



Deferred Retirement Option Plan

There are advantages and disadvantages to participating in the Deferred Retirement Option Plan (DROP).

DROP is an optional method of retiring from LASERS. It is not an additional retirement benefit. You can participate in DROP only once for up to 36 months. During your participation, you accumulate money in an individual account based on the amount you would have received as a monthly retirement benefit. You also continue to earn your regular salary and keep your employee benefits. You may withdraw the money from your DROP account only *after* you terminate state employment.

You may complete Form 5-1 *Request for Retirement Benefit Estimate* within twelve months of your estimated date of retirement to receive an estimate of your DROP benefit.

If you elect to take an early retirement, you are not eligible to participate in DROP. Members who elect to participate in DROP **cannot** select the Initial Benefit Option (IBO).

You cannot use your unused sick and annual leave to establish eligibility for DROP participation. LASERS cannot convert this leave to retirement credit until all state employment ends.

You may participate in DROP if you have service credit with another retirement system recognized by LASERS under La. R.S. 11:142. Your combined service credit must meet the minimum eligibility requirements of each retirement system.

LASERS also accepts purchased service credit and qualified military service in establishing DROP eligibility.

You cannot transfer service, repay a previous refund of contributions, or purchase service credit once you begin DROP.

DROP Eligibility

You must be eligible for regular retirement as defined for your membership plan as outlined in the LASERS *Membership Handbook* before participating in DROP.

Old-DROP (On or before December 31, 1995)

If you were eligible to retire *on or before* December 31, 1995, you may enter DROP at any time prior to retirement. There is no “window” of participation.

New-DROP (After December 31, 1995)

If you became eligible to retire *after* December 31, 1995, you have a 36 month “window” of participation which begins 60 days after your first retirement eligibility date.

In order to participate for the full 36 months, you must begin DROP within 60 days of your first eligibility date. You may participate for a maximum of 36 months (3 years), not 3 years and 60 days. If you enter DROP later than 60 days from your first eligibility, the 36 month participation period is reduced.

You cannot end DROP prior to the stated ending date unless you terminate employment. The stated participation period cannot be extended.

If you became eligible for retirement *on or after* January 1, 2004 and wish to participate in DROP, you must participate in the Self-Directed Plan (SDP). Although eligibility requirements remain the same, other requirements exist. More information about the SDP can be found on the *Self-Directed Plan* Fact Sheet.

DROP application forms are available at your agency's Human Resources office. To ensure timely processing, you should submit your application for DROP at least 90 days before the effective date of your participation. Your application is “officially filed” with LASERS when received in our office.

You may cancel your DROP application at any time before the effective date occurs. You cannot change

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your decision to participate in DROP after the effective date.

As a DROP participant, you do not pay contributions during DROP participation, and you do not earn additional service credit. LASERS will mail you a quarterly DROP Activity Report, which will reflect any activity during that period, and your account balance. LASERS will also mail an annual DROP account statement to your home address, which will reflect any interest earned.

As your employment continues during DROP, you have all rights and responsibilities of other employees. You will be able to earn leave as established for your position.

Your named retirement beneficiary will receive benefits should you die while in DROP participation according to the retirement option you selected.

You are not eligible for cost-of-living adjustments granted to retirees during DROP participation or during continued employment after DROP.

Your agency will not pay employer contributions during your DROP participation.

You may choose to continue working when DROP participation ends. Monthly additions to your DROP account will cease, and your account may begin to earn interest depending on the system's investment returns. Your employer and employee contributions will be resumed, and you will continue to earn leave. **You cannot change your original retirement option.**

When employment ends

You begin receiving a monthly retirement benefit after termination of employment. This benefit may include supplemental benefits for employment after DROP and for the conversion of eligible sick and annual leave. The calculation for the conversion of leave may be found on the *Leave* Fact Sheet.

Community property

Your DROP account is subject to Louisiana's community property laws. In case of divorce, death, or marriage, DROP account funds will be administered according to applicable state and federal laws.

Federal income tax

DROP account funds, including interest, are subject to federal income tax upon withdrawal. Form 1099-R (federal tax) provided to you for your retirement benefits will include any DROP withdrawals.

You may want to consult with a qualified tax advisor before you take a payment of your benefits from LASERS.

Retirement options and DROP beneficiaries

The *retirement* option selected upon participation in DROP cannot be changed. You must select a retirement option beneficiary *and* a DROP account beneficiary when you submit your DROP application.

Your **retirement option beneficiary** cannot be changed if you selected an option that leaves a lifetime benefit.

Your **DROP account beneficiary** can be different than your retirement option beneficiary and can be changed at any time by notifying LASERS in writing. You must obtain your spouse's consent to name someone other than your spouse as beneficiary by submitting a Form 4-4 *Spousal Consent*.

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