

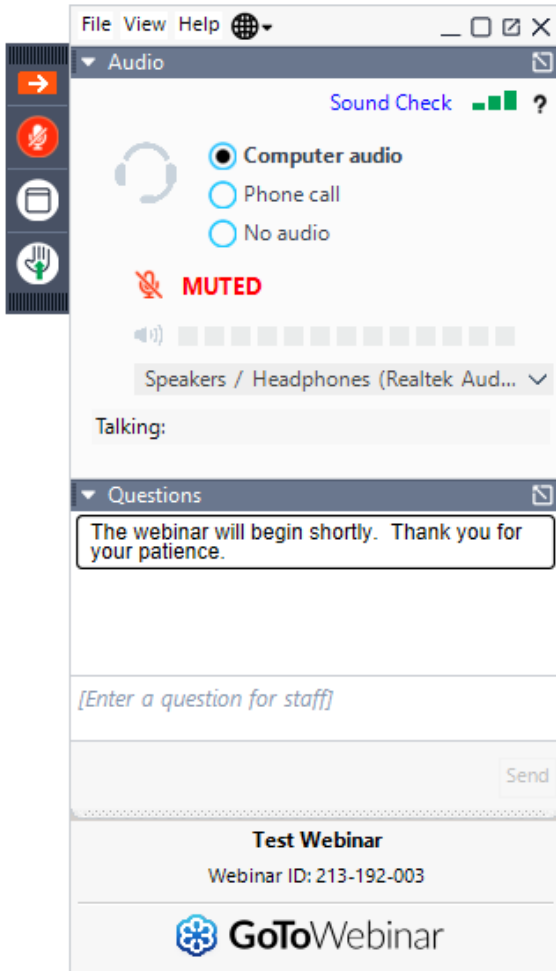


# I've Completed DROP... Now What?

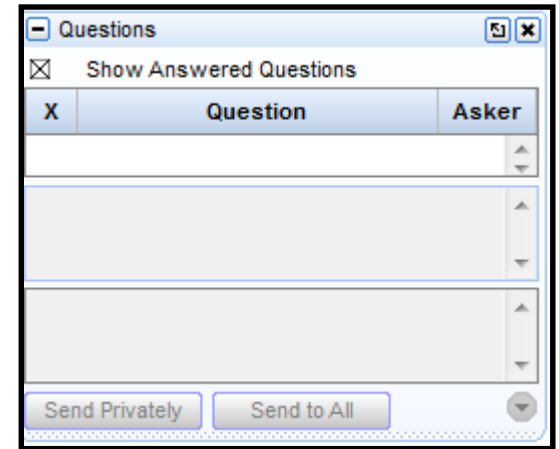
# Friendly reminders

- This presentation contains general information.
- It is meant to be used as a guide during the webinar.
- All participants are muted during the webinar.
- **Have a question?**
  - » Type your question in the **Questions** area during the webinar. The moderator will see it and respond.
- There will be a question-and-answer period at the end of the webinar.
- Please maximize your screen size to have full use of the webinar's features.

# Go To Webinar features



Type your question here.



# Agenda

Review of what happens during DROP

Options after DROP participation

After-DROP supplement

Forms needed to retire

DROP account withdrawal options & examples

Tax liabilities

# You're in DROP!

You submitted an application to enter DROP, not retire.



TRSL computed your benefits & sent you an Estimated Affidavit



You chose a retirement option.

- The retirement option you chose (not your contributions) determines how much is deposited in your DROP account.
- **The option chosen is a permanent choice.** You will not get to choose another option when you retire.

# While in DROP...

- You continue to work and draw a salary.
  - You continue to earn and use leave.
  - You are still eligible for raises, promotions, etc.
  - You can change jobs or employers.
  - Your DROP deposits will continue as long as there is no break in service.
- **Neither you nor your employer make contributions to TRSL.**
    - » No service credit is earned while you are in DROP.
  - **Your salary is not reported to us while you are in DROP.**
    - » We will not know if you have received a salary increase/decrease.
  - **Your retirement benefit is “frozen.”**
    - » The retirement option you chose determines how much is deposited into your account.

# Your options after DROP participation



## **TERMINATE EMPLOYMENT (RETIRE):**

- Start receiving monthly benefits
- Begin DROP account withdrawals

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*OR*

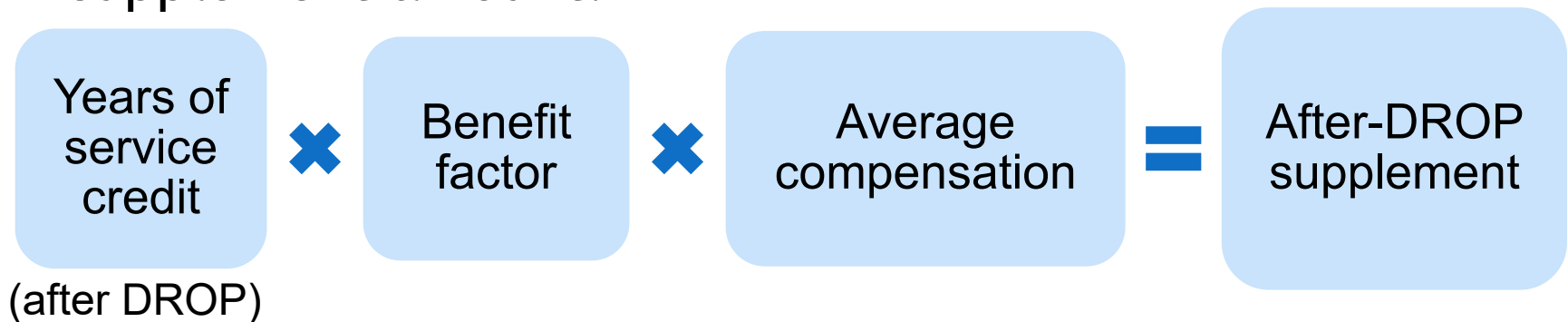


## **CONTINUE TO WORK:**

- Resume contributions to TRSL
- DROP deposits will end
- Earn supplemental benefit

# Formula for after-DROP supplement

- The formula for calculating the after-DROP supplement uses the same three components as the DROP deposit calculation.
- Your benefit factor will be the same as when you entered DROP (2%, 2.5%) and “froze” your benefit.
- The retirement option you chose at the time of entering DROP is also a factor in calculating your supplement amount.





# After-DROP supplement

- Your length of employment after DROP will determine the FAC amount used in the supplement calculation:

	PRIOR TO Jan. 1, 2011	ON OR AFTER Jan. 1, 2011
If you work LESS than...	<b>3 YEARS:</b> <ul style="list-style-type: none"><li>TRSL will use your before-DROP average.*</li></ul>	<b>5 YEARS:</b> <ul style="list-style-type: none"><li>TRSL will use your before-DROP average.*</li></ul>
If you work MORE than...	<b>3 YEARS:</b> <ul style="list-style-type: none"><li>TRSL will calculate an after-DROP average.^</li></ul>	<b>5 YEARS:</b> <ul style="list-style-type: none"><li>TRSL will calculate an after-DROP average.^</li></ul>

*\* This is the same FAC that was used to calculate your DROP deposit.*

*^This may be a different FAC, depending on if your salary is higher or lower 3/5 years after DROP.*

# After-DROP supplement

Final monthly retirement benefit equals base benefit (before DROP) plus supplement (after DROP) in 1 payment.

$$1 \times 2.5\% \times \$3,000 = \$75$$

Base benefit	\$ 1,875
+ supplement	75
<b>Final retirement benefit</b>	<b>\$ 1,950</b>

**Working 1 year  
after DROP**

$$3 \times 2.5\% \times \$3,500 = \$263$$

Base benefit	\$ 1,875
+ supplement	263
<b>Final retirement benefit</b>	<b>\$ 2,138</b>

**Working 3 years  
after DROP**

# Ready to retire?

“What forms do I need to complete?”



**Form  
11H**

- *Termination of Employment at End of DROP Participation/Employment*

**Form  
15D**

- *Direct Deposit of Benefits*

# When can you withdraw DROP funds?



DROP withdrawals must begin within one year of your retirement date.



The minimum amount to be withdrawn is based on the Internal Revenue Service (IRS) life expectancy chart.



Withdrawals can begin only after you terminate employment (retire).

# When are DROP withdrawals paid?

- Monthly DROP withdrawals are paid on the 15th of each month, following payment of your first monthly retirement benefit.
- Your regular retirement benefit will be paid on the 1st of each month.
- If TRSL pays your DROP withdrawal directly to you, it is exempt from Louisiana state taxes, provided you live in LA.
- **IMPORTANT:** You must still file a Louisiana income tax return each year and claim the exemption.

# What are your DROP withdrawal options?

- **Total account balance withdrawal**
    - » Direct payment
    - » Rollover
    - » Direct payment/rollover split
  - **Withdrawals from TRSL**
    - » Monthly
    - » Annual
  - **Partial single-sum withdrawal**
- You will have one opportunity in a 12-month period to change the withdrawal method and/or amount.
  - Amount cannot be decreased.
  - Total account withdrawal is available at any time.

# Total account withdrawal

A total account withdrawal can be chosen at any time.

- DROP withdrawals that will exhaust the account balance in less than 10 years have tax consequences:
  - » Mandatory 20% federal withholding tax
  - » Additional 10% early withdrawal penalty if taken before age 59 ½, unless retirement age is 55 or older



# Rollovers

- Must be rolled to another qualified plan within the United States.
- If TRSL rolls over the account to an IRA or other qualified plan, there will be no tax withholding at the time of distribution.

## Eligible accounts (Minimum rollover amount: \$200)

401(a)	401(k)	403(b)	457	Roth IRA	408(a)	Traditional IRA
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- When withdrawals are made from a rollover, the funds are subject to both federal **and** state taxes.
  - » No longer Louisiana state tax exempt



# Direct payment/rollover split

- Must be rolled to another qualified plan within the United States
- Minimum rollover amount: \$500
- Direct payment subject to federal taxes:
  - » Mandatory 20% federal withholding tax
  - » Additional 10% early withdrawal penalty if taken before age 59 ½, unless retirement age is 55 or older



# Monthly withdrawals from TRSL

- Minimum amount is determined by IRS life expectancy table
- Can be increased annually, never decreased
- Must be direct deposited (U.S. banks only)



*Note: You still have the option to withdraw your total account balance at any time.*

# Annual withdrawals from TRSL

- Minimum amount is determined by IRS life expectancy table
- Can be increased annually, never decreased
- Must be direct deposited (U.S. banks only)
- You specify the month you wish to receive payment

*Note: You still have the option to withdraw your total account balance at any time.*



# Partial single-sum withdrawal

Can be taken as follows:

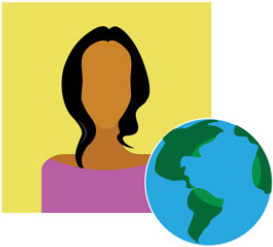
- Once in the lifetime of you or your spousal beneficiary; **and**
- At time of retirement; **or**
- After withdrawals have begun



- You must have been at least age 55 at time of retirement, or at least age 59 ½ at the time withdrawal is taken.
- It will affect the lifetime of the account balance and tax liabilities.
- If you are married, a DROP or ILSB Retiree Spousal Consent to Withdrawal Method (Form 11G-1) must be completed.

# \$100K - Withdrawal comparison

## TOTAL ACCOUNT WITHDRAWAL



Withdraws \$70K- \$80 to move abroad.\*

## PAYMENT/ ROLLOVER SPLIT



Withdraws approx. \$40K to pay off house. Rolls over remaining \$50K.\*

## MONTHLY WITHDRAWALS



Withdraws \$700-\$800 per month for 10 years to supplement income.\*\*

## ANNUAL WITHDRAWALS



Withdraws \$8K-\$9K per year for 10 years to take his family on vacation.\*\*

## PARTIAL SINGLE-SUM W/DRAWAL



Withdraws \$25K for a new car (\$20K after taxes).\*

Still receives \$500-\$600 per month for 10 years.\*\*

\*Subject to 20% mandatory federal withholding tax and 10% early withdrawal penalty.

\*\*Based upon the IRS life expectancy table; allows them to avoid 20% mandatory federal withholding tax.

# Some tax considerations

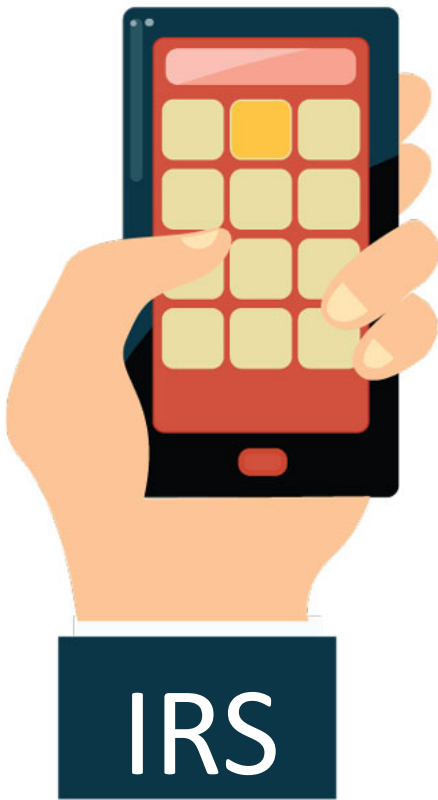
DROP withdrawals that will exhaust the account balance in less than 10 years have tax consequences:

- **Less than 10 years:**
  - » 20% mandatory federal withholding tax
  - » Additional 10% early withdrawal penalty if taken before age 59 ½, unless retirement age is 55 or older
- **At least 10 years:**
  - » Federal income tax withholding based on your W4P

*Consult a qualified tax advisor before making any decisions about withdrawing your funds.*

*Federal taxes are deferred on DROP account deposits and become due as funds are withdrawn.*

# Tax liabilities



## Your regular retirement benefit:

- » Exempt from Louisiana state income tax (not automatic, must file to receive exemption)
- » Subject to federal income tax

## **DROP** withdrawals paid directly by TRSL:

- » Exempt from Louisiana state income tax (not automatic, must file to receive exemption)
- » May be subject to federal mandatory tax withholding

# What forms do I need to submit?

**Withdrawal form**  
(choose form,  
appropriate for  
your age):

**Form  
11J**

- *DROP or ILSB Retiree Withdrawal Method Selection OR*

**Form  
11N**

- *DROP or ILSB Retiree Withdrawal Method Selection for Ages 72 and Over*

**Direct deposit form**  
(if taking withdrawals  
directly from TRSL):

**Form  
11R**

- *Direct Deposit of DROP or ILSB Account Withdrawals*

**Spousal consent form**  
(if withdrawal method is  
not life expectancy):

**Form  
11G-1**

- *DROP or ILSB Retiree Spousal Consent to Withdrawal Method*



# Summary

- You do not have to retire immediately after DROP participation ends.
- You can increase your final retirement benefit if you work after your DROP participation period ends.
- You must receive your first retirement payment before you can access your DROP funds.
- Depending on the withdrawal method chosen, you may face tax consequences.



# Questions?



# Online access to your TRSL account

Member Access is a secure website where you have all the tools you need to plan for retirement:



- View service credit, contributions and beneficiary designations
- Create a benefit estimate
- Update your name or address
- Apply for retirement

**Create your account today!**

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# LINKS

MEMBER NEWSLETTER

TRSL

April 2015

## Summer workshops: We're ready! Are you?

We've scheduled our "Planning for Your Retirement" workshops for the summer. And we'll be coming to a city near you.

If you are within five years of retirement or DROP eligibility, then this workshop is perfect for you! We'll discuss the benefits of your TRSL membership, go over the retirement process, and answer all your retirement questions, such as:

- How is my benefit calculated?
- Can I name both of my children as beneficiaries?
- Should I go into DROP?
- What happens to my sick leave?
- Will I get Social Security?

Remember... it's never too early to start your retirement planning. Check out our workshop [schedule](#) and [register](#). We look forward to seeing you there!



HOME ABOUT TRSL INVESTMENTS

Change Text Size: **AAA** My TRSL


## Forms by Subject

### Address or name changes

[Active Member Change of Address Authorization](#) (Form 2AC)  
[Active Member Name Change Request](#) (Form 2NC)  
[Retiree Change of Address Authorization](#) (Form 15C) - Survivors, beneficiaries, and alternate payees  
[TRSL Member Change of Address Authorization](#) (Form 166C)

[Direct Deposit of DROP or ILSB Account Withdrawals](#) (Form 11R) - Use 15D for regular benefits  
[Direct Deposit of Benefits](#) (Form 15D) - Use 11R for DROP or ILSB account withdrawals  
[Addendum to Direct Deposit of Benefits - Nonspousal Joint Signer\(s\)](#) (Form 15JS)

[www.TRSL.org](http://www.TRSL.org)



Teachers' Retirement System of Louisiana

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# We are here for you!



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