

**vs.**



## Myths about the Deferred Retirement Option Plan (DROP)

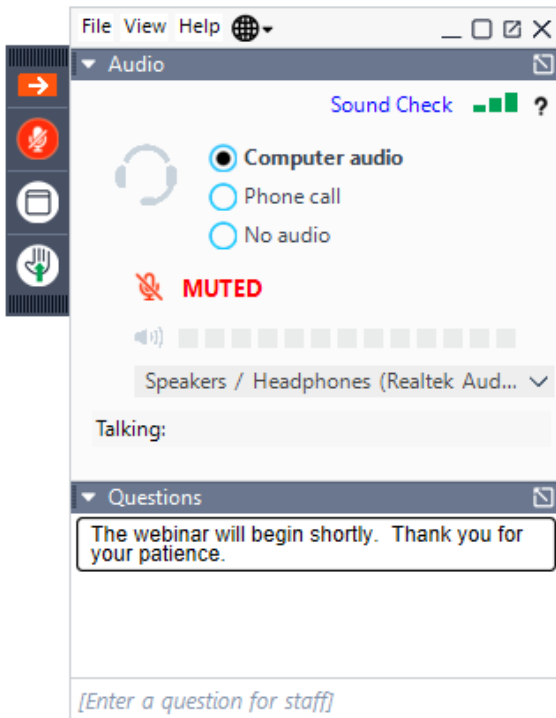


November 10, 2021

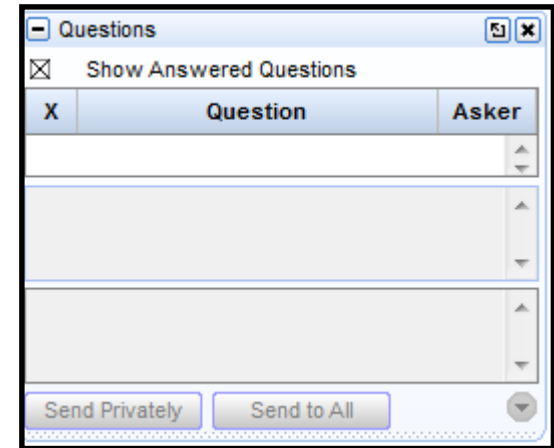
# Friendly reminders

- 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.

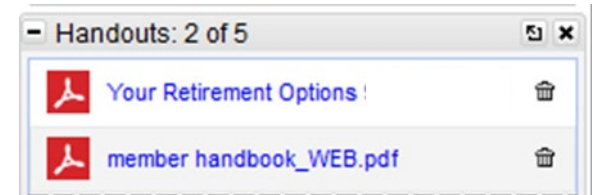
# Go To Webinar features



Type your question here.



Download handout here.



If you have any specific questions about your retirement (such as DROP window, retirement eligibility, FAC questions, etc.) please email us at [web.master@trsl.org](mailto:web.master@trsl.org) so we can look up your account and assist you directly.

# Agenda

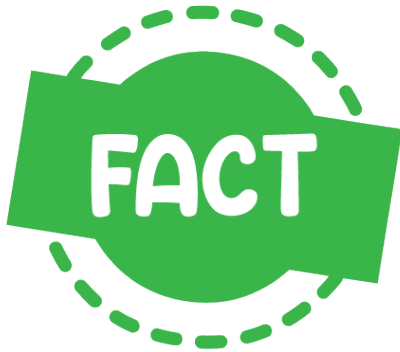
- What is DROP?
- What should you review before entering DROP?
- What happens during DROP?
- What are your options after DROP?



Homework – Is DROP right for me?

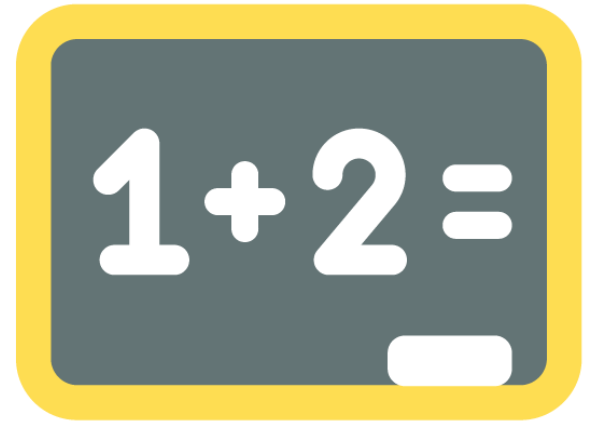
# Fact vs. myth activity

- What have YOU heard about DROP?
  - Share something you have heard about DROP with us by typing it into the Questions Box.
  - We will discuss what you shared together.



# Introduction to DROP

- DROP is a smart way to save for retirement!
- Keep working, earning leave, and receiving your regular paycheck.
- Meanwhile, your retirement check is **SAVED** for you each month during your DROP participation period.



# What is DROP?

- DROP is an **optional** program that lets you freeze your retirement benefit.
- Your monthly benefit is deposited each month into a special account while you continue to work and earn a paycheck.
- How long is DROP?
  - Maximum of 3 years once your DROP “window” of eligibility opens
  - You can shorten, but not extend your DROP participation time.



# Why do people enter DROP?

- Retire with a nest egg
- Save money
- Retire earlier
- Already worked their highest years
- Save retirement contribution in deferred comp while in DROP
- Supplement monthly retirement check with DROP monthly withdrawals



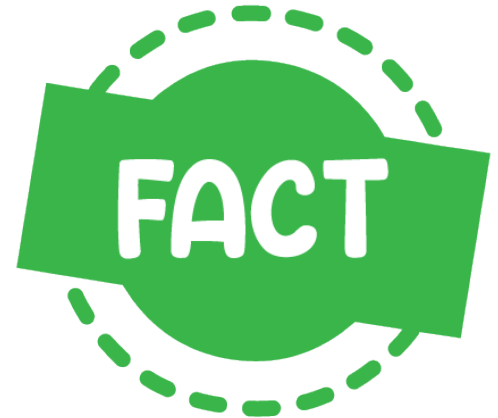
# Before DROP



- You can enter DROP at any time.

# Before DROP

- You can ONLY enter DROP when your “DROP window” opens.
  - You have a 3-year period plus 60 day grace period
- 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 from your employer.



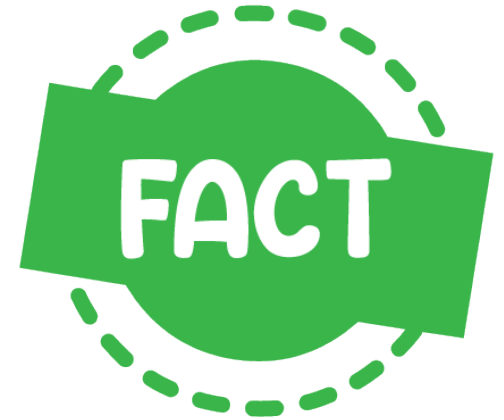
# *Before* DROP



- Everyone should participate in DROP.

# Before DROP

- DROP is **NOT** for everyone.
  - What's right for your friend may not be right for you.
  - We all have different circumstances.
- Things to consider:
  - Will you be receiving a significant salary increase?
  - Do you plan to work for many years after DROP?
  - Will your benefit be calculated at 2.0% or 2.5%?



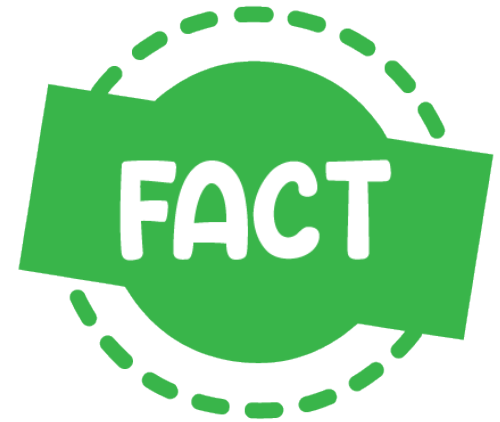
# *Before* DROP



- You must complete all 3 years of DROP.

# Before DROP

- You can elect to participate in DROP for fewer than 36 months
  - This means that you could retire before your 36 month DROP participation period ends
- How long do you want to participate in DROP?
- Each month participating in DROP results in another deposit of your monthly retirement benefit, which will increase your DROP account balance



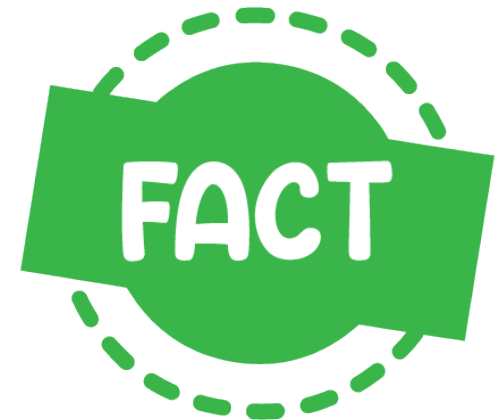
# *During* DROP



- You earn service credit and contribute to retirement during DROP.

# *During* DROP

- You do not earn service credit while you are in DROP.
  - Example: If you enter DROP at 30 years of service, participate for 3 years and retire, your service credit is calculated at 30 years
- Neither you nor your employer make contributions during DROP.
  - Your paycheck is higher!





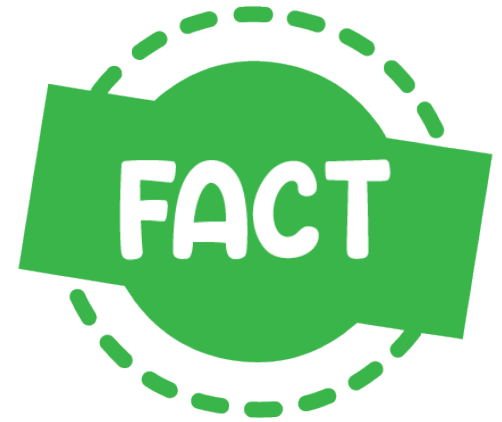
# *During* DROP



- Your retirement contributions go into your DROP account.

# *During* DROP

- Your DROP deposits are a “frozen” retirement benefit calculated based upon years of service credit and highest average compensation upon entering DROP.
- You are not contributing to retirement during your DROP participation period



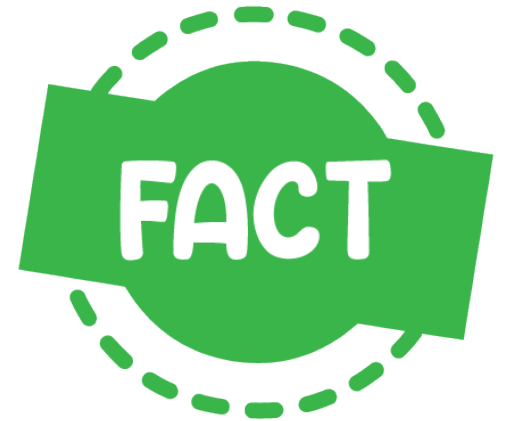
# *During* DROP



- You can withdraw from your DROP account while still working.

# *During* DROP

- You cannot withdraw from your DROP account while still working.
- Withdrawals can begin only after you terminate employment (retire).
- DROP accounts are eligible to earn interest after your DROP participation period has ended.



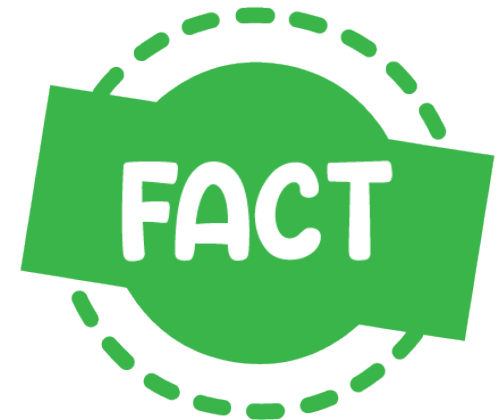
# *After* DROP



- You must retire after completing DROP.

# *After* DROP

- You have 2 options after DROP participation:
  - Terminate employment (retire)
    - ENJOY retirement!
    - Receive your monthly retirement benefit
    - Access your DROP account
  - Continue to work
    - DROP deposits end
    - Resume retirement contributions
    - Earn supplemental benefit



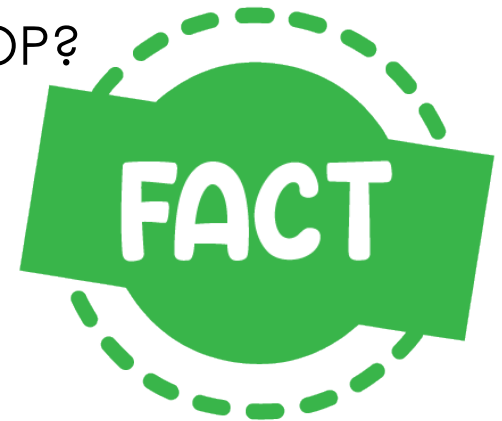
# *After* DROP



- If you work 3 years after DROP, your retirement benefit is recalculated.

# After DROP

- Your retirement benefit (the years before participating in DROP) will NOT be recalculated.
- Your retirement benefit was “frozen” upon entering DROP.
- Your supplemental benefit is calculated depending on how much time you work after DROP:
  - Working less than 3 (or 5) years after DROP?
  - Working 3 (or 5) or more years after DROP?





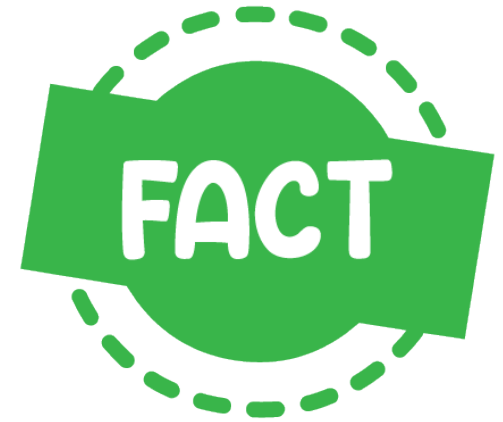
# *After* DROP

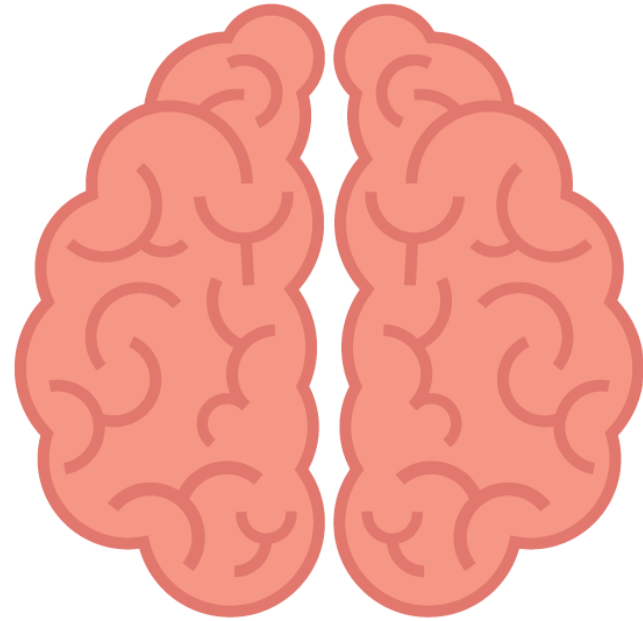


- If you work after DROP, it won't increase your retirement benefit.

# *After* DROP

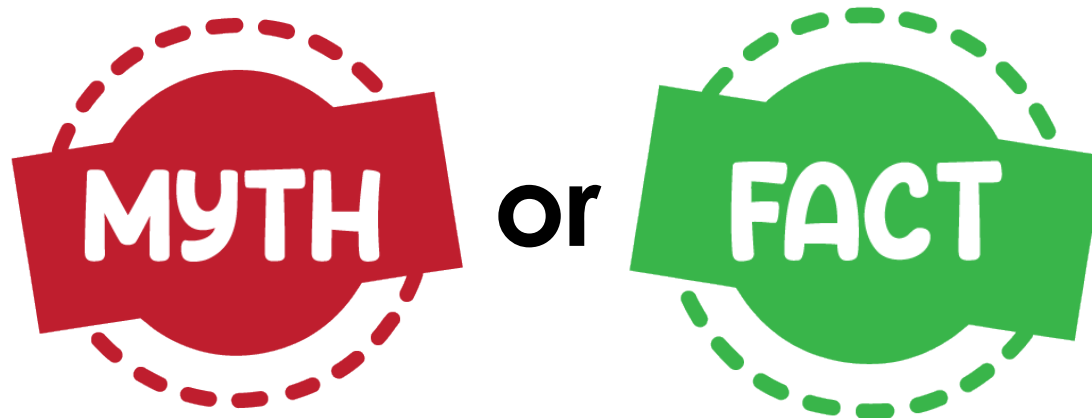
- Working after DROP can result in a higher monthly retirement benefit.
- Upon retirement, TRSL will calculate a supplemental retirement benefit (in addition to your “frozen” retirement benefit) for ALL post-DROP service.



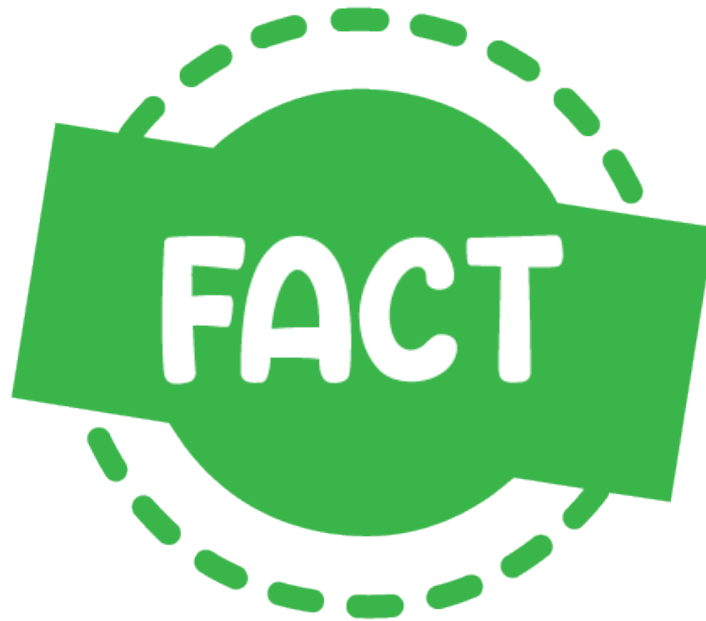


# **POP QUIZ**

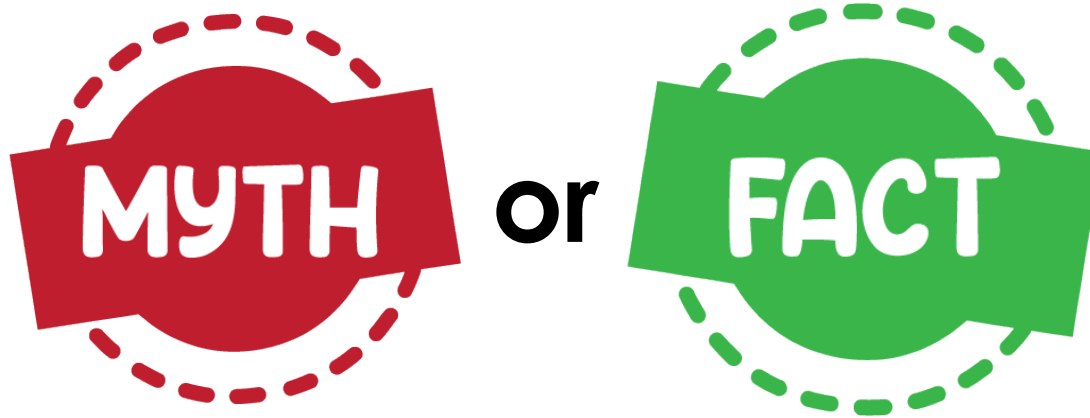
**(use the Poll button)**



- Your “window” to enter DROP can vary from your co-workers’ windows.



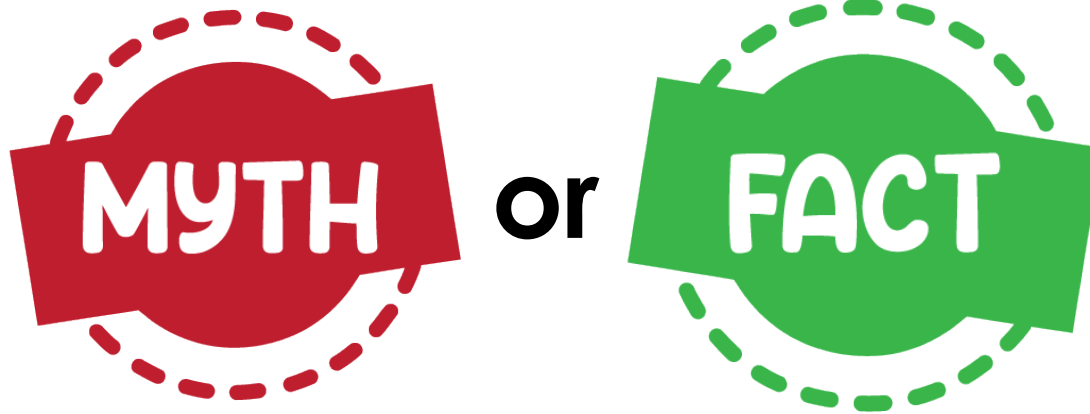
- Your “window” to enter DROP can vary from your co-workers’ windows.



- If you enter DROP, you must complete all 3 years of DROP.



- If you enter DROP, you must complete all 3 years of DROP.
  - **FACT**: You can participate in DROP for fewer than 36 months

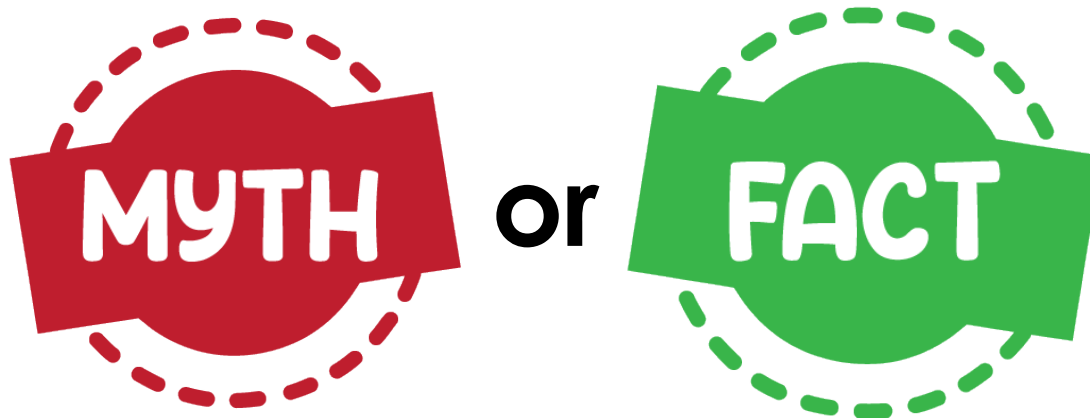


- Your contributions go into your DROP account.

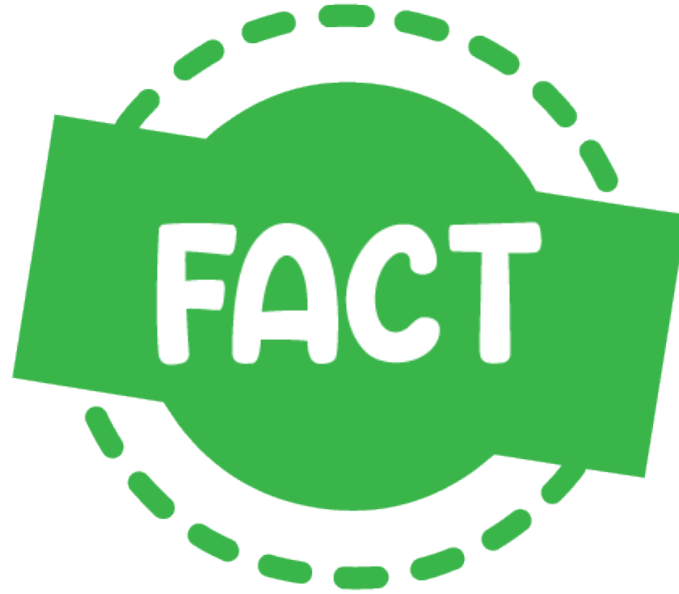




- Your contributions go into your DROP account.
  - **FACT**: Your DROP deposits are a “frozen” retirement benefit calculated based upon years of service credit and highest average compensation upon entering DROP



- Any time worked after DROP can increase your retirement benefit.



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# Next steps



- Ask for an estimate for DROP vs. retirement from TRSL.
- Find out **exactly** when your DROP window opens.
- **Homework:** Take some time to consider...Is DROP right for you?

# Employer training

- Upon request, we provide customized training and support with any of the following reporting tasks:
  - Retrieval, review, and completion of outstanding questionable year reports
  - Completion of sick and/or leave data reporting
  - Information gathering
- Please note: TRSL is currently not conducting on-site training due to COVID-19. We plan to launch virtual employer training via GoTo Webinar soon. Stay tuned for more details...

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**HEATHER LANDRY**

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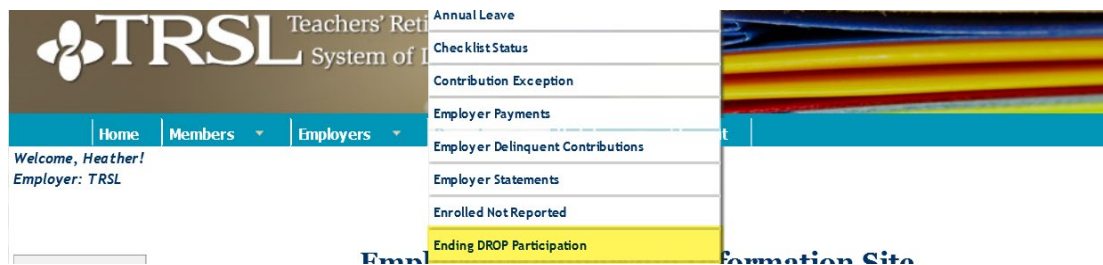
*heather.landry@trsl.org*

# Salary/Contribution Reporting

- Entering DROP:
  - Monthly contributions can be reported *up to one month after* the member's "termination date", which will be the day before DROP participation begins. If the member's termination date is in June, all earnings before DROP must be posted no later than June, so that all contributions are reported in the same fiscal year.
  - All earnings (including tax supplements and sales tax bonuses) on the percent of the year worked during which they are paying contributions must be reported.

# Salary/Contribution Reporting

- Working after DROP:
  - TRSL members who continue employment after DROP participation ends are automatically re-enrolled in to TRSL
  - Contributions must resume; both employee and employer for all salary and extra compensation earned after DROP
  - Include member's eligible earnings and sheltered contributions no later than one month after DROP ends
    - Pull *Ending DROP Participation* report in EMIS



# Agency Certification (Form 11B)

Teachers' Retirement System of Louisiana  
8401 United Plaza Blvd, Ste 300 • Baton Rouge, LA 70809-7017  
P.O. Box 94123 • Baton Rouge, LA 70804-9123  
Telephone: 225-925-6446 • Fax: 225-925-6366  
www.trsl.org

**Agency Certification (Form 11B)**

Instructions: The employer must submit this information for a member of the Teachers' Retirement System of Louisiana (TRSL) who (1) enters DROP, (2) retires or (3) dies. The most recent employer(s) may not certify this information until after the last day for which the member will receive pay. Certification for members electing to participate in the Deferred Retirement Option Plan (DROP) may not be submitted until after the beginning date of the DROP participation. A second certification is required when the DROP participant ultimately terminates employment, which is referred to as DROP Out. Date of termination should be the last day of work or last day of leave. Salary information should reflect actual earnings and contributions for the current fiscal year through the date of termination or the day before DROP participation, if applicable. Certification of regular earnings should be for dates earned during the current fiscal year and must agree with the Contribution Reports submitted by the employer payroll department. The monthly Contributions Reports are the official reports of member earnings as provided by LSA-R.S. 11:888.

**Member Information**

Member name  Social Security number

Employer

**Current Year Information (July 1 - June 30) - Complete for all retirements, DROP and deaths**

Date of termination - See Instructions  Enter date in mm/dd/yyyy format.

Full-time earnings the member would have earned working the full year at 100% effort plus any additional pay received. Refer to the Employer Procedures Manual, Index 4.1, for more information. Do not include rollover earnings in the full-time earnings. Full-time earnings \$

Rollover earnings earned in June (prior year), paid in July - amount of salary that is earned in June that would normally be paid in July. Rollover earnings \$

Percent of effort (if part-time) - percent of time part-time member works. For example, the member works 4 hours out of an 8-hour day, 5 days a week, the percent effort would be 50%. Percent effort  %

Comment

**Retiring After DROP**

Fiscal year - last fiscal year the member was in DROP and paid no retirement contributions due to DROP participation. Fiscal year

Actual earnings - earnings (including PIP earnings) the DROP participant earned during the last 12 months of DROP by fiscal year. This information is needed to test the 10% cap for members who worked at least 36 months after DROP. Actual earnings \$

Full-time earnings - earnings the DROP participant would have earned working the full year at 100% effort. Full-time earnings \$

**Electronic Signature**

I understand that by submitting this agency certification online that I am certifying the actual earnings and contributions posted on the member's account are correct for the year certified and I agree to conduct this transaction by electronic means and that I am signing this certification.

**Submit**

- An agency certification will be requested for each employee when entering DROP and retiring after DROP participation ends
- The Agency Certification serves two purposes:
  - Certifies the member's termination date
  - Certifies the service credit for the current fiscal year in which the member enters DROP or retires
- Submit after the member's termination date **and** after all final earnings are posted to the employee's Monthly Salary/Contributions screen in EMIS



# Termination date vs. date of retirement

- **Termination date:** the member's last day or work or last day of official leave. When a member enters DROP, this is the day before the DROP participation begins.
- **Date of retirement:** the day after the termination date or the date TRSL receives the member's completed retirement application, Form 11 or 11H, whichever is later.

# Questions?



# We are here for you!



**Local phone:** (225) 925-6446

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

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

**Email:** [web.master@trsl.org](mailto:web.master@trsl.org)



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