SUMMARY OF
PRINCIPAL FEATURES
THROUGH THE 2016 LOUISIANA LEGISLATURE
ACT 584 of 2006
PLAN OF BENEFITS FOR EMPLOYEES HIRED 1/1/07 & LATER

Act 584 of 2006 implemented a new plan of benefits for employees hired 1/1/07 and later. Following is a summary of the changes:

1) Five year final average compensation
2) Eligibility for normal retirement will be modified as follows
   a. 7 years at age 67
   b. 10 years at age 62
   c. 30 years at age 55
3) 7 years of service will be required for disability retirement eligibility. In addition, disability will be defined as unable to perform any type of gainful employment.
4) Actuarial cost of leave conversion will be paid by the employer at the member’s date of retirement.
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1. GENERAL INFORMATION

The Parochial Employees' Retirement System is a public defined benefit pension plan which provides retirement allowances and other benefits, operating pursuant to LSA-R.S. 11:1901 through 2025. The retirement system has the powers and privileges of a corporation.

**THIS PUBLICATION IS NOT INTENDED TO GOVERN THE PAYMENT OF BENEFITS DUE UNDER THE RETIREMENT SYSTEM. IT IS INTENDED TO BE ONLY A BRIEF OUTLINE OF BASIC BENEFITS AND IS NOT AN OBLIGATION TO PAY THE BENEFITS OUTLINED HEREIN. ALL BENEFITS SHALL BE PAYABLE AS PROVIDED BY STATE LAW. THE RETIREMENT SYSTEM WILL NOT BE LIABLE FOR ANY ERRORS OR INACCURACIES CONTAINED HEREIN.**

1. (A) Establishment and Revision

Act 205 of 1952 established this retirement system, effective January 1, 1953. A comprehensive revision of the Parochial Employees' Retirement System law became effective January 1, 1980 and provides for two separate retirement plans. **PLAN A** was designed for employers out of Social Security. **PLAN B** was designed for those employers that remained in Social Security on the revision date.

The information contained herein is current through the 2016 Louisiana Legislative Session. It is subject to change during each session of the state legislature. Your employer will be notified of any changes in the present law. Periodic newsletters are provided to all employers for further distribution to members.

Requests for further information should be directed to:

**PAROCHIAL EMPLOYEES' RETIREMENT SYSTEM OF LOUISIANA**
**P. O. BOX 14619**
**BATON ROUGE, LOUISIANA 70898-4619**

The street address of the retirement system's office is 7905 Wrenwood Boulevard, Baton Rouge, Louisiana 70809. The telephone number is: 225/928-1361

Regular office hours are from 8:00 A.M. to 4:30 P.M. The office is closed on most state holidays.

1. (B) ADMINISTRATION

This retirement system is operated by a Board of Trustees, an Administrative Director, an Actuary and Legal Counsel. The Board consists of seven trustees, including four active or retired members of the system who have at least ten years of creditable service, elected by the members of the system for six year terms. One member, appointed by the Executive Board of the Police Jury Association of Louisiana for a four year term, is an
Ex-Officio member of the Board. The Chairmen of the House and Senate Retirement Committees or their designees also serve as ex-officio members of the Board of Trustees. Each member is required to take an oath of office like other public officials. Meetings of the Board are held quarterly.

An annual financial report is provided to all participating employers. The system operates on a calendar year basis.

Board Members as of 9/01/16

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<td>Terrie T. Rodrigue, Chairman</td>
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<td>Jefferson Parish</td>
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<td>Tammy Bufkin</td>
<td>Representative J. Kevin Pearson,</td>
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<td>Calcasieu Parish</td>
<td>Chairman, House</td>
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<td>Gwen LeBlanc, Vice Chairman</td>
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<td>Tim Ware</td>
<td>Senator Barrow Peacock,</td>
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<td>Rapides Parish</td>
<td>Chairman, Senate Retirement Committee</td>
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Administrative Personnel

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<tr>
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<td>Administrative Director</td>
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<td>Troy Searles, CFA</td>
<td>Chief Investment Officer</td>
</tr>
<tr>
<td>Becky Fontenot</td>
<td>Assistant Director</td>
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<tr>
<td>Geraldine Ferguson</td>
<td>Systems Analyst</td>
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<tr>
<td>Jean Sullivan</td>
<td>Bookkeeper</td>
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<tr>
<td>Eddie Dimaio</td>
<td>Data Entry Specialist</td>
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<tr>
<td>Cari Hill</td>
<td>Benefits Analyst</td>
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<tr>
<td>Virginia Eckert</td>
<td>Receptionist</td>
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<tr>
<td>G. S. Curran &amp; Co., LTD</td>
<td>Actuary</td>
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<tr>
<td>Denise Akers, Attorney</td>
<td>Legal Counsel</td>
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<tr>
<td>Duplantier, Hrapmann, Hogan &amp; Maher</td>
<td>Auditor</td>
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2. MEMBERSHIP

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment.

Effective July 1, 1997, new employees age 55 and older and who have 40 quarters or more of Social Security participation have an option to join the Parochial system. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. When a decision is made, an election form must be completed and sent to the retirement system office. If the employee elects to join the system, the standard Personal History form should be completed as well. If the employee begins work before the election is made, the employee should be enrolled in Social Security or in a deferred compensation plan until the retirement determination is made.

As of January 1, 1997, elected officials, excepting coroners, justices of the peace and parish presidents, may no longer join the retirement system. Those elected officials enrolled as of January 1, 1997 will maintain membership as long as they hold office. Justices of the Peace and Parish Presidents have an option to join at any time within twelve months of taking the oath of office. Coroners may join at any time on a current basis and now have the option of purchasing prior service as coroners at actuarial cost.

2. (A) - REPAYMENT OF REFUNDS

Any member who has withdrawn contributions shall be entitled to repay the refund, plus interest compounded annually (to be equal to the board-approved actuarial valuation rate, currently 7.25%) to re-establish creditable service after six (6) months current membership.

The retirement system can accept direct rollovers from 403(b) and 457 plans for the repayment of refunded service once a completed Direct Rollover Request Form has been submitted to our office.

2. (B) - PRIOR SERVICE CREDIT WHEN NOT PROPERLY ENROLLED

Any person whose membership was mandatory at the time of employment but was not enrolled in the retirement system due to administrative error may, upon application, receive credit for the time such person was not enrolled. The employer must certify the dates of employment and salary earned during these dates. A payment equal to the employer and employee contributions that would have been paid, plus interest, but not to be less than the amount which on an actuarial basis offsets the increase in accrued liability of the system that results from the receipt of such credit by the person, must be made in order to receive such credit.
The retirement system can accept direct rollovers from 403(b) and 457 plans for the purchase of prior service credit once a completed Direct Rollover Request Form has been submitted to our office.

3. CONTRIBUTIONS AND FUNDING

The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions can be set within a range by the Board of Trustees. The range in Plan A is between 8% and 11%. The range in Plan B is between 3% and 5%. Currently, the Plan A employee rate is 9.5% and the Plan B employee rate is 3.0%. Employer contributions are actuarially determined every fiscal year according to statutory process. Written notice of these rates is provided to employers annually. In 2017, these employer rates will be 12.50% for Plan A and 8.00% for Plan B. In addition, each sheriff and ex officio tax collector deducts one fourth of one percent of the aggregate amount of the tax shown to be collected by the tax roll of each respective parish (excepting Orleans and East Baton Rouge Parish) and remits the money to the system on an annual basis. The cost of operating the system is funded by a portion of the contributions.

A statement of accumulated member contributions is provided to all members with a balance following the close of each plan year.

4. VESTING

Seven years of service credit is required to be eligible for a normal retirement benefit at age 65 if the member was an active member of either plan on December 31, 2006. For employees hired 1/1/07 and later, vesting occurs with seven years of service credit; however, these members must attain age 67 before becoming eligible for normal retirement. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service (see PLAN A and PLAN B Normal Retirement Benefit).

A vested member who withdraws from active service prior to becoming eligible for retirement, and having received no refund of his accumulated contributions, shall be entitled to receive a retirement allowance to commence on the earliest normal retirement date. The retirement allowance shall be based on salary and service, as well as the statutes in effect, on the date of withdrawal. After withdrawal, the member shall not be considered to be an active member nor entitled to benefits due an active member.

5. CONTRIBUTION REFUNDS

Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions upon written request and verification of termination by the employer. Refunds shall not be payable until 30 days after termination of
employment or death and until all contributions due are submitted. Receipt of such a refund cancels all accrued rights in the system.

Please note that refunds are mailed out twice each month. Payments are made only after an employee has been terminated for 30 days and then only when all contributions due have been received in the Retirement System office three business days prior to the payment dates (1st and 15th).

Contributions made to the retirement system prior to January 1, 1993 were made on an "after-tax" basis and refunds of these contributions carry no tax consequences. However, as of January 1, 1993, all employee contributions are made on a "before-tax" basis. As of January 1, 2002, both “after-tax” and “before-tax” employee contributions are eligible to be rolled over to an IRA, to another qualified plan, or to a 457 plan. If a member wishes to have these contributions rolled over, the retirement system office must be provided with account information and payment instructions. Such payments are made directly to the financial institution for the account of the member.

If a terminated member chooses to have post-1992 contributions made payable to him, Federal law requires that 20% be withheld for Federal income tax purposes. In addition, refunds of post-1992 contributions made payable to a member not yet 59 ½ years old are subject to a 10% penalty under Federal law.

More information on the tax consequences of distributions from the plan are contained in the Special Tax Notice which can be obtained from each participating employer. The tax notice is also available on our web site (www.persla.org).

If a member receives a refund of contributions and is subsequently rehired on or after January 1, 2007, the provisions of Act 584 of 2006 shall apply. The inside cover of this brochure contains a summary of the provisions of this Act.

6. PLAN A - BENEFITS

Retirement applications must be submitted in a timely fashion since the system requires a minimum of 30 days to complete the process. Retirements can be made effective no more than 30 days prior to the receipt of the application in the retirement system office.

A. Normal Retirement Benefits - The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary.

Any employee who was a member of the supplemental plan only prior to the revision date (1/1/80) has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each
year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member’s final salary or the final average compensation.

Eligibility Provisions for Active Members Hired Prior to 1/1/07

- 7 years and age 65
- 10 years and age 60
- 25 years and age 55
- 30 years and any age

Eligibility Provisions for Active Members Hired 1/1/07 and Later

- 7 years and age 67
- 10 years and age 62
- 30 years and age 55

Example

Therefore, a member with thirty years of service in Plan A and $20,000 in final average compensation is entitled to an annual maximum benefit (see PAYMENT OPTIONS on page 7) of $18,000 (30 x 3% x 20,000 = 18,000). Please note that the age at which the member could receive this benefit would differ depending upon the date of membership.

B. Disability Benefits - For members who are enrolled prior to 1/1/07, 5 years of creditable service are required in order to be eligible for disability benefits. For members who are enrolled 1/1/07 and later, 7 years of creditable service are required in order to be eligible for disability benefits. Disability claims must be certified by the State Medical Disability Board. Disabled members receive a normal retirement allowance if eligible. Otherwise, the member receives the lesser of three percent of compensation multiplied by his years of service, not to be less than fifteen or three percent multiplied by years of service assuming continued service to age sixty for those members who are enrolled prior to 1/1/07 and to age sixty-two for those members who are enrolled 1/1/07 and later. A disability allowance shall be modified so that the sum of a whole life annuity equivalent of any benefits or financial awards which accrue solely as a result of disability (including worker's compensation but not social security), or earned income and the disability allowance equal the average final compensation.

C. Survivor Benefits - A surviving spouse must have been married to the member at the time of death and for at least twelve months immediately prior thereto. Five years of creditable service are required in order to be eligible for survivor benefits. Survivor benefits are payable only when a member dies in service. If a member was eligible for normal retirement at the time of death, the surviving spouse receives an automatic Option 2 benefit. If the member was not eligible for a normal retirement, the surviving unmarried spouse with minor children receives sixty percent of final compensation; the
surviving unmarried spouse with no minor children receives forty percent of final compensation at age 60, if he or she remains unmarried until age 55; minor children with no unmarried spouse receive thirty percent of final compensation each not to exceed a total of sixty percent of final compensation.

7. PLAN B - BENEFITS

Retirement applications must be submitted in a timely fashion since the system requires a minimum of 30 days to complete the process. Retirements cannot be made effective more than 30 days prior to the receipt of the application in the retirement system office.

A. Normal Retirement Benefits - The member can receive a retirement allowance equal to two percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary.

Eligibility Provisions for Active Members Hired Prior to 1/1/07

7 years and age 65  
10 years and age 60  
30 years and age 55

Eligibility Provisions for Active Members Hired 1/1/07 and Later

7 years and age 67  
10 years and age 62  
30 years and age 55

Examples

Therefore, a member with thirty years of service in Plan B, over the age of fifty-five, and $20,000 in final average compensation is entitled to an annual maximum benefit (see PAYMENT OPTIONS on page 7) of $12,000 \[(30 \times 2\%) \times (20,000) = 12,000\].

A member with only twelve years of service in Plan B, with final average compensation of $15,000 is entitled to an annual maximum benefit of $3,600.00 \[(12 \times 2\%) \times (15,000) = 3,600\] at age 60 if a member prior to 1/1/07 or at age 62 if a member 1/1/07 and later.

B. Disability Benefits - For members who are enrolled prior to 1/1/07, 5 years of creditable service are required in order to be eligible for disability benefits. For members who are enrolled 1/1/07 and later, 7 years of creditable service are required in order to be eligible for disability benefits. Disability claims must be certified by the State Medical Disability Board. Disabled members receive a normal retirement allowance if eligible.
Otherwise, the member receives the lesser of two percent of compensation multiplied by his years of service not to be less than fifteen or two percent of final compensation multiplied by years of service assuming continued service to age sixty for those members who are enrolled prior to 1/1/07 and to age sixty-two for those members who are enrolled 1/1/07 and later. A disability allowance shall be modified so that the sum of a whole life annuity equivalent of any benefits or financial awards which accrue solely as a result of disability (including worker's compensation but not Social Security) and the disability allowance equal the average final compensation.

C. Survivor Benefits - A surviving spouse must have been married to the member at the time of death and for at least twelve months immediately prior thereto. The surviving spouse (not eligible for Social Security survivorship or retirement benefits) of a member with ten or more years of service and not eligible for normal retirement, receives an automatic Option 2 benefit payable when the spouse attains age fifty and until remarriage if the remarriage occurs before age 55.

8. LEAVE CONVERSION

Any accumulated, unused, and unpaid sick and/or annual leave may be converted to additional retirement benefit credit upon application for normal retirement and as verified by the employer. The applicant must already be eligible for retirement before the additional time for unused and unpaid leave time is added. Conversion is based on the actual number of days divided by a 260 working day year.

NOTE! Employers shall pay the actuarial cost of leave conversion at the time of retirement for those members enrolled 1/1/07 and later.

9. PAYMENT OPTIONS

Payment Options are applicable when a member is eligible for normal retirement, DROP or disability retirement.

Maximum - The largest monthly benefit the retiree is eligible to receive - however, it ceases at death of the retiree. In the event the retiree dies before receiving in retirement benefits an amount equal to his contributions, any balance remaining will be paid in lump sum to the beneficiary or estate.

Option #2 - The retiree designates his or her spouse as beneficiary at time of retirement and receives a reduced benefit. If the spouse survives the retiree, the same benefit will be paid to the spouse throughout the spouse's lifetime.

Option #3 - The retiree designates his or her spouse as beneficiary at time of retirement and receives a reduced benefit. If the spouse survives the retiree, one half of retiree's benefit will be paid to the spouse throughout the spouse's lifetime.
Option #4 - Any payment to either the retiree or to the person nominated, certified by the actuary to be of equivalent actuarial value to his retirement allowance, and to be approved by the board.

Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55. This automatic COLA is paid for by actuarial reduction which is dependent on the age of the retiree.

A retiree cannot change the designation of beneficiary after retirement.

10. WORKING AFTER RETIREMENT

Any person who has retired from this system is allowed to work elsewhere without restrictions. If a retiree who did not participate in DROP returns to work for his former employer or any parish or district which participates in this retirement system as a part-time employee, he can work 480 hours per calendar year without having his retirement benefit affected. If a retiree has been retired for at least three years and is at least age 65, he can work 1,040 hours per calendar year without having his retirement benefit affected.

If the above stated limits are exceeded, the retiree’s benefit will be offset, dollar for dollar, by earnings in excess of these limits. **The employer and the employee are jointly responsible for advising our office of his status in this regard.**

When a retiree returns to full-time employment, benefits must cease and retirement contributions must begin. Thus, new service credit and a supplemental benefit will be earned. Once the member retires again, the original benefit plus the supplemental benefit will be paid to the retiree.

As of July 1, 2003, retirees who assume the elected position of police juror, councilman, constable, or school board member will no longer have their retirement benefits offset by their salary as an elected official. The offset still applies to justices of the peace, parish presidents and coroners.

If a retiree has participated in DROP, the return to work provisions are different. Before returning to work with a Parochial employer, the retiree must wait a period at least as long as their DROP participation. If this waiting period is not satisfied, the DROP benefit must be returned to Parochial with interest. If the waiting period has been satisfied, the provisions regarding return to part-time or full-time employment described above would apply.

11. EARLY RETIREMENT ELIGIBILITY FOR AN ACTUARILY REDUCED BENEFIT

In the 1995 legislative session Act 132 provided an early retirement provision which is effective August 15, 1995. This law provides that any member who on January 1, 1982 had earned 10 years of service credit, shall be eligible for early retirement, regardless of
age, with benefits reduced to a level which would be actuarially equivalent to a retirement at the normal retirement age using the normal retirement formula. The combination of eligibility requirements and an actuarial reduction has resulted in few members taking advantage of this provision.

12. ACTUARIAL TRANSFER OF SERVICE CREDIT AND CONTRIBUTIONS

A member of any publicly funded retirement system in this State who has been a member of such system for at least six (6) months and who has prior membership credit in any other such system, shall have the option of transferring his service credit from every such system to his current system.

If contributions have been withdrawn, creditable service may be restored by repayment of refund, plus compounded interest at the board-approved actuarial valuation rate from date of refund until date of repayment. The transfer of service credit and funds out of the system shall be at the sole option of the member.

As in purchases of prior service credit, the payment received for transfers must not be less than the amount which on an actuarial basis offsets the increase in accrued liability of the system that results from the additional creditable service to be transferred.

Effective 7/5/04, the retirement system can accept direct rollovers from 403(b) and 457 plans for the payment of a deficit resulting from an actuarial transfer of service once a completed Direct Rollover Request Form has been submitted to our office.

13. RECIPROCAL RECOGNITION OF SERVICE

Any person who has been a member of this system for at least six (6) months and who has creditable service in any other state, parochial, or municipal retirement system, within this state, may make application to this system for reciprocal recognition of creditable service. If contributions have been withdrawn, creditable service may be restored by repayment of refund plus interest compounded at the board-approved actuarial valuation rate from date of refund to date of repayment. Under a reciprocal agreement a member would receive a benefit from each retirement system signing the agreement. Benefits would be based on the service credit and earnings in each system. The member must meet the highest age and service requirements of each system for retirement eligibility.

14. COST OF LIVING ALLOWANCE

When certain conditions have been met, the Board of Trustees may provide a cost of living adjustment to retirees and beneficiaries who are age 62 and over.

It is important to note that cost of living adjustments are not automatic or guaranteed. Statutory requirements must be met and our Board of Trustees must approve such action before payment can be made.
When such increases are approved, they can be as much as 2 1/2% and they are based on the current benefit. Retirees age 62 and older who have been retired one year or more as of December 31 are eligible if a COLA is able to be granted.

15. CREDIT FOR MILITARY SERVICE

Service credit for up to a maximum of four years of military service may be purchased. Payment is to be in accordance with all prior service credit purchases (an amount that on an actuarial basis offsets the increase in the accrued liability of the system). The retirement system requires a copy of Form DD-214 to calculate the cost of military service.

Effective 7/5/04, the retirement system can accept rollovers from 403(b) and 457 plans to purchase military service credit once a completed Direct Rollover Request Form has been submitted to our office.

16. SOCIAL SECURITY OFFSETS

Benefits are paid by the Parochial Employees' Retirement System without regard to eligibility for Social Security benefits. However, in some circumstances Social Security may offset PERS benefits. Any questions regarding Social Security offsets should be directed to the Social Security Administration.

The Windfall Elimination Provision (WEP) provides that if you receive a pension from a job not covered by Social Security and you also have enough Social Security credits to be eligible for retirement or disability benefits, a different formula may be used to figure your Social Security benefit. This formula will result in a lower Social Security benefit.

This provision affects workers who first became eligible for a pension based in whole or in part on work not covered under Social Security after 1985. Eligibility for our Early Retirement under Act 154 of 1985 was effective 9/1/85. Therefore, if you were eligible for early retirement under Act 154 of 1985 or, of course, normal retirement prior to 12/31/85, you should not be subject to the WEP reduction. Even if you did not actually retire, but were merely eligible prior to the end of 1985, the WEP reduction should not apply. See Social Security Publication 05-10045 for more information on WEP.

17. DEFERRED RETIREMENT OPTION PLAN (DROP)

A. General Description: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for this retirement system. DROP is an option for those members who are eligible for normal retirement. The plan allows the pension benefit that is accrued at the time of entry into DROP to be calculated and to accumulate with the retirement system while the DROP participant continues to work, freezing the future
retirement benefit at retirement. The pension benefit is calculated as if the member were actually retiring.

DROP participation defaults to 3 years for all participants. DROP participants are able to end DROP participation at any time during the 3 year period if employment is terminated.

The DROP benefit is deposited to a DROP account with the retirement system for a period not to exceed 3 years. The participant continues to work during this period of time. Employee contributions cease but employer contributions continue. At the end of the DROP period and upon termination of employment, the sum of the DROP account is paid out and the retiree begins receiving that same benefit directly as the retirement benefit. This is the same amount that was calculated for DROP payments. The participant has forfeited earning additional credit during the DROP period in return for the accumulation of the DROP account.

B. Eligibility and Restrictions: Only those members who are eligible for normal retirement are eligible for DROP. Also, credit based on reciprocal recognition may not be used for DROP eligibility. A member who becomes a DROP participant ceases to be a member of the system and loses all rights of membership. No credit for retirement is earned during DROP. The duration of the DROP period must be specified and may not be extended. You may enter DROP only once.

**PLAN A ELIGIBILITY PROVISIONS FOR DROP**
**FOR ACTIVE MEMBERS HIRED PRIOR TO 1/1/07**

- 30 years of creditable service at any age
- 25 years of creditable service at age 55
- 10 years of creditable service at age 60
- 7 years of creditable service at age 65

**PLAN A ELIGIBILITY PROVISIONS FOR DROP**
**FOR ACTIVE MEMBERS HIRED 1/1/07 AND LATER**

- 30 years of creditable service at age 55
- 10 years of creditable service at age 62
- 7 years of creditable service at age 67

**PLAN B ELIGIBILITY PROVISIONS FOR DROP**
**FOR ACTIVE MEMBERS HIRED PRIOR TO 1/1/07**

- 30 years of creditable service at age 55
- 10 years of creditable service at age 60
- 7 years of creditable service at age 65

**PLAN B ELIGIBILITY PROVISIONS FOR DROP**
FOR ACTIVE MEMBERS HIRED 1/1/07 AND LATER

30 years of creditable service at age 55
10 years of creditable service at age 62
7 years of creditable service at age 67

C. Contributions: Employee contributions cease on the commencement date of DROP. Employer contributions shall continue.

D. DROP Deposits and Payments: The deposit to the participant's DROP account is equal to the benefit computed under the retirement plan option selected at the time of DROP application (what the pension would be if the participant were to actually retire at that time).

NOTE: When a member completes three years of participation in DROP but continues full time employment, retirement contributions will resume and additional service credit will be earned. Although we cannot release the lump sum DROP benefit until retirement does occur, interest will accrue on the DROP benefit between the end of DROP participation and the member’s retirement date. Interest is payable annually at a rate approved by our Board of Trustees.

Payment may be made in a lump sum, or in an annuity described as follows: The annuity offered DROP participants will consist of payments calculated on the same basis chosen for the member's normal retirement option - Maximum, Option 2, Option 3 or Option 4.

Lump sum payments may be rolled over into an Individual Retirement Account (IRA) or another qualified retirement plan. If the member elects the rollover of the lump sum, payment of the full amount is made directly to the financial institution. If a payment is made directly to the member, Federal law effective 1/1/93 requires that 20% be withheld for Federal income tax withholding purposes.

In order that a DROP participant may receive a lump sum payment of accumulated benefits, it is necessary that employment be terminated. That is, the employee must retire. Legislation passed in 1997 expands this provision by requiring that a member who returns to work within a period of time shorter than the period in which he participated in DROP will be required to repay all funds withdrawn together with interest from the date of withdrawal. When the member does ultimately retire, the lump sum (not the interest) is payable once again.

E. Retirement Benefits After DROP: Assuming a member retires at the end of his DROP participation, the pension paid is exactly the same as the amount previously deposited in the DROP account. No change in payment selection or beneficiary is allowed. No cost of living payments to retirees are made to DROP participants. A
DROP participant must be retired for one full year before becoming eligible for any cost of living payments, even if they were otherwise eligible.

F. Continued Employment After DROP: Employee contributions resume along with the continuing employer contributions. A member who continues employment after DROP will receive service credit for that period of time worked after DROP participation has ended. The credit for the time worked after DROP is applied to the final average compensation used in the original DROP payment. Only if employment continues for thirty-six months following DROP participation for members hired prior to 1/1/07 will the later compensation be used in calculating the additional benefit. For members hired 1/1/07 and later, the member must continue employment for sixty months following DROP participation for the later compensation to be used in calculating the additional benefit earned. Please note, the original DROP benefit is frozen and will not be recomputed no matter how long the member continues employment following DROP.

Members working after their DROP participation has ended can only earn a supplemental benefit which will be added to the original DROP benefit. The payment option and beneficiary may be changed for this supplemental benefit only.

For DROP participants who continue to work after DROP, the lump sum benefit held by the system earns interest from the end of DROP until employment is terminated. The rate of interest will be based on money market rates available throughout the year. The appropriate amount of interest will be credited annually.

G. Death During Participation: The account balance is paid to the named beneficiary or the estate if there is no beneficiary.

Survivor benefits, if chosen, are payable as designated in the DROP application.

18. TAX QUALIFICATION OF PLAN AND TAX DEFERRAL OF MEMBER CONTRIBUTIONS

Act 450 of 1990 added and changed several provisions of the system's law with the intention of becoming a "qualified" plan under the Internal Revenue Code. The Internal Revenue Service has approved the system's "qualified" status and as of January 1, 1993, all member contributions are treated as tax deferred for federal and state income tax purposes. That is, contributions are deducted from gross pay before the tax withholding is calculated.

Treatment of the contributions in this fashion is mandatory for both Plans A and B. There is no option to use another treatment for participating employers or individual members. The effect will be to defer federal income taxes on member contributions until retirement.
Most of the provisions added or changed by Act 450 will have no practical effect on the operation of the retirement system. However, one important effect is outlined below. These limits will apply only to members hired on January 1, 1990 or later.

**Limitation on Benefits (IRC Section 415):** This provision affects only those members who become members of the retirement system for the first time on January 1, 1990 or later. Also, if benefits are increased after 10/14/87 for any members, this provision will apply. Members prior to January 1, 1990 are exempt from the limitations imposed by this provision. Benefits in the amount of $10,000 and less are exempt also.

For members enrolled 1/1/90 and later:

1. Benefits will not exceed 100% of **TAXABLE** compensation. Previous limits were 100% of gross wages. The "old" limit will continue to apply to those members who were already members prior to 1/1/90.

   Benefits will continue to be based on gross wages but subject to this 100% of taxable compensation limit.

2. Benefits will not exceed the dollar limits imposed by IRC Section 415. This dollar limit is set for a retirement age of 65 and is $210,000 at age 65 for 2016. This dollar limit is actuarially reduced for retirement ages under 65.

These limits are indexed each year for inflation and therefore are subject to change each year.

**19. COMMUNITY PROPERTY**

Retirement benefits under this plan are subject to the community property laws of this state. A member seeking a divorce should address these retirement benefits in a property settlement issued by a court of law as described in Act 723 of 1993. This section is included as information and should not be construed as legal advice.
REFUNDS

Below are important points to consider for those who have terminated employment and wish to receive a refund:

1. A refund request form must be completed and signed by both the employee and the employer and submitted to the retirement system office.
2. If a rollover is desired, a Direct Rollover Request form must be received from the financial institution setting up the account.
3. An individual must have been terminated for at least 30 days before a refund may be paid.
4. Further, it is necessary that all contributions through the last day worked be received in the retirement system office before a refund payment is released. These contributions must be received 3 business days prior to our semi-monthly payment dates.
5. Refund checks are issued twice each month, on the 1st and 15th, or, if those are weekends or holidays, on the next business day.