

# MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA

## MEMORANDUM

TO: PARTICIPATING MUNICIPALITIES

FROM: WILLIAM C. TOADVIN, ADMINISTRATIVE DIRECTOR/GENERAL COUNSEL

RE: CONVERSION OF UNUSED ANNUAL AND SICK LEAVE TO RETIREMENT CREDIT

DATE: JANUARY 13, 2002

The conversion of unused leave to retirement credit is now allowed for any member of the system whose employing municipality IRREVOCABLY elects such coverage. (PLEASE NOTE THAT ONCE A MUNICIPALITY ELECTS TO USE THIS CONVERSION OPTION, THE MUNICIPALITY MAY NOT THEREAFTER CHANGE THAT DECISION.)

If a municipality elects this conversion option, all unused earned annual and sick leave that has been accrued and accumulated by a member at the time of his retirement (i.e. termination of employment) for which payment cannot be made shall be converted to retirement credit pursuant to the following scale:

<u>Days</u>	<u>Percentage of a Year</u>
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	100.

There is no limit on the amount of unused leave that may be converted to retirement credit. HOWEVER, the conversion of unused leave may not be used to attain any type of benefit payable by the system. In other words, unused leave may only be converted to retirement credit AFTER a member has already attained eligibility for retirement.

**MEMORANDUM**

TO: PARTICIPATING MUNICIPALITIES  
FROM: WILLIAM C. TOADVIN, ADMINISTRATIVE DIRECTOR/GENERAL COUNSEL  
RE: **CONVERSION OF UNUSED ANNUAL AND SICK LEAVE TO RETIREMENT CREDIT**  
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Unused leave may only be converted to retirement credit when a member actually terminates his employment. **Unused leave may not be converted to retirement credit when/if a member enters participation in the system's Deferred Retirement Option Plan (DROP).** Credit obtained by the conversion of unused leave may not be used in the computation of average compensation.

The member's employer is required to submit a report of unused leave, computed in days only, at the time the member retires. Fractional days of one-half or more shall be granted as one day and less than one-half day shall be disregarded.

Any member who had previously terminated his employment for any period of time, but who later becomes re-employed, must contribute to the system for at least eighteen months subsequent to his re-employment before he may be allowed to convert his unused leave to retirement credit.

**THE ACTUARIAL COST OF THE CONVERSION OF UNUSED LEAVE TO RETIREMENT CREDIT MUST BE BORN SOLELY BY AND PAID TO THE SYSTEM BY THE MEMBER'S EMPLOYING MUNICIPALITY WITHIN THIRTY DAYS OF THE DATE THAT THE MEMBER RETIRES.**

Examples of the cost of conversion of unused leave to retirement credit are enclosed.

Also enclosed is suggested language that may be used in the form of a Resolution to be adopted by the governing authority of any municipality that wishes to elect this conversion option.

As always, please let us know if you have questions or we may be of other assistance.

Enclosures

**Municipal Employees' Retirement System**  
**Examples of Cost for Conversion of Sick & Annual Leave**

**Plan A**

Sex	Age	Leave Amount (days)	Additional Retirement Credit	Final Average Compensation (Annual)	Additional Benefit (Annual)	Annuity Value	Cost
M	65	38	0.2 years	\$25,000	\$150	7.921973	\$1,188.30
F	70	85	0.4 years	\$20,000	\$240	8.137456	\$1,952.99
F	50	150	0.6 years	\$30,000	\$540	11.274108	\$6,088.02
M	55	410	1.6 years	\$25,000	\$1,200	9.826713	\$11,792.06
M	48	530	2.1 years	\$40,000	\$2,520	10.812909	\$27,248.53

**Plan B**

Sex	Age	Leave Amount (days)	Additional Retirement Credit	Final Average Compensation (Annual)	Additional Benefit (Annual)	Annuity Value	Cost
M	75	50	0.2 years	\$28,000	\$112	5.744752	\$643.41
F	55	98	0.4 years	\$18,000	\$144	10.686440	\$1,538.85
M	60	125	0.5 years	\$36,000	\$360	8.948104	\$3,221.32
M	50	200	0.8 years	\$25,000	\$400	10.555448	\$4,222.18
F	70	300	1.2 years	\$40,000	\$960	8.137456	\$7,811.96

**Note:** For illustrative purposes only. Actual costs will be based upon the facts and circumstances at the time of conversion as well as the actuarial assumptions in effect at the time.

RESOLUTION NUMBER \_\_\_\_\_

WHEREAS: Act Number 999 of the 2001 Regular Session of the Louisiana Legislature added a statutory provision applicable to the Municipal Employees' Retirement System of Louisiana relative to the conversion of certain unused annual and sick leave to retirement credit; and,

WHEREAS: The conversion of such unused leave is allowed for any member of the System whose employing municipality IRREVOCABLY elects such coverage; and,

WHEREAS: Once a municipality elects to use this conversion option, the municipality may not thereafter change that decision; and,

WHEREAS: The actuarial cost of the conversion of such unused leave to retirement credit must be born solely by and paid to the System by the member's employing municipality within thirty days of the date that the member retires; and,

WHEREAS: The \_\_\_\_\_ of \_\_\_\_\_ desires to elect the IRREVOCABLE option of converting the available unused leave of its employees to retirement credit in the Municipal Employees' Retirement System of Louisiana;

THEREFORE, BE IT RESOLVED, that the (Town/City Council/Board of Aldermen/other governing authority) of the \_\_\_\_\_ of \_\_\_\_\_ hereby elects the coverage of Act No. 999 of the 2001 Regular Session of the Louisiana Legislature, as that Act may subsequently be amended, for the benefit of the employees of the (town/city) that participate in the Municipal Employees' Retirement System of Louisiana and agrees to be bound by the provisions of that Act, as it may be subsequently amended, including making the required payments to the Municipal Employees' Retirement System of Louisiana on a timely basis.

**ACT No. 999**

Regular Session, 2001

HOUSE BILL NO. 1821

BY REPRESENTATIVE CROWE

AN ACT

To enact R.S. 11:1755(E), relative to the Municipal Employees' Retirement System; to provide with respect to service credit, including but not limited to the conversion of certain unused earned annual and sick leave to retirement credit on the basis of an established conversion formula; to provide an effective date; and to provide for related matters.

Notice of intention to introduce this Act has been published as required by Article X, Section 29(C) of the Constitution of Louisiana.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 11:1755(E) is hereby enacted to read as follows:

§1755. Creditable service; service certificate; adjusted service date; repayment of withdrawn contributions

\* \* \*

E.(1)(a) The provisions of this Subsection are limited in scope and shall only apply to members of this system whose employing municipality irrevocably elects such coverage. The board of trustees shall cause to be promulgated all regulations necessary to govern the procedures for municipalities to irrevocably elect coverage under the provisions of this Subsection.

(b) All unused earned annual and sick leave which has been accrued and accumulated by an employee, except as hereinafter provided, and for which payment cannot be made in accordance with law, ordinance, or any civil service rule at the time of retirement, shall

be credited at the time of retirement to the member on the following basis:

<u>Days</u>	<u>Percentage of a Year</u>
<u>1- 26</u>	<u>10</u>
<u>27- 52</u>	<u>20</u>
<u>53- 78</u>	<u>30</u>
<u>79-104</u>	<u>40</u>
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<u>235-260</u>	<u>100</u>

(2) There shall be no limit on the amount of unused earned sick and annual leave that a member may convert to retirement credit on the basis of the above formula. No member, survivor, or beneficiary shall use any unused earned sick and annual leave to attain eligibility for any benefits provided by this Chapter.

(3) At the time the member retires, the employer shall submit to the board a report of unused earned sick and annual leave, computed in days only, plus unreported earnings and contributions.

(4) When extending credit for unused earned leave, fractional days of one-half or more shall be granted as one day and less than one-half day shall be disregarded. Any member who had previously terminated his employment for any period of time, but who later becomes reemployed as an active contributing member in this system,

shall have contributed to the system for not less than eighteen months subsequent to his reemployment date before using converted unused earned sick and annual leave for purposes of benefit computation. Additional membership service obtained by conversion of unused earned sick and annual leave shall not be used in computation of average compensation.

(5) The actuarial cost of providing the conversion authorized by this Subsection shall be borne solely by and shall be paid to the board by the municipality that employed the member within thirty days of the date that the member retires.

Section 2. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided in Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

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SPEAKER OF THE HOUSE OF REPRESENTATIVES

\_\_\_\_\_  
PRESIDENT OF THE SENATE

\_\_\_\_\_  
GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: \_\_\_\_\_