



Deferred Retirement Option Plan (DROP) & Initial Benefit Option (IBO) Account Withdrawals

To withdraw funds from your account after you terminate state service, use Form 9-3 *Request for Withdrawal from DROP/IBO*. Account funds may be paid to you monthly, yearly, in a lump sum, or rolled over to an IRA or other qualified pension plan. Tax penalties may apply depending on the withdrawal method selected. (See also Self-Directed Plan.)

Your DROP/IBO account will not be subject to fees, costs, or expenses. Your account is exempt from levies, garnishments, or attachments and is unassignable.

You must terminate employment with the State of Louisiana for at least 30 consecutive days to begin withdrawals from your DROP/IBO account.

In accordance with IRS rules, withdrawals must begin no later than the year after you reach age 70 ½, provided you have retired and are receiving monthly retirement benefits. Failure to make the required withdrawals will subject you to a federal excise tax of 50 percent of the difference between the required payment and the actual payments made during the year.

LASERS recommends that retirees consult a qualified tax advisor before making any decision about the withdrawal of funds.

Your DROP account **does not earn interest** during the DROP participation period. DROP accounts are eligible to accrue interest only after your participation ends. IBO accounts accrue interest from date of your termination. Applicable interest is paid until the DROP/IBO balance is depleted.

The DROP/IBO account interest rate is equal to the LASERS actuarial rate of return on investments for prior fiscal year minus 0.5 percent. This interest rate changes from year to year and is based on investment earnings. Interest, if applicable, will be credited to your account each month based on your month-end account balance. Interest earned will be shown on your DROP annual statement.

The Attorney General issued Opinion Number 02-0082 concerning the DROP/IBO Accounts, which LASERS has interpreted to mean that the system cannot reduce the current accounts, even though the actuarial return was negative.

LASERS established a **Self-Directed Plan (SDP)** which is a 401(a) retirement plan. Once the DROP accumulation period ends, or an IBO applicant terminates service, 100 percent of the participant's balance is transferred to a third-party provider, Great-West Retirement Services. You will be able to choose from a menu of investment options in which to allocate the balance.

Participation in the SDP may result in the risk of loss of principal or earnings based on market performance and each participant agrees that neither the State of Louisiana nor the Louisiana State Employees' Retirement System (LASERS) is obligated for any loss in account funds.

If you become eligible for retirement on or after January 1, 2004, and enter DROP or select the IBO, you will be required to join the SDP. If you are a DROP participant, you must complete the DROP accumulation period before funds can be transferred to the SDP.

If you became eligible for retirement prior to January 1, 2005, and you participate in DROP or select an IBO, you may either leave the accumulated funds in LASERS or make an irrevocable election to transfer them to SDP. If you are a DROP participant, you must complete the DROP accumulation period before funds can be transferred to the SDP. Upon completion of the DROP accumulation period or retirement with an IBO, 100 percent of your balance will be transferred.

You may elect SDP if:

- you entered DROP prior to January 1, 2004;
- you were eligible for regular retirement prior to January 1, 2004, continued to work, and later chose to enter DROP; or

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- you are the spousal beneficiary of a DROP participant.

A wide array of fixed and variable investment options are available through the SDP. Each option is explained in the Great-West Retirement Services booklet and fund data sheets. Visit Great-West Retirement Services website www.LouisianaDCP.com or call KeyTalk, toll free at (800) 701-8255. The website and KeyTalk are available to you 24 hours a day, 7 days a week.

You may also call or visit:

Great-West Retirement Services
2237 S. Acadian Thruway, Suite 702
Baton Rouge, LA 70808
225.926.8086 or toll free 800.937.7604

Distribution options for the SDP are:

- Defer the start of payments from your account until April 1 following the calendar year in which you attain age 70 ½;
- Receive:
 - periodic payments;
 - fixed annuity payments;
 - partial lump sum with remainder paid as periodic payments or annuity payments;
 - a lump sum.
- Roll over your account balance to an eligible governmental 457(b), 401(k), 403(b) or 401(a) plan or to an IRA.

You can begin receiving your SDP benefits by contacting Great-West Retirement Services upon retirement or termination of employment. In the event of death, your designated beneficiary should contact Great-West to receive the balance in your account.

Distributions from the SDP are exempt from Louisiana state income tax. Ordinary federal income tax will apply to any benefit received during the calendar year. Some penalties may apply for early withdrawal. Contact your Great-West Retirement Services representative for additional information.

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