



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATE UNIFORM PAYROLL

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GOVERNOR

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COMMISSIONER OF ADMINISTRATION

April 18, 2006

OFFICE OF STATE UNIFORM PAYROLL MEMORANDUM #2006-51

TO: All State Agencies

FROM: Jena W. Cary
Director

SUBJECT: Break in Service for Mandatory Medicare Coverage

The Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 mandated that almost all state employees hired after March 31, 1986 must pay Medicare taxes. This is referred to as **mandatory Medicare coverage**. Employees hired on or before March 31, 1986 are exempt from mandatory Medicare coverage if the employee is a member of a public retirement system and the employment relationship has been continuous since March 31, 1986.

House Concurrent Resolution No. 28 of the 2005 Regular Legislative Session allows state government entities the option of calling for a divided vote referendum to allow eligible employees who were hired before April 1, 1986 the option of participating in Medicare coverage. Employees who voted "yes" in a divided vote referendum are referred to as having **voluntary Medicare coverage**.

When processing employee rehire or transfer-in actions, the following information should be used in determining if the employee has had a break in service and must participate in **mandatory** Medicare coverage.

A break in service is applicable if one of the events listed below occurs:

- the employee transfers to a state employer from an employer in a different political subdivision (parish, municipality, etc. and not a state employer).
- the state employee is removed, resigned or retired, and is later rehired by a state employer after one or more work days have intervened.
- there is no break of one or more working days, but the type of appointment status of the new job has changed. If the new job is probational or permanent, employment is continuous; if other appointment status such as a job, provisional, restricted, etc., then employment is not continuous.
- the state employee was separated on or after June 6, 1991 by layoff and later hired into a position in a different state department (not from a department preferred re-employment list). Employees could be laid off and rehired by any state employer prior to June 6, 1991 and would not have a break in service as long as the layoff period did not exceed one year.
- the state employee was separated by layoff of more than one year.

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This information will be provided in an ISIS HR Tax Models/Retirement Plan article to be posted on the ISIS HR Bulletin Board.

Questions regarding mandatory Medicare coverage or Medicare referendums should be directed to Linda Yelverton at (225) 342-0026. Questions regarding the correction of employee tax models should be directed to a member of the OSUP Wage and Tax Administration Unit at (225):

Tiko Ary	342-1652	Wendy Eggert	219-0191
Rachel Bryant	342-1651	Chelette Jarrett	342-0714
		Rhonda Desselle	219-0338

JWC:LAO