



ILSB

Initial Lump-Sum Benefit

What is ILSB?

Initial Lump-Sum Benefit (ILSB) is a retirement option that enables you to receive part of your retirement benefit in a one-time, lump sum. You will still receive a monthly benefit for life, but it will be calculated at a reduced amount.

The lump sum is held in a separate interest-bearing account at TRSL and disbursed to you according to the allowable withdrawal option that you choose.



Who is eligible?

You can choose ILSB if you have not participated in the Deferred Retirement Option Plan (DROP) and meet one of the eligibility requirements on the next page.

Eligibility is determined by the plan to which you belong and when you first became a member of one of the four state public retirement systems, whether for teachers, state employees, school employees, or state police.

ILSB eligibility requirements:

Membership *prior to* January 1, 2011:

Regular Plan

- Any age with 30 years of service credit
- At least age 55 with 25 years of service credit
- At least age 60 with 10 years of service credit

Lunch Plan B

- At least age 55 with 30 years of service credit
- At least age 60 with 10 years of service credit

Membership *between* January 1, 2011 & June 30, 2015:

Regular Plan

- At least age 60 with 5 years of service credit

Lunch Plan B

- At least age 55 with 30 years of service credit
- At least age 60 with 10 years of service credit

Membership *on or after* July 1, 2015:

All plans

- At least age 62 with 5 years of service credit

How does it work?

With ILSB, you can take a one-time lump sum of up to 36 months of the Maximum Option monthly benefit, along with a reduced regular monthly benefit for life.

Monthly retirement benefit

Your monthly lifetime retirement benefit will be actuarially reduced based on the lump sum amount and your age at retirement.

Once you choose ILSB, you will need to select a retirement option: *Maximum Option, Option 2, 2A, 3, 3A, 4, or 4A*.

These options determine the amount of the lifetime benefit you (and your beneficiary, if you choose) will receive. Option 1 cannot be chosen.

For more information about retirement options, see the *TRSL Member Handbook*, available on our website at www.TRSL.org.

ILSB withdrawal methods

You have several withdrawal options for your ILSB amount:

- You can take **monthly*** or **annual*** withdrawals in an amount specified by you or determined by your life expectancy.
- Once during your life, you can take a **partial single-sum*** withdrawal in an amount specified by you.
- You can **roll over** your ILSB account into an IRA or other qualified plan.
- You can withdraw the **total account balance** and have it paid directly to you, subject to any federal taxes and penalties due. (TRSL is required to withhold 20% for federal income taxes, but keep in mind that this may not be sufficient to cover all taxes due.)

**For monthly, annual, and partial single-sum withdrawals, the balance of funds will remain in an interest-bearing account at TRSL.*

ILSB withdrawal payments

Regardless of the withdrawal method you choose, your first payment will be made based upon age. **If you are younger than 73 by year end**, you must begin receiving withdrawals within the immediate 12-month period. **If you are 73 or older by year end**, you must begin receiving withdrawals within the immediate 12-month period or by April 1 of the following calendar year, whichever is earlier.

- If you choose an ILSB amount less than 85% of the maximum allowed, it will be set up in a separate interest-bearing account **at the time** TRSL sets up your **estimated** monthly retirement benefit.
- If you choose an ILSB amount of 85% or more of the maximum allowed, it will not be set up in a separate interest-bearing account until **after** TRSL **finalizes** your regular monthly retirement benefit (which may take 3-6 months).

More information, including qualified rollover plans and required forms, is available in *DROP/ILSB Account Withdrawals* at www.TRSL.org.



If you choose ILSB, your lump-sum amount may be subject to special tax provisions. TRSL strongly recommends that you discuss the matter with a tax advisor.

Monthly benefit reduction per \$1,000 of ILSB amount

The chart below shows, by age, how much a regular monthly retirement benefit is reduced for each \$1,000 taken in an initial lump sum.

Age	Reduction	Age	Reduction
35	\$ 6.28	58	\$ 7.38
36	\$ 6.30	59	\$ 7.48
37	\$ 6.32	60	\$ 7.59
38	\$ 6.34	61	\$ 7.71
39	\$ 6.37	62	\$ 7.83
40	\$ 6.39	63	\$ 7.97
41	\$ 6.42	64	\$ 8.11
42	\$ 6.45	65	\$ 8.26
43	\$ 6.48	66	\$ 8.42
44	\$ 6.51	67	\$ 8.60
45	\$ 6.55	68	\$ 8.78
46	\$ 6.59	69	\$ 8.98
47	\$ 6.63	70	\$ 9.20
48	\$ 6.67	71	\$ 9.43
49	\$ 6.72	72	\$ 9.68
50	\$ 6.78	73	\$ 9.96
51	\$ 6.83	74	\$ 10.26
52	\$ 6.90	75	\$ 10.58
53	\$ 6.96	76	\$ 10.94
54	\$ 7.04	77	\$ 11.34
55	\$ 7.11	78	\$ 11.76
56	\$ 7.20	79	\$ 12.23
57	\$ 7.29	80	\$ 12.74

EXAMPLE: A 50-year-old member who takes an ILSB amount of \$10,000 would have his or her regular monthly retirement benefit reduced by \$67.80 a month for life.

$$\mathbf{\$6.78 \times 10 = \$67.80}$$

Interest on ILSB accounts

If you choose to keep the balance of your initial lump-sum benefit in an interest-bearing account at TRSL, the interest rate it will earn is based on when you became eligible to choose ILSB.

Eligible *before* January 1, 2004:

- The account will earn interest at 0.50% less than TRSL's actuarially realized rate of return.

Eligible *on or after* January 1, 2004:

- The account will earn interest at the liquid asset money market rate, less a 0.25% TRSL administrative fee.

At a glance: ILSB vs. DROP

ILSB	DROP
You can take a lump sum of up to 36 months of the Maximum Option retirement benefit.	You can participate in DROP for up to 36 months.
There is no participation window.	There is a limited participation window.
At the time you choose ILSB, you retire.	At the time you choose DROP, you continue working and do not contribute to TRSL during DROP participation.
You pay for your nest egg by taking a reduced benefit for life.	You pay for your nest egg by working during DROP participation.
Your regular monthly retirement benefit is calculated at a reduced amount.	Your regular monthly retirement benefit is "frozen" at an amount calculated before the end of your working career.
Participation is an irrevocable decision.	Participation is an irrevocable decision.



Get a benefit estimate!

When you select ILSB, your monthly lifetime retirement benefit is permanently reduced. To make sure you know what that looks like for you, it's a good idea to get a benefit estimate by submitting to TRSL a *Benefit Estimate Request* (Form 10), available at www.TRSL.org.

You will be asked to provide:

- the specific amount you want to receive as an initial lump-sum benefit
- the date you plan to retire
- the name and age of your beneficiary, if any

You can also create an unofficial estimate through TRSL's secure online Member Access. If you're not registered, visit www.TRSL.org today to create your user ID and password.

We're here to help!

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