility and computation and waits to retire at age 55, his benefit would be $1,562.50.

If Bill continues to work and chooses to purchase air time for computation and eligibility, he can retire with 30 years of service. His benefit would change as follow:

1 YEAR OF AIR TIME COMP/ELIG	2 YEARS OF AIR TIME COMP/ELIG
RETIREMENT WITH 30 YEARS	RETIREMENT WITH 30 YEARS
AT AGE 54	AT AGE 53
$1,875.00	$1,875.00

Example 4

Kathy is a 40 year old rank-and-file employee at the Louisiana Workforce Commission with 15 years of service. Her annual salary is $37,000 and her average compensation using her highest 36 months of service is $36,000. If Kathy were to purchase air time, the cost would be:

Type of Air Time	1 Year Cost	2 Years Cost	5 Years Cost
Computation Only	$ 2,700	$ 5,400	$ 13,500
Computation & Eligibility	$ 5,800	$ 12,300	$ 35,400

If Kathy purchases five years of air time for computation and eligibility at the $35,400 cost, she would be eligible to retire with a 20 year actuarially reduced retirement. If she took that retirement option, she would be responsible for paying any increased cost for her health insurance premium to Group Benefits that would accrue to her employer because of her early retirement. Kathy should go to the Office of Group Benefits website at www.groupbenefits.org to review the rate schedules currently in effect to determine her obligation there. At age 60, Kathy would reach normal retirement age for retirement and would no longer be responsible for any increased premium cost.