

DROP Handbook

Deferred Retirement Option Plan

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You've probably heard about DROP, but may not know all the details about it. There is important information you need to know about this program as well as **time-sensitive decisions** you'll need to make. This publication will walk you through everything.

As you read, consider two critical questions:

- **Is DROP right for me?**
- **When can I participate in DROP?**

What is DROP?

The Deferred Retirement Option Plan (DROP) is an optional program administered by TRSL in which you can build a savings nest egg on a tax-deferred basis. Your DROP account is separate from your regular monthly TRSL retirement benefit.

How does it work?

- TRSL calculates what your regular, lifetime monthly retirement benefit will be once you apply to participate in DROP. This benefit amount is “frozen” and will never change. Also, this same amount will be deposited into your DROP account during your participation in the program.
- The amount deposited into your DROP account is calculated by the formula below defined in state law which is your:

$$\begin{array}{c} \text{Years of service credit} \\ \times \\ \text{Final average compensation (FAC)} \\ \times \\ \text{Benefit factor of 2.0\% or 2.5\%} \\ = \\ \text{Monthly retirement benefit} \end{array}$$

NOTE: Your retirement plan and the date you joined TRSL determine which benefit factor will be used to compute your retirement benefit.

- While you participate in DROP, you will continue to work and draw a salary, but neither you nor your employer make retirement contributions to TRSL during this time.
- Once your participation in DROP is complete, you can either terminate employment (retire) or continue working.

How long can I participate in DROP?

You can participate in DROP for up to 36 months. That means your “frozen” benefit amount can be deposited into your DROP account each month for up to 36 months.



Entering DROP can affect your future Medicare coverage. For information on Medicare, please visit www.medicare.gov.

Is DROP right for me?

For some members, participating in DROP might not be a good financial decision. Please keep in mind that by participating in DROP, your regular monthly retirement benefit will be calculated and “frozen” before the end of your working career. This may result in a lower regular monthly retirement benefit for you. TRSL recommends that you submit a *Benefit Estimate Request* (Form 10) to see if DROP is right for you. Please carefully review the following considerations:

Future raises

- If you participate in DROP, any raises you may receive in the future from promotions or job changes will not be reflected in your regular monthly retirement benefit, which is calculated at the time you enter DROP. This amount is “frozen” and will not be recalculated.
- If you anticipate a significant salary increase during or after your DROP participation, you may not want to participate in DROP. Please contact TRSL for more information regarding DROP participation versus a regular service retirement.

Service during DROP is not recognized.

- Working longer without participating in DROP could increase your regular monthly retirement benefit. If you intend to work more than three or five years after what would have been the end of your DROP participation, you may not want to enter the program.
 - » **Working longer than three years** applies to individuals who first became members of one of Louisiana’s four state public retirement systems (TRSL, State Employees, School Employees, or State Police) prior to January 1, 2011.
 - » **Working longer than five years** applies to individuals who first became members of one of the four state public retirement systems (as listed above) on or after January 1, 2011.
- Some members may work long enough to earn 100% of their average salary (typically 40 years of service for Regular Plan members); however, by entering DROP, this is not possible.

You may become eligible for a higher benefit factor.

- Some Regular Plan members are eligible to enter DROP at a period in their careers when their retirement is calculated at a lower 2.0% benefit factor. Members in this situation may want to consider skipping or delaying participation in DROP to become eligible for the higher 2.5% benefit factor. Earning a 2.5% benefit is worth more than a DROP account, assuming you live an average lifetime (or longer).

NOTE: *Please keep in mind that delaying entering DROP also shortens your participation time.*

When can I participate in DROP?

Members can begin participating in DROP once they first meet one of the eligibility requirements listed on pages 7 and 8. You can participate in DROP for up to 36 months, starting on the date you first become eligible to enter the program. Your participation period cannot extend beyond 36 months.

It is critical to know when you are first eligible to participate in DROP: otherwise you risk losing participation time.

- ***There is a 60-day grace period in which to apply to enter DROP.*** The 60-day grace period and 36 months of DROP participation combine into what is called the DROP participation window.
- ***The decision to participate in DROP is irrevocable.*** Once the participation period begins, it cannot be extended. Also, it can only be shortened by retirement, death, or termination of employment that causes a break in service.

NOTE: Refer to your annual member statement (available through Member Access) for more information on your DROP eligibility.

Members who apply to enter DROP BEFORE OR DURING the 60-day grace period can participate in the program for the full 36-month period.

Members who apply to enter DROP AFTER the 60-day grace period has expired will not have the full 36-month period to participate in the program.

Skipping or delaying DROP participation

Applicable to Regular Plan members who first joined one of the four state public retirement systems prior to January 1, 2011: The DROP window begins when the member is first eligible to enter DROP, even if it is with a 2.0% benefit factor. A Regular Plan member who is age 60 and enters DROP with 10 years of service credit will have their benefit calculated at the 2.0% formula no matter how long employment continues after DROP. This member can choose to forgo entering DROP so that they can retire later with a benefit calculated at 2.5%.

Some members may have the option to delay entering DROP. For example, a Regular Plan member who turns 60 years old and has 24.5 years of service credit is eligible to enter DROP at the 2.0% formula. However, choosing to delay entering DROP until they have 25 years of service credit would make them eligible for the 2.5% benefit factor, which could result in a higher ending DROP balance even though overall DROP participation time is shortened.

Can I get out of DROP before my participation period is over?

Members can get out of DROP only under the following conditions:

Apply for retirement

- Member ends employment by retiring.

Termination of employment (*voluntary or involuntary/layoff*)

- Member terminates employment or has a change in employment that causes a break in service.
- Member is terminated by the employer and is not immediately reemployed in another position eligible for TRSL membership, which results in a break in service.

Death of the participating member

- If a member dies within 30 days of beginning DROP, he or she is treated as an active member.
- When a DROP participant dies more than 30 days after the effective date of DROP participation but before TRSL receives the *Affidavit of Retirement Option Election* (Form 11ED), the surviving spouse will receive benefits under Option 2—the retirement option that provides the maximum benefit for a spouse. See our publication, *Death and Survivor Benefits*, available at www.TRSL.org.

If your employment is terminated (voluntarily or involuntarily) and you wish to retire, you will need to submit to TRSL a *Termination of Employment at the End of DROP Participation/Employment* (Form 11H) in order to begin receiving benefits.

It is the member's responsibility to coordinate the date of retirement with his or her employer and to inform TRSL of any change before cashing or depositing a retirement check.

Once a retirement payment is cashed or deposited, the member is retired as of the effective date of the retirement application, and the retirement cannot be canceled.



By law, participation in DROP will not change your seniority status or any other related benefits that you are entitled to as a condition of employment.

Am I eligible for DROP?

Eligibility for DROP is based upon the TRSL retirement plan to which you belong. Your eligibility begins once you meet one of the criteria (whichever occurs first) outlined in following tables. Your benefit is calculated based upon the benefit factor shown in the following table as well.

You can participate in DROP while on workers' compensation, annual, sick, or sabbatical leave, or official leave without pay. However, you are required to be employed for the entire period of DROP participation.


A member who has retired or terminated employment or who is not employed with a TRSL-participating agency on a continuous basis is not eligible for DROP participation. There are restrictions in all plans as to whether military service credit can be used to meet eligibility requirements. Contact TRSL for more information about these restrictions.

NOTE: If you enter DROP with a 2.0% benefit factor, you will always have that accrual rate, no matter how long you work after DROP.

DROP eligibility criteria

Membership prior to January 1, 2011		
Plan	Benefit factor	Eligibility criteria
Regular Plan	2.5%	Any age with at least 30 years of service credit
		At least age 55 with at least 25 years of service credit
	2.0%	At least age 60 with at least 10 years of service credit
Plan B	2.0%	At least age 55 with at least 30 years of service credit
		At least age 60 with at least 10 years of service credit

NOTE: Since 1983, another retirement plan administered by TRSL (School Lunch Plan A) has been closed and has stopped enrolling new members. Please contact TRSL for information about Plan A.

 **PLEASE NOTE: It is critical to know when you are first eligible to participate in DROP; otherwise you risk losing participation time.**

Membership between January 1, 2011 and June 30, 2015

Plan	Benefit factor	Eligibility criteria
Regular Plan	2.5%	At least age 60 with at least 5 years of service credit
Plan B	2.0%	At least age 55 with at least 30 years of service credit
		At least age 60 with at least 10 years of service credit

Membership on or after July 1, 2015

Plan	Benefit factor	Eligibility criteria
Regular Plan	2.5%	At least age 62 with at least 5 years of service credit
Plan B	2.0%	At least age 62 with at least 5 years of service credit

Eligibility for charter school employees

Members who teach at charter schools can enter or participate in DROP as long as they are within the participation window and are working at a charter school or other public education entity in a position eligible for TRSL membership.

If these members continue to work after DROP, they can contribute to TRSL when the charter governing the charter school requires that they do so.

Who is not eligible for DROP?

The following members are not eligible for DROP participation:

- Retirees receiving a TRSL disability benefit
- Members who retire under the 20-years-at-any-age retirement provision
- Members who have retired or terminated employment
- Members whose DROP eligibility window has expired

NOTE: Individuals enrolled in the Optional Retirement Plan (ORP) are also not eligible for DROP participation.

My DROP window begins _____ .

DROP and service credit

Service credit is the amount of time you work and contribute to TRSL. It can also include any of your unused sick and/or annual leave. After you end your DROP participation and retire, TRSL converts your unused sick and/or annual leave to service credit, based on criteria set forth in state law. These types of leave cannot be used to attain eligibility for retirement.

How does TRSL use service credit?

TRSL uses service credit for two purposes: (1) to determine when you are eligible to retire, and (2) to calculate your retirement benefit. For many members, the amount of service credit they have for retirement eligibility and benefit computation is the same. However, for some the amounts may differ, which can happen when a member works part-time or takes sabbatical leave.

You can see how much service credit you have for retirement eligibility and benefit computation purposes by reviewing your TRSL account online in Member Access at www.TRSL.org.

How do I earn service credit?

- You earn one year of service credit for each full year worked. (You cannot earn more than one year of service credit in a 12-month period that begins July 1 and ends June 30.)
- If you do not work a full year, your service credit for that year will likely be based on a percentage of the actual salary paid to you, divided by what you would have earned if you had worked the full year. (In most cases, if you go on leave without pay (LWOP), you will not earn a full year of service credit.)
- You can increase your service credit through a purchase, transfer, or reciprocal recognition agreement. For more information about purchasing service credit, see our handbook, *Purchases and Transfers of Service Credit*, available at www.TRSL.org.

What if I work part time?

Members with part-time or sabbatical service credit receive full credit for retirement eligibility purposes, but only partial service credit for benefit computation purposes. These members may find they are eligible for retirement or DROP participation earlier than expected, but their benefits may be less than anticipated. If you have a history of part-time employment or sabbatical service, it's a good idea to contact TRSL to determine when you are eligible to retire or enter DROP.

For more information about service credit, including unused sick and annual leave, see the *TRSL Member Handbook* and the brochure, *Sick Leave & Conversion to Service Credit*, available at www.TRSL.org.

TRSL recommends that you complete all purchases and transfers of service credit at least six months before retirement or DROP participation.

Applying for DROP

You can apply for DROP as early as six months before the date you are first eligible to participate. We recommend that you get all documentation in order early. Start by asking all of your employers to certify your service credit and complete any purchases or transfers of service credit prior to DROP participation.

Once you decide to participate in DROP, you will need to submit an *Application for Service Retirement, ILSB, or DROP* (Form 11). TRSL accepts faxed applications, or you can apply through TRSL's secure online Member Access.

The effective date for participation in DROP will be the date a properly executed DROP application is filed with TRSL or the stated effective date on the properly executed application, whichever is later.

Required affidavit

As part of the retirement process, TRSL will send you an *Affidavit of Retirement Option Election* (Form 11ED) that you must complete and have notarized. On this affidavit, you will select a retirement option, which TRSL will use to calculate your final retirement benefit as well as the amount of your DROP deposits. Your selection also determines the benefit your retirement beneficiary (if you choose) will receive upon your death. See pages 12-13 for more detailed information about retirement options.

NOTE: *If you have ever been divorced, attach a certified copy of all divorce judgments, judgments of termination of community property, or judgments of separation of property. Also, include a certified copy of all domestic relations orders or judgments of community partition, if applicable, if you divorced since entering DROP. If your current marital status is "divorced," an Affidavit of Retirement Option Election (Form 11ED) will be sent to you once we receive your divorce-related documents.*

Beneficiary designations

Retirement beneficiary(ies)	Person(s) you select to receive a regular, monthly retirement benefit in the event of your death. (If member selects Option 1, the beneficiary(ies) receives a lump-sum payout, not a monthly retirement benefit amount.)
DROP account beneficiary(ies)	Person(s) you select to receive the money deposited in your DROP account if you should die while there are still funds in the DROP account.

NOTE: The retirement beneficiary and the DROP account beneficiary do not have to be the same person. If you choose not to name a person as your beneficiary, you have the option of listing your estate as your beneficiary or entering "no beneficiary".

Because Louisiana is a community property state, TRSL will send you an affidavit with your spouse listed as your *retirement beneficiary*. If you have selected a *retirement beneficiary(ies)* other than your spouse, you will also receive an affidavit listing that person as your *retirement beneficiary*.

You will need to notarize and return only one affidavit to TRSL designating a *retirement beneficiary* for your regular retirement benefit. The affidavit must be returned to TRSL within 90 calendar days after you receive it or within 120 calendar days of the DROP effective date, whichever is later. Otherwise, your DROP application will be canceled.

- **For your regular monthly retirement:** If you are married and you elect the Maximum Option, Option 1, Option 3A, Option 4, or Option 4A, or if you designate a **retirement beneficiary** other than your spouse, your spouse must complete the spousal consent affidavit on Form 11ED in the presence of a notary.
- **For your DROP account balance:** If you are married, your spouse must receive at least 50% of your DROP account balance without regard to your retirement beneficiary(ies) designated, unless a *Spousal Consent* (Form 11G) is submitted prior to your date of death.



The selection of a retirement option is irrevocable, and the option will apply to all monthly benefits you receive, regardless of how long employment continues after DROP ends.

- » If you have designated your spouse to receive 50% or more of your account balance, you do not have to complete a *Spousal Consent* (Form 11G).
- » If you have not designated your spouse to receive 50% or more of your account balance, and a completed Form 11G is not received upon your death, 50% of your account balance will be paid to your spouse, and the remaining 50% of your account balance will be divided proportionally among other designated beneficiaries.
- » If there were no previously acceptable beneficiary designations submitted upon your death, 50% of your account balance will be paid to your spouse, and the remaining funds in your balance will be paid to your estate.

Retirement options

There are eight retirement options from which to choose. The following tables list each retirement option and the benefit information for you and a beneficiary.

Retirement option	Member benefit	Beneficiary benefit
Maximum Option	Member receives largest monthly benefit possible (maximum benefit).	None

Maximum Option conditions: All benefits cease at member's death. Only the amount of member contributions that have not been paid out in monthly benefits or in DROP deposits and interest is due the member's estate.

Option 1	Member receives a monthly benefit slightly less than Maximum Option, which is determined by total member contributions and age at retirement.	More than one beneficiary can be designated, and can be changed at any time by member/retiree.
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Option 1 conditions: Beneficiary receives remaining balance of member's contributions (if any) in one lump-sum payment. Option 1 cannot be selected if member participates in Initial Lump-Sum Benefit (ILSB).

The decision to enter DROP cannot be canceled once the Affidavit of Retirement Option Election (Form 11ED) is received and the DROP begin date has been reached.

Under the next six benefit options only one beneficiary can be named and that beneficiary can never be changed. These options provide a lifetime retirement benefit to the member and named beneficiary that is actuarially reduced from the Maximum Option benefit. Reductions are based on your age at retirement and the age of your beneficiary.

Retirement option	Member benefit	Beneficiary benefit
Option 2	Member receives an actuarially reduced monthly benefit.	Beneficiary receives same lifetime benefit member received.
Option 2A (Pop Up)*	Member receives a monthly benefit slightly less than Option 2.	Beneficiary receives same lifetime benefit member received.
Option 3	Member receives a monthly benefit greater than Option 2 or 2A benefit.	Beneficiary receives lifetime benefit equal to ½ of benefit amount member received.
Option 3A (Pop Up)*	Member receives a monthly benefit greater than Option 2 or 2A benefit but less than Option 3 benefit.	Beneficiary receives lifetime benefit equal to ½ of benefit amount member received.
Option 4	Member receives a reduced monthly benefit based upon amount member designates for beneficiary.	Beneficiary receives lifetime benefit designated by member, not to exceed Option 2 benefit amount.
Option 4A (Pop Up)*	Member receives a reduced monthly benefit based upon amount member designates for beneficiary.	Beneficiary receives lifetime benefit designated by member, not to exceed Option 2 benefit amount.

***Pop Up Option conditions:** *If beneficiary dies before member, the member’s benefit “pops up” to Maximum Option. However, a new beneficiary cannot be named.*

Annual COLA Option (ACO): An additional retirement option provides a retiring member a self-funded, guaranteed annual 2.5% cost-of-living adjustment (COLA) by accepting an actuarially reduced retirement benefit. For more information, see our *Annual COLA Option (ACO)* publication on our website, www.TRSL.org.

Your DROP account

DROP deposits

The retirement benefit amount deposited during DROP is determined by your years of service credit; your FAC during the years of service before DROP; a benefit accrual rate; and factors based on the retirement benefit option you select.

In general, TRSL will be in the process of finalizing your benefit when your DROP participation begins. Once your benefit is finalized and your account is set up, your deposits will be retroactive to the date you began DROP. Your DROP statements can be accessed online through your TRSL account in Member Access at www.TRSL.org.

Deposits to DROP accounts will be made on the first working day each month during participation in the plan. A pro-rated partial deposit will be made for those who join DROP on a day other than the first day of a month or end DROP on a day other than the last day of a month.

Interest on DROP accounts

Once you complete DROP, your account becomes eligible to earn interest. Members earn interest on their DROP accounts based upon when they were eligible to participate in DROP.

No minimum interest rate is guaranteed by TRSL. If the DROP interest rate is less than zero, no interest will be posted to the DROP account in accordance with a 2002 state attorney general opinion.

Members eligible to participate in DROP prior to Jan. 1, 2004

- After DROP participation is completed, the account earns 0.5% less than TRSL's actuarially realized rate of return. Interest rates vary from year to year.
- Interest is posted once a year, usually between January and March, and is based on the daily account balance.

Members eligible to participate in DROP on or after Jan. 1, 2004

- After DROP participation is completed, the account earns interest at the liquid asset money market rate less a 0.25% administrative fee. This rate is similar to the rate paid by financial institutions on regular savings accounts.
- Interest is posted monthly.

Interest rates on DROP accounts (2016-2023)

Fiscal year ended June 30	DROP interest rate	
	Members eligible prior to Jan. 1, 2004*	Members eligible on or after Jan. 1, 2004
2023	6.29%	3.4197%
2022	8.46%	0.1000%
2021	12.15%	0.0000%
2020	6.30%	1.0797%
2019	6.98%	1.8940%
2018	8.98%	0.9538%
2017	8.65%	0.2214%
2016	6.17%	0.0595%

*DROP interest rate is subject to adoption by the Public Retirement System's Actuarial Committee (PRSAC) each year.

NOTE: The full history of DROP interest rates is available on the TRSL website at www.TRSL.org/drop_rates.

DROP account statements

DROP account statements can be accessed through TRSL's secure online Member Access at www.TRSL.org. Statements issued during DROP participation reflect all account deposits for a quarterly period. Statements issued after completion of DROP and termination of employment will reflect all account withdrawals for a quarterly period. Online DROP statements are available to all members who have balances in their accounts.



TRSL's secure online Member Access enables you to view and print your DROP statements at your convenience. With Member Access, you can also view your personal retirement account information, such as beneficiary designation, service credit, and more!



**At the end
of DROP
participation,
you have two
choices:**

1. Continue working,
OR
2. Terminate
employment and
officially retire.

Completing DROP participation

Continuing to work after DROP

If you continue working after DROP (even for one day), you and your employer will begin making contributions to TRSL; therefore, you will begin earning service credit again. Upon retirement, TRSL will calculate a supplemental retirement benefit for all post-DROP service.

In total, your final retirement benefit amount will be calculated by adding your base retirement benefit (calculated when you entered DROP), your supplemental benefit, and conversion of unused annual and sick leave earned during your career as a TRSL member.

A DROP participant who has not submitted a *Termination of Employment at End of DROP Participation/Employment* (Form 11H) will be automatically reenrolled in TRSL on the day following the last day of DROP participation.

NOTE: Members with at least 40 years of service credit who entered DROP on or after January 1, 1998, will not earn any service credit by working after DROP. Therefore, any increases in salary received after DROP do not affect their final retirement benefit, no matter how long they work.

Calculating "after DROP" supplemental benefit

You will receive a supplemental benefit if you continue working after your DROP participation period ends. In other words, TRSL will calculate an additional benefit for you based upon service credit earned after your DROP participation is over.

For members who joined a state public retirement system prior to January 1, 2011:

- ***If you worked for three or more years after DROP participation ends***, your supplemental benefit will be based on a new FAC calculated using the highest three years of salary earned after DROP, subject to 10% applicable salary cap. The new FAC will be used to calculate the supplemental benefit, even if it is less than your FAC calculated before DROP.
- ***If you worked fewer than three years after DROP***, your supplemental benefit is based on the FAC calculated before entering DROP.

For members who joined a state public retirement system on or after January 1, 2011:

- ***If you worked five or more years after DROP participation ends***, your supplemental benefit will be based on a new, FAC calculated using the highest five years of salary earned after DROP, subject to 15% applicable salary cap. The new FAC will be used to calculate the supplemental benefit, even if it is less than your FAC calculated before DROP.
- ***If you worked fewer than five years after DROP***, your supplemental benefit is based on the FAC calculated before entering DROP.

Terminating employment

Once you are ready to retire, you will need to submit a completed *Direct Deposit of Benefits (Form 15D)*, *Termination of Employment at End of DROP Participation/Employment (Form 11H)*, and the *Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions (IRS Form W-4P)*.

These forms can be submitted to TRSL up to six months before your date of retirement. A retirement benefit can be issued once TRSL has this information on file for you. All forms can be accessed online at www.TRSL.org/forms.

Please coordinate your date of retirement with your employer and inform TRSL of any change before cashing or depositing a retirement payment (including the DROP account). **Once you cash, deposit, or receive direct deposit of a retirement check or DROP account payment, you are retired as of the effective date specified on your retirement application, and your retirement cannot be canceled.**

Your TRSL benefit payments

Regular monthly retirement benefits

TRSL issues retirement benefits on the first of each month for that month. If you have submitted the following forms by the first week of the month in which you terminate, you can expect to receive an estimated benefit payment the next month.

- *Termination of Employment at End of DROP Participation/Employment* (Form 11H)
- *Direct Deposit of Benefits* (Form 15D)

A retiree's first payment is always a paper check which will be sent to the address on the retirement application submitted. All subsequent payments are made by direct deposit. You will continue to receive estimated payments until we finalize your retirement benefit. The amount of the estimated payment is your DROP deposit and your after-DROP estimated benefit, if applicable.

NOTE: TRSL makes regular retirement benefits, including estimated benefits, available for deposit directly into your checking or savings account on the first of each month. However, when the first of the month falls on a weekend or a holiday, some financial organizations post the direct deposit to your account the next business day.

DROP withdrawal payments

Withdrawals from your DROP account will be paid to you on the 15th of each month, following payment of your first monthly retirement benefit. Withdrawals will be disbursed according to the withdrawal method you select.

How much am I required to withdraw?

After you end participation in DROP and terminate employment, you can begin withdrawing from your DROP account.

IRS regulations require you to withdraw your entire DROP account balance within your projected life expectancy, which is based on your age at retirement. See the IRS Single Life Expectancy Table in our publication *DROP/ILSB Account Withdrawals*, available at www.TRSL.org.

- Withdrawals sufficient to exhaust the account balance within a retiree's projected lifetime or a period of 10 years or more are not subject to the mandatory 20% federal withholding tax, nor are they eligible for rollover to another plan.
- Withdrawals that will exhaust the account balance in less than 10 years are subject to the mandatory 20% federal withholding tax, but can be rolled over into another eligible plan.

Types of plans/accounts

ELIGIBLE for rollover:

- IRC Section 401(a)
- IRC Section 401(k)
- IRC Section 403(a) and 403(b) tax-sheltered annuities
- IRC Section 457 governmental deferred compensation plans
- Roth IRAs
- IRC Section 408(a) and 408(b) traditional IRAs

INELIGIBLE for rollover:

- Simple IRAs
- Coverdell Savings Accounts

When must I begin withdrawing from my DROP account?

There are specific requirements about when you must begin taking withdrawals based upon your age at the time of retirement. The federal SECURE Act of 2022 increased the age to begin required minimum distributions (RMDs) from 72 to 73, effective with those turning 72 in 2023.

- ***DROP retirees younger than 73 in year of retirement*** must begin withdrawing at least the minimum amount within 12 months after retirement.
- ***DROP retirees who are 73 or older in year of retirement*** must begin withdrawing a minimum amount by April 1 of the calendar year following their date of retirement, or within 12 months after retirement, whichever is earlier. Failure to meet this RMD will subject those members to an excise tax of 25% of the difference between the required withdrawal amount and the actual withdrawals made during the year.

Once you are eligible to start withdrawals, it is important that TRSL receives your completed withdrawal application at least 30 days prior to the disbursement of funds. Be sure you submit the appropriate form to TRSL.

- ***DROP/ILSB retirees who are younger than 73 by year end*** should use *DROP or ILSB Retiree Withdrawal Method Selection* (Form 11J).
- ***DROP/ILSB retirees who are 73 or older by year end*** should use *DROP or ILSB Retiree Withdrawal Method Selection* (Form 11N).
- Use *Direct Deposit of DROP or ILSB Account Withdrawals* (Form 11R) to set up your direct deposit of DROP account withdrawals.

For more information about RMDs, see our *Special Tax Notice Regarding TRSL Payments* flyer available at www.TRSL.org.

How often can I make withdrawals?

DROP/ILSB withdrawals can be taken monthly, annually, as a partial single-sum withdrawal, or as a total account balance withdrawal.

You have one opportunity in a 12-month period to increase the periodic withdrawal method and/or amount. The amount can never be decreased unless you retired before age 73 and are now age 73 or older. Contact TRSL for more information on this situation.

The manner in which funds are withdrawn from DROP accounts can have serious tax consequences. TRSL recommends that you consult a qualified tax advisor before making any decisions about withdrawing your funds.

TRSL staff are also available to discuss the options available to you when deciding how to withdraw from your DROP account.

Taxes are deferred on DROP account deposits and become due as funds are withdrawn. TRSL reports withdrawals to the IRS at the end of each calendar year. DROP withdrawals must be made in accordance with IRS regulations and established TRSL rules and regulations.

State income tax

If TRSL pays your DROP withdrawal amount directly to you, it is exempt from Louisiana state income tax. However, you are subject to state income tax if you roll your DROP withdrawal over to an IRA or another eligible plan and later make a withdrawal from the IRA or other plan account. (See page 19 for a list of the types of plans/account.) You will receive one Form 1099-R for your retirement benefits and a separate Form 1099-R for your DROP account withdrawals for use in filing your taxes.

You can find more information about withdrawal methods and tax requirements in the following publications available at www.TRSL.org:

- *DROP/ILSB Account Withdrawals*
- *Special Tax Notice Regarding TRSL Payments*

OTHER INFORMATION

Changing jobs while in DROP

A member can change jobs while in DROP and continue to participate, if the new position is with an agency eligible to report to TRSL and there is no break in service. **A member must retain membership in TRSL to remain in DROP.**

Leave during DROP

As long as a participating member is employed in an eligible position, he or she can continue to participate in DROP even if on paid or unpaid leave.

Voting in TRSL Board elections

DROP participants vote as active members for their appropriate representatives on the TRSL Board of Trustees until terminating employment and becoming eligible to vote as TRSL retirees.

An alternative to DROP: Initial Lump-Sum Benefit (ILSB)

The Initial Lump-Sum Benefit (ILSB) plan is an alternative to participation in DROP. Retiring members who have met the same eligibility requirements for DROP but have not participated in the program can choose ILSB. ILSB provides a one-time, lump-sum amount of up to three years of Maximum Option benefits, plus a reduced regular monthly benefit for life. ILSB accounts have the same withdrawal requirements and options as DROP accounts. For more information, see TRSL's *Initial Lump-Sum Benefit (ILSB)* brochure at www.TRSL.org.

Retirement counseling

If you would like personal counseling, contact TRSL at 225-925-6446 or toll free (outside the Baton Rouge area) at 1-877-ASK-TRSL (1-877-275-8775). Your call will be directed to a retirement analyst. Most questions can be answered over the phone, saving you a trip to TRSL.

TRSL also has DROP workshops/webinars and individual counseling sessions throughout the year across the state. To find out when and where these sessions are scheduled, check the upcoming events on TRSL's website, www.TRSL.org, or email us at retire.edu@trsl.org.

Permanent benefit increase (PBI) formerly known as COLAs

DROP participants are not eligible for PBIs granted to retirees during the DROP participation period or during the period of continued employment after DROP. Participants will become eligible to receive future PBIs one year after termination of employment.

Other TRSL publications:

DROP/ILSB Account Withdrawals

- *Important information about the requirements for withdrawing funds from your DROP or ILSB account.*

Special Tax Notice Regarding TRSL Payments

- Payments from TRSL may be subject to certain taxes. Find out how you may be affected.

Initial Lump-Sum Benefit (ILSB)

- Get information about another optional plan for eligible TRSL members.

TRSL Member Handbook

- An overview of your retirement plan.

Purchases & Transfers of Service Credit

- Get information about the types of service credit eligible for purchase and transfer to TRSL and how the process works.

TRSL Disability Retirement

- Understand the eligibility requirements and the application process for a TRSL disability retirement.

Death & Survivor Benefits

- Learn about the benefits your loved ones may be eligible to receive in the event of your death.

Sick Leave & Conversion to Service Credit

- *Understand what happens to your unused sick and annual leave upon retirement.*

Community Property & TRSL Benefits

- Louisiana is a community property state. Find out what this means for you and your TRSL retirement benefits.

TRSL & Social Security Benefits

- If you're counting on Social Security income in retirement, find out how certain federal laws could impact you.

Returning to Work after Retirement

- Find out if your TRSL benefit will be impacted if you decide to return to work.

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This is an electronic document. The Teachers' Retirement System of Louisiana did not incur any printing costs.

Do you still have
DROP questions?

We're here to help!

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Baton Rouge LA 70804-9123

Telephone: 225-925-6446

Toll free (outside Baton Rouge area):
1-877-ASK-TRSL (1-877-275-8775)

Questions: AskTRSL@.org

Web: www.TRSL.org

Facebook: facebook.com/TRSLonline

Twitter: [@TRSLonline](https://twitter.com/TRSLonline)

YouTube: [TRSLonline](https://www.youtube.com/TRSLonline)



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