

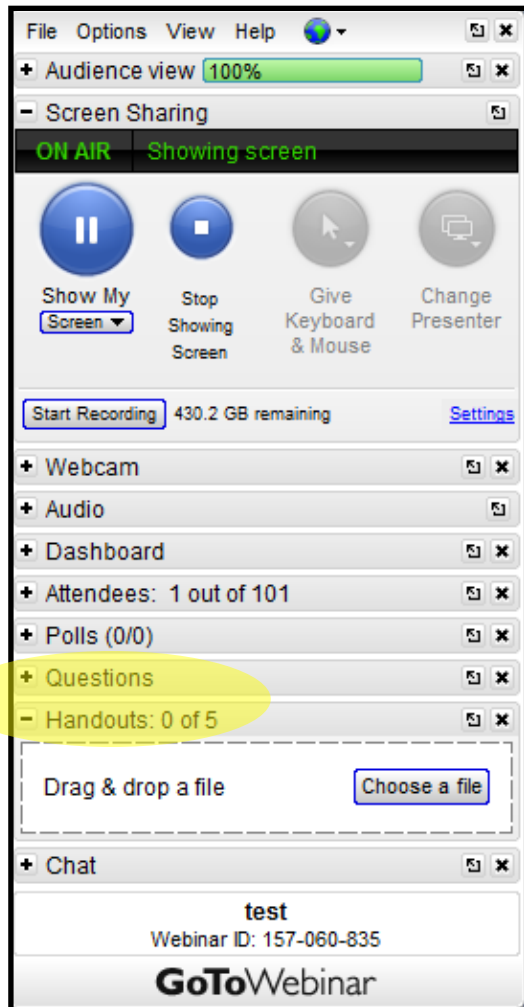


Understanding DROP

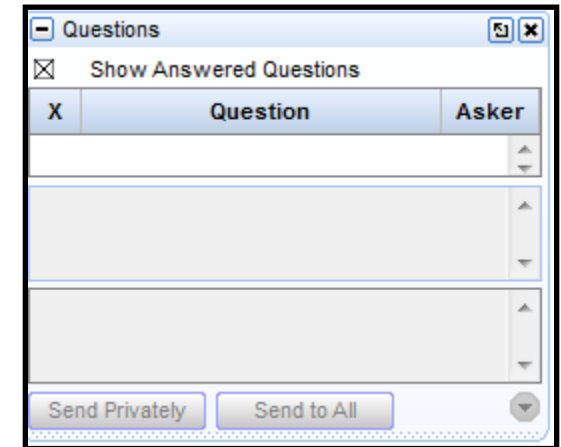
Friendly reminders

- 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.
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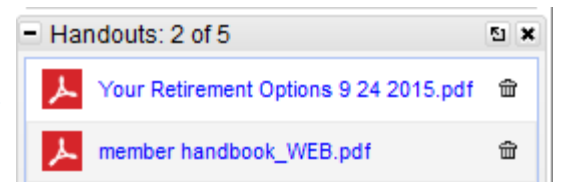
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Agenda

DROP definition

The DROP window

Eligibility requirements

Applying for DROP

What happens while in DROP

Questions to ponder

DROP Examples

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 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 retirement benefit. Your monthly benefit is deposited each month into a special account at TRSL while you continue to work and earn a paycheck.
- You can participate in DROP for up to three years once your DROP “window” of eligibility opens.
- You can shorten, but not extend your DROP participation time. (Minimum participation time is 1 day.)
- The “frozen” benefit is calculated based upon years of service credit and average compensation as you enter DROP.
- Your decision to participate in DROP is irrevocable.

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.

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.

When am I eligible for DROP?

REGULAR PLAN *(prior to Jan. 1, 2011)*

Age 60 with 10 years*

Age 55 with 25 years

Any age with 30 years

REGULAR PLAN *(on or after Jan. 1, 2011)*

Age 60 with five years

**2.0% benefit factor*

When am I eligible for DROP?

PLAN A

Age 60 with 10 years*

Age 55 with 25 years

Any age with 30 years

PLAN B

Age 60 with 10 years

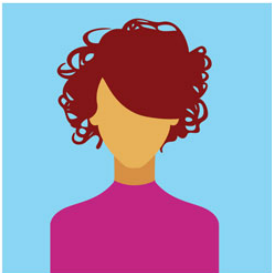
Age 55 with 30 years

**2.0% benefit factor*

DROP window examples

Regular Plan (prior to January 1, 2011)

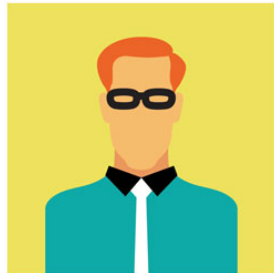
Judy



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.

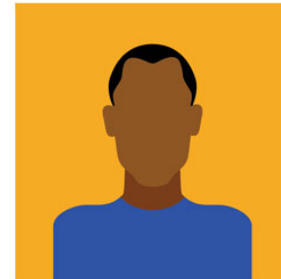
Tasha



Age 60 at
19 years

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

Sam

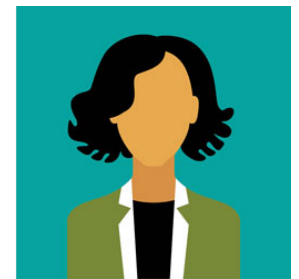


Age 63 at
25 years

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**

How do I apply for DROP?

There are two ways you can apply for DROP:



Apply online
through your
Member Access
account

OR



Submit Form 11
*(Application for
Service Retirement,
ILSB, or DROP)*

Applying through *Member Access*

Select “Apply for Retirement” from the “My Retirement” drop-down menu.



Applying through *Member Access*

Application for Service Retirement, ILSB, or DROP	
Applications may be canceled before cashing any benefit check, including estimated benefit payments and direct deposits. Your application may be submitted within six months before your effective retirement/DROP date. It is your responsibility to submit your application before your selected retirement/DROP date.	
Your retirement information (Must be completed)	
Select one: <input type="radio"/> Service — 06-11A <input type="radio"/> ILSB — 06-11A5 <input type="radio"/> DROP — 06-11F	Date of retirement/DROP begin date <input type="text"/> (mm/dd/yyyy)
Annual COLA Option (ACO) allows a retiring member to receive a guaranteed annual 2.5% cost-of-living adjustment (COLA) by accepting an actuarially REDUCED retirement benefit. Check the box below only if you are considering ACO. <input type="checkbox"/> Yes, I wish to receive an estimate of REDUCED benefits based on the self-funded Annual COLA Option (ACO).	
Your member information (All fields must be completed)	
Name: Last, first, MI, suffix (Jr., III, etc.) <input type="text"/>	Your Social Security number <input type="text"/>
Street address/P.O. Box <input type="text"/>	Your date of birth <input type="text"/>
City <input type="text"/>	Name of Employer <input type="text"/>
State <input type="text" value="LA-LOUISIANA"/>	Zip <input type="text"/>
Home/cell telephone* <input type="text"/>	Work telephone* <input type="text"/>
* include area code	
Months of contract <input type="radio"/> 9 <input type="radio"/> 10 <input type="radio"/> 11 <input type="radio"/> 12	Job title <input type="text"/>

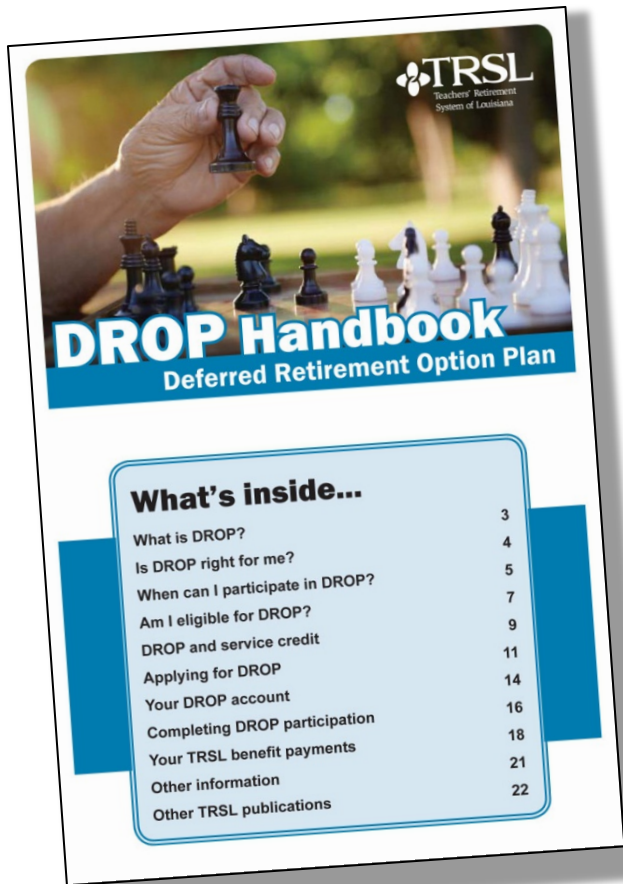
Information for you and your spouse will automatically load from your account, but you will be able to make changes, if necessary.

How do I apply for DROP?

You can submit your retirement application as early as six months before your desired date of retirement or DROP beginning date:

- You will need to complete all purchases, transfers, and/or reciprocals of service credit before the effective date of retirement or entering DROP.
- You will also need to submit all required identification documents.

While in DROP...



- 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...

- You don't 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 deposit example

56 year-old member enters DROP with 25 years of service. Her monthly retirement benefit is calculated to be \$1,563. This is also the amount that will be deposited into her DROP account each month (maximum option).

Length of time on DROP	Amount
12 months on DROP	\$18,756
24 months on DROP	\$37,512
36 months on DROP	\$56,268



Members can end DROP participation and terminate employment at any time. Maximum participation time is 36 months.

Your options after DROP participation



TERMINATE EMPLOYMENT:

- Start receiving monthly benefits
- Begin DROP account withdrawals

OR



CONTINUE TO WORK:

- Resume contributions to TRSL
- Earn supplemental benefit

DROP interest rates

- Once you complete DROP, your DROP account is eligible to earn interest.
- DROP accounts earn interest based upon when the member was eligible to participate in DROP:

Fiscal Year End	DROP interest rate for members eligible <u>before</u> 1/1/04	DROP interest rate for members eligible <u>on or after</u> 1/1/04
2016	6.17%	0.0595%
2015	10.76%	0.0000%
2014	12.64%	0.0000%

DROP interest rates

Members eligible before January 1, 2004:

- These DROP accounts earn interest based on TRSL's actuarial rate of return (less 0.50%).
- Interest rates vary from year to year.
- No minimum interest rate is guaranteed by TRSL.
- Interest is posted annually (based on daily compounding), usually in February.
- Funds for this group are invested with TRSL's portfolio.

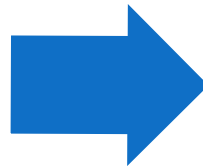
DROP interest rates

Members eligible on or after Jan. 1, 2004:

- These DROP accounts earn interest based on the liquid asset money market rate (less 0.25%).
- This rate is similar to the rate paid by financial institutions on regular savings accounts.
- Interest is posted monthly.
- Funds for this group are invested in a liquid asset money market account, as required by law.

Why did DROP interest rates change?

In 2002, TRSL had a negative actuarial rate of return. The system sought an opinion from the La. attorney general on whether DROP accounts could be debited in the event of a negative actuarial rate of return.

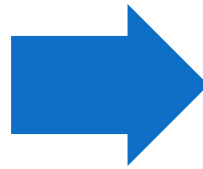


AG ruled that DROP deposits could not be debited in the event of a negative actuarial rate of return, reasoning that once interest was credited to a member account it could not later be taken.

AG ruling meant that the TRSL trust would have to absorb the cost (a loss) in years when the actuarial rate was negative.

When did DROP interest rates change?

In light of the AG opinion, the Legislature moved to ensure that TRSL incurred no additional costs related to DROP interest.



In 2003, legislators established a new method for determining interest rates that was tied to the liquid asset money market rate of return.

Going forward, members eligible to participate in DROP on or after January 1, 2004, would be eligible to earn interest on their DROP accounts at the liquid asset money market rate of return (less 0.25%).

Questions to ponder:

- **Will my benefit be calculated at 2.0% or 2.5%?**
 - » Regular service retirement at age 65 with 20 years is calculated at 2.5%.
 - » DROP at age 60 with 10 years is calculated at 2%. (Reg. Plan)
- **Will I receive a salary increase?**
 - » Increases of more than 10% may cause your average compensation to be capped.
- **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 to not participate in DROP and retire once you're eligible for a 2.5% accrual rate.

Entering DROP
with 2.0% accrual rate

$15 \text{ years} \times 2.0\% \times \$2,805.56 =$
\$842/mo. (maximum)

You will have \$30,312 at the
end of 36 months of DROP
participation, and receive a
\$842 monthly benefit for life.

Not entering DROP
and retiring with
a 2.5% accrual rate

$20 \text{ years} \times 2.5\% \times \$2,805.56 =$
\$1,403/mo. (maximum)

You won't have any DROP
funds, but you will receive a
\$1,403 monthly benefit for life
(\$561 more per month).

DROP vs. No DROP?

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

$$30 \text{ years} \times \$4,000.00 \times 2.5\% = \$3,000 \text{ (maximum)}$$

$$10 \text{ years} \times \$4,500.00 \times 2.5\% = \$1,125$$

TOTAL \$4,125

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

$$40 \text{ years} \times \$4,500.00 \times 2.5\% = \$4,500 \text{ (maximum)}$$

Things to do now

- Register for **Member Access**.
- Submit copies of important documents:
 - » Social security cards (member and beneficiary/ies)
 - » Birth certificates (member and beneficiary)
 - » Legal documents (including divorce decrees, judgment of separation, and/or community property settlements)
- Update address.
- Update beneficiary/ies.
- Get a retirement estimate...
submit Form 10 or on Member Access



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.



What's coming up?

Register online at *www.TRSL.org*:

May 4 I've Completed DROP, What's Next?

June 29 Legislative Updates

Questions?



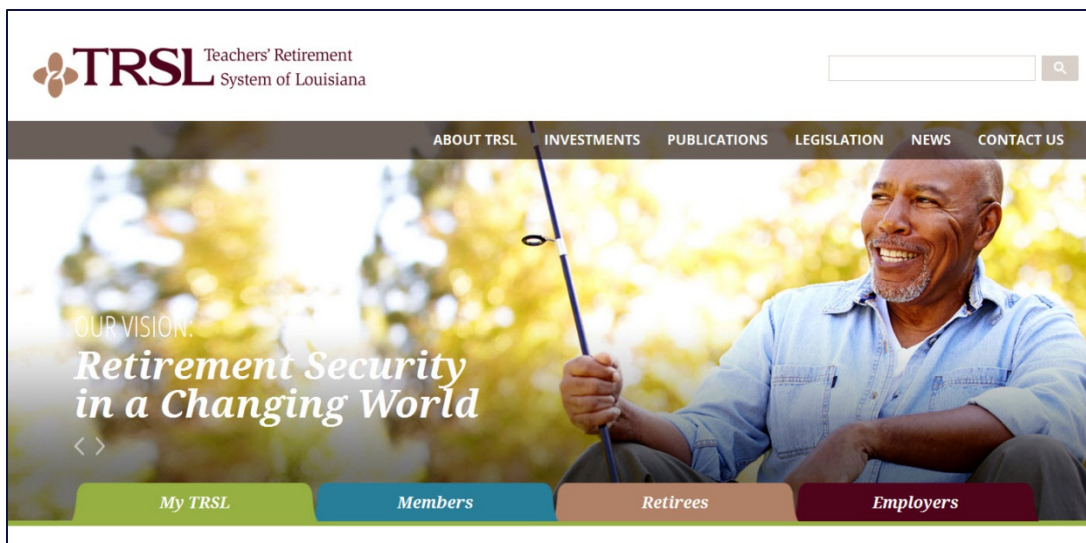
Online access to your TRSL account

Member Access is a secure website where you have all the tools you need to plan for retirement:



- View service credit, contributions and beneficiary designations
- Create a benefit estimate
- Update your name or address
- Apply for retirement

Create your account today!



Find it online...

- Forms
- Brochures
- Newsletters
- & More!

We are here for you!



Local phone: (225) 925-6446

Toll free (outside Baton Rouge):
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Website: *www.TRSL.org*

Email: *web.master@trsl.org*



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