

## **Policy for Calculating the Final Average Compensation and Creditable Service**

- I. From 1/1/2015, LCCR will accept contributions on behalf of employees, and grant them creditable service for the month, only if that member averaged over 20 hours/week for the month. We will no longer post contributions and give partial credit for the month, excising out days that were leave without pay. Either the person gets credit for the entire month, or gets no credit. The employer shall certify on the Contribution Report that the person averaged over 20 hours/week for the month. If LCCR determines that the pay was obviously less than this, LCCR will contact the employer, verify, and refund the contributions.
- II. For the period prior to 1/1/2015, LCCR will determine whether a member averaged over 20 hours/week for the month by using the procedure on attached Exhibit A.
- III. For creditable service calculations that extend back prior to 1/1/2015, LCCR will utilize two methods:
  - A) First, LCCR will use the new on/off rule, so that a member gets full credit for the months for which the member worked over 20 hours/week/month and no credit for the other months, in computing FAC and total creditable service. This calculation stands unless the deletion of months caused the creditable service to drop below sufficient months for retirement, and this person is retiring or terminated employment prior to receiving the 2015 estimate of benefits.
  - B) For those people who drop below sufficient months for retirement using the calculation in #I above, and were relying on the system statement of benefits received for the year 2014 to compute they had sufficient creditable service to retire, then LCCR will use either the creditable service estimated on the 2014 statement of benefits or will recalculate the creditable service prior to January 1, 2015 by using the methodology for computing creditable service prior to January 1, 2015, if the actuary feels there is sufficient grounds to recalculate.

Adopted at Retirement Board Meeting

March 24, 2015

## Exhibit A

- The retirement fund will rely on reasonable information from employers to determine service credit whenever it is available and provided in writing.
- A standard methodology will be applied for all periods prior to January 1, 2015 when such reasonable, written information is not available from the employer.
- For all months other than the initial month of employment, months where dates of entry and termination are certified in writing by the employer, or the month in which membership is terminated, service will be granted for the entire month if the salary reported to the retirement fund for that month reasonably indicates that such employee should have been a member for the month in question. Otherwise, no credit will be granted for the month in question.
- No partial service credit will be granted, unless dates of entry or termination are certified in writing by the employer.
- Prior to August 1, 1991, full service will be granted for any full month in which a member earned at least \$500.00.
- Between August 1, 1991 and December 31, 2014, full service will be granted for any month in which the member worked an average of more than 20 hours per week, determined on the following basis:
  1. A full month of service credit will be granted if the salary reported in a month is greater than one-half of the average salary for the comparison period. No service will be granted if the salary reported is less than or equal to one-half of the average salary for the comparison period.
  2. All salary will be reviewed on a cash basis as shown on the retirement fund's computer system, regardless of whether a member is paid on an hourly or salaried basis, is paid monthly, semi-weekly, biweekly, or on any other frequency.
  3. No service credit will be granted prior to the original date of enrollment, certified by the employer, or after the final date of termination, certified by the employer.
  4. With the exception of the first five full months of salary, the comparison period will be determined based on an average of the salary from the most recent past five months in which full service was granted.
  5. For the first five full months of salary, the comparison period will be determined based on an average of the salary for the first available five full months that are posted (excluding the month being tested).
  6. Service will be granted for months on or after January 1, 2015 based upon the Board's recent policy which requires the employer to certify whether their employees meet the requirement for membership on a monthly basis. Therefore, service credit will be given for any month in which contributions were accepted.