

Louisiana Sheriffs' Pension & Relief Fund

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Statement of Policy

Vacation Leave Pay

Date: October 5, 2005

To: All Parish Liaison Personnel

From: Osey McGee, Jr.

Re: Retirement contributions for lump-sum payments

The question frequently arises concerning payment of pension contributions on unused vacation leave paid in a lump-sum at retirement, and inclusion of vacation pay in calculation of final average salary for purposes of computation of benefits.

Please be advised that Louisiana law does not provide for the conversion of unused vacation or sick leave to retirement service credit. R.S. 11:233 provides the definition of earnings or earnable compensation for purposes of calculation of employer and employee contributions and for calculation of average compensation for purposes of computation of retirement benefits. As concerns vacation or sick leave, this section of the law provides that:

- Earnings (salary) or earnable compensation **shall not include** payments made in lieu of unused annual or sick leave for purposes of calculating pension contributions and are not included in the member's final average salary calculation for purposes of determining retirement benefits.

If a retiring member is paid a lump-sum amount for remaining unused vacation or sick leave at separation of service, please **do not** deduct retirement contributions or report amounts paid for unused vacation leave on your pension fund report. Louisiana law specifically prohibits this. (Please see Louisiana law, R.S. 11:233, at the following link: <http://www.legis.state.la.us/lss/lss.asp?doc=75147> .) Additionally, there are **no employer contributions** due on such lump-sum payments. This provision also applies to members separating from service and requesting a refund of contributions.

To further clarify the date of retirement, the date of separation or termination is the last day for which the employee is paid regular salary for the final pay period, excluding lump-sum vacation pay. The effective date of retirement is the first day after the date of separation or termination. If a member has accrued vacation time and wishes to continue in service with the sheriff's office, extending creditable service until vacation time is exhausted **before** terminating, and continue to receive pay from the sheriff's office, then the effective date of retirement is the first day after the last date for which the member is paid. In this case, pension contributions are due until termination and **the effective date of retirement is the first day after the date the member is paid through.** Retirement benefits do not begin until the effective date of retirement.

If you have questions concerning the interpretation of this provision, please call our office and ask for our Benefits Department. As always, please call me at anytime I can be of assistance. Thank you.