



Understanding DROP

Friendly reminders

- This presentation contains general information to be used as a guide during the webinar. All participants are muted.
- Have a question?
 - » Type your question in the **Questions** box during the webinar. We will answer questions during the webinar and in the **Questions** box.
- This webinar will be recorded. Our recordings & PDFs are available at www.trsl.org/members/webinars

If you have specific questions about your retirement (DROP window, retirement eligibility, FAC, etc.), contact us at AskTRSL.org so we can look up your account and assist you directly.

Agenda

- DROP definition
- The DROP window
- Eligibility requirements
- What happens while in DROP
- DROP interest rates
- Options after DROP participation
- Questions to ponder

Understanding DROP: 3 simple rules

1

Educate yourself

- What happens to your salary while you're in DROP?
- What is being deposited into your DROP account?

2

Don't listen to your friends

- What's right for your friend MAY NOT BE right for you.
- Every member has different circumstances.

3

There's a form for everything

- Forms for entering DROP
- Forms for retiring after DROP
- Forms for taking money out of DROP

Deferred Retirement Option Plan (DROP)

- DROP is an optional program that allows you to freeze your monthly retirement benefit check while you continue to work and earn a paycheck.
- During DROP your monthly benefit is deposited each month into a special account.
 - » **Minimum participation time:** 1 day
 - » **Maximum participation time:** 36 months (3 years)

Deferred Retirement Option Plan (DROP)

- The “frozen” benefit is calculated based upon years of service credit and average compensation upon entering DROP.
- Your decision to participate in DROP is irrevocable.
- You can apply up to 6 months before your DROP window opens with TRSL’s Form 11.
- Members can end DROP participation and terminate employment (retire) at any time.

“What is the DROP window?”

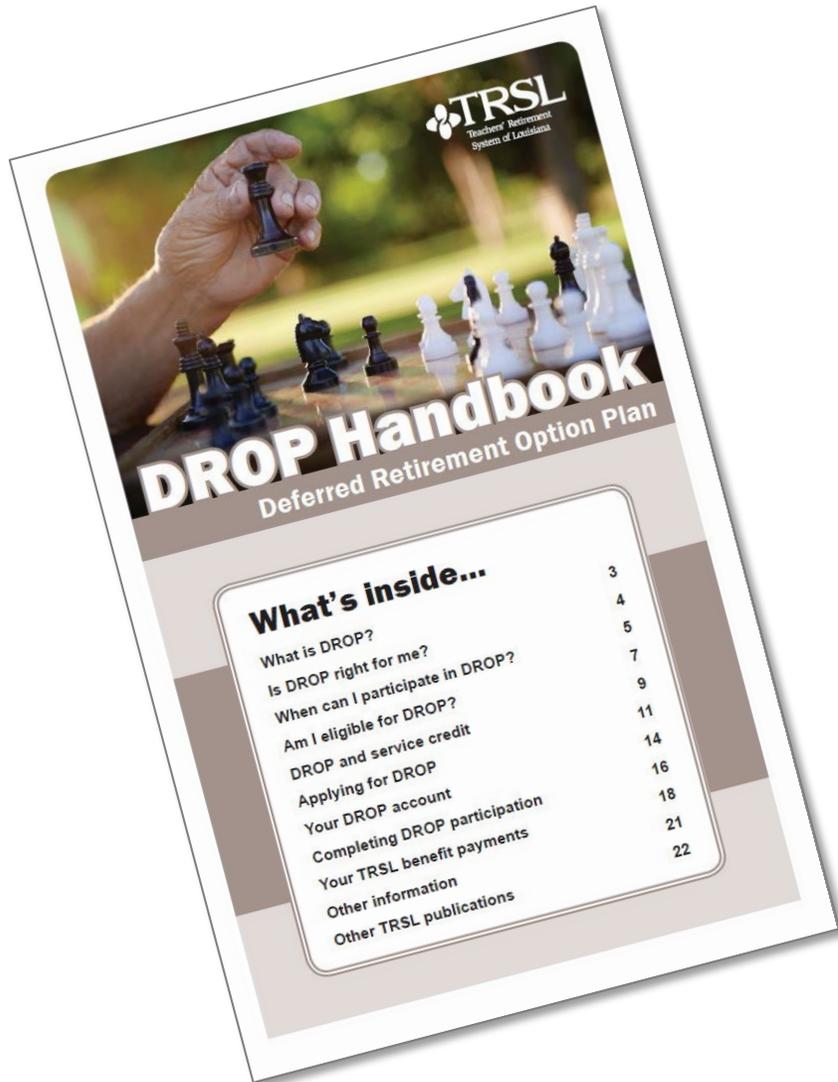
The DROP window refers to the 3-year period of time you can participate in DROP, starting from your first day of eligibility. Your window opens when you are **FIRST** eligible.

This period is your **ONE-TIME** opportunity to participate in DROP during your career.



It is important to find out the **EXACT DATE** you first become eligible for DROP.

DROP eligibility - Regular Plan



Membership *prior to* Jan. 1, 2011

Age 60 with 10 years*

Age 55 with 25 years

Any age with 30 years

**2.0% benefit factor*

Membership *between* Jan 1, 2011 & June 30, 2015

Age 60 with 5 years

Membership *on or after* July 1, 2015

Age 62 with 5 years

DROP window examples

Regular Plan (prior to January 1, 2011)

JUDY



**Age 58 at
25 years**

Window opened at 25 years because she was already 55.

BRUCE



**Age 55 at
29 years**

Window opened at age 55 because he had at least 25 years.

TASHA



**Age 60 at
19 years**

Window opened at age 60 because she had at least 10 years.

SAM



**Age 63 at
25 years**

Window opened at age 60, but he waited too long.

No longer eligible

ANA



**Age 57 at
30 years**

Window opened at age 55, but she waited too long.

Only one year left

While in DROP, what is the same?

- 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.



While in DROP, what is different?

- **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.

DROP interest rates

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

- Earn interest based on the liquid asset money market rate (less 0.25%)
- Funds for this group are invested in a liquid asset money market account
- Interest is posted monthly (*2023 posted rate is 3.4197%*)
- Interest rate is similar to rate paid by financial institutions on regular savings accounts

For more information about DROP interest rates,
please review our DROP information at www.TRSL.org.



Your options after DROP participation



TERMINATE EMPLOYMENT (RETIRE):

- Start receiving monthly benefits
- Begin DROP account withdrawals

OR



CONTINUE TO WORK:

- DROP deposits will end
- Resume contributions to TRSL
- Earn supplemental benefit (*added to your retirement benefit*)

Is DROP right for you?

- **Will my benefit be calculated at 2.0% or 2.5%?**
 - » DROP at age 60 with 10 years is calculated at 2.0%. (under Regular Plan)
 - » Regular service retirement at age 65 with 20 years is calculated at 2.5%.
- **What if I receive a significant salary increase (or change in position) while I'm in DROP?**
 - » Any salary increase you receive while you are in DROP will not be added to your FAC.
- **How long do I plan to work after my DROP participation ends?**
 - » If you work for many years after DROP, it could result in a lower benefit than if you had not participated in DROP.

2.0% vs. 2.5%?

- Entering DROP with a 2.0% accrual rate can significantly reduce your lifetime retirement benefit.
- It may be better for some members to not participate in DROP and retire once eligible for a 2.5% accrual rate.

Entering DROP with 2.0% accrual rate

$$15 \text{ years} \times 2.0\% \times \$3,700 = \\ \$1,110/\text{month (maximum)}$$

You will have \$39,960 at the end of 36 months of DROP participation, and receive a \$1,110 monthly benefit for life.

Not entering DROP & retiring with 2.5% accrual rate

$$20 \text{ years} \times 2.5\% \times \$3,700 = \\ \$1,850/\text{month (maximum)}$$

You won't have any DROP funds, but you will receive a \$1,850 monthly benefit for life (\$740 more per month).

To DROP or not to DROP...

Member enters DROP at 30 years. Average compensation is \$4,000.
Then works 10 more years after DROP. Average compensation is \$4,500.

$$\begin{array}{ccccccc} 30 \text{ years} & \times & \$4,000 & \times & 2.5\% & = & \$3,000 \\ & & & & & & \text{(maximum)} \\ 10 \text{ years} & \times & \$4,500 & \times & 2.5\% & = & \$1,125 \\ & & & & & & \text{TOTAL } \$4,125 \end{array}$$

Member works 40 years and does not participate in DROP. Average compensation is \$4,500.

$$40 \text{ years} \times \$4,500 \times 2.5\% = \$4,500 \text{ (maximum)}$$

Summary

- DROP is an optional program, which lets you to build a retirement nest egg while you continue to work.
- There is a window for DROP—this is the one and only time frame you have to participate, and is unique to each member.
- Once you terminate employment (retire), you can begin withdrawals from your DROP account.



Things to do now

TRSL CHECKLIST

Register for Member Access

Submit important docs

Update contact info

Check beneficiary designation

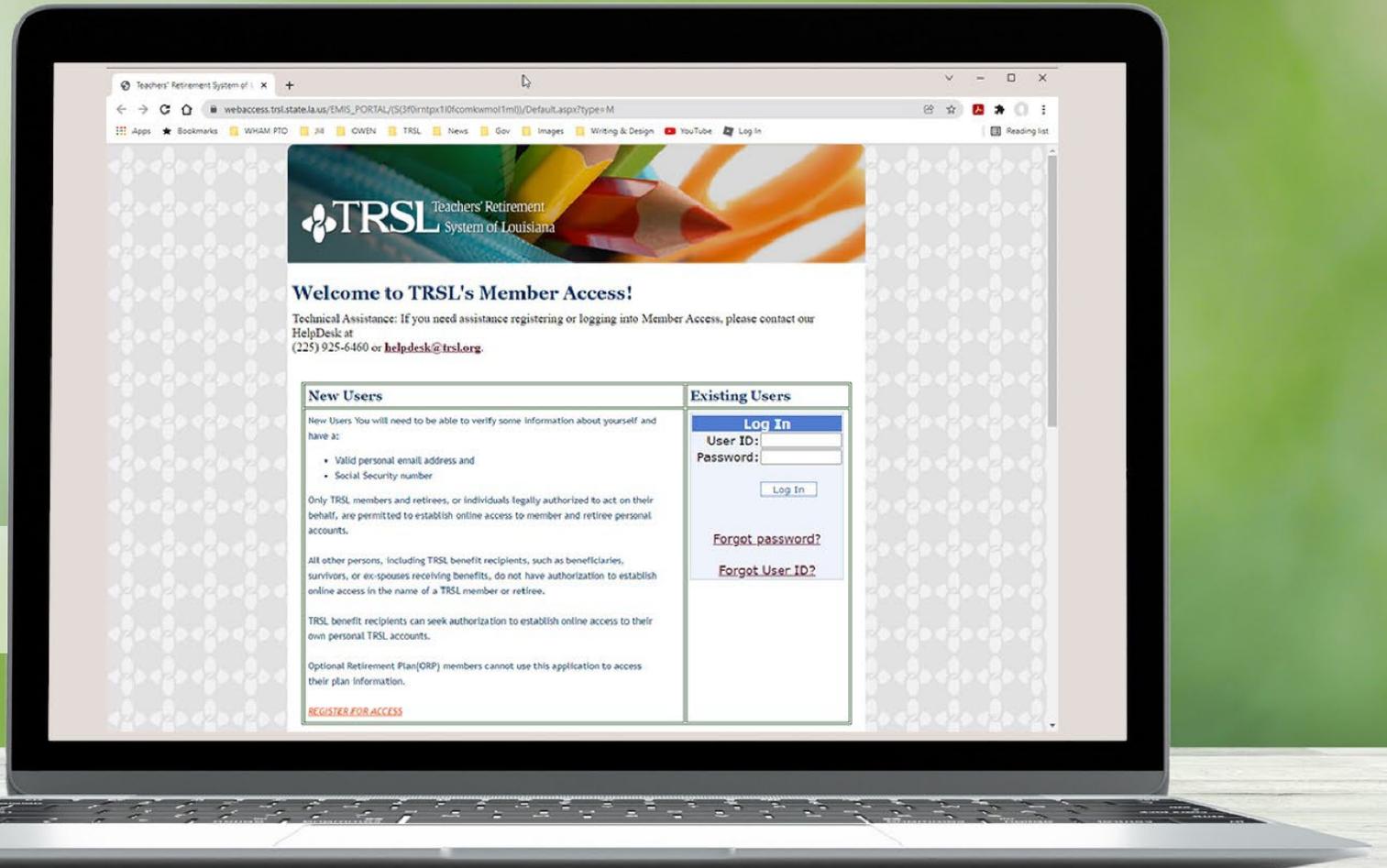
Get a retirement estimate!

- Social Security cards (member & beneficiary)
- Birth certificates (member & beneficiary)
- Divorce/separation decrees, community property settlements

- DIY via TRSL's Member Access
- Submit Form 10

MEMBER ACCESS

Active members



- Update name & mailing/email address
- Estimate future benefit with online calculators
- View annual statements
- Apply for retirement/DROP
- View DROP account
- View beneficiary(ies)
- Print income verification letter
- Request Social Security verification letter

Create a benefit estimate



Online calculators loaded with your account information

1. Log on to Member Access.
2. Under “My Estimates” drop-down menu, select “Estimate Your Retirement Benefit.”
3. Enter your desired retirement date and months of contract (9, 10, 11, 12), then click “Create Estimate!”

Register for MEMBER ACCESS @ www.TRSL.org

For technical assistance with Member Access, contact support@trsl.org.



SHED SOME LIGHT ON

Your Future with Online Member Access

MEMBER ACCESS



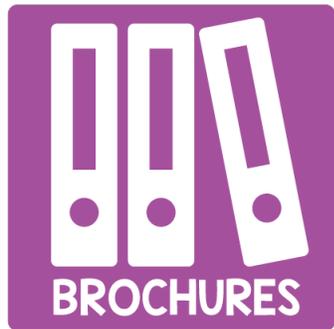
My TRSL

Members

Retirees

Employers

*Find it online
at www.TRSL.org*



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