

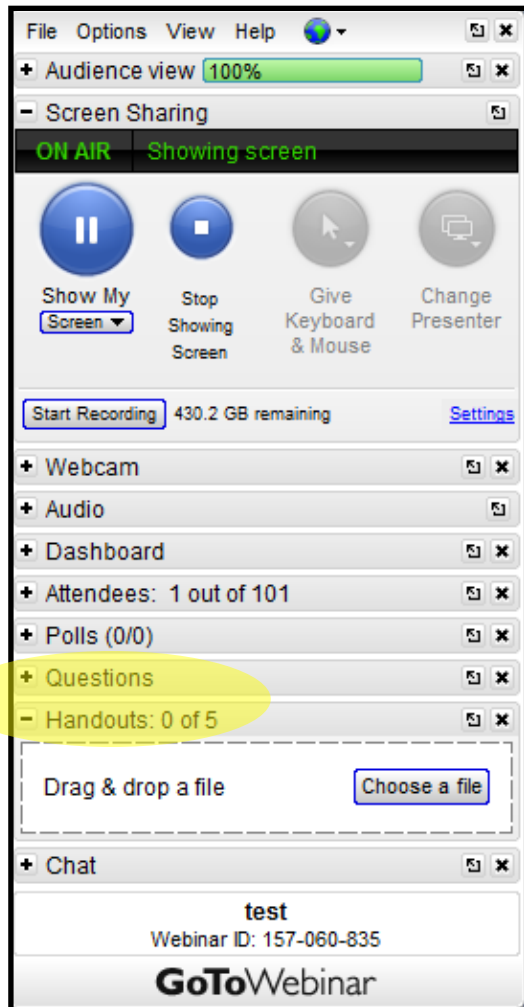


I've Completed DROP... Now What?

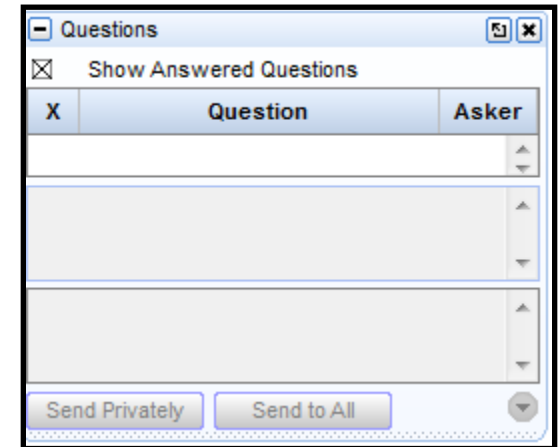
Friendly reminders

- 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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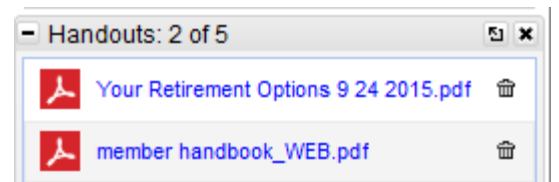
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Agenda

Review of what happens during DROP

Options after DROP participation

After-DROP supplement

Forms needed to retire

DROP account withdrawal options & examples

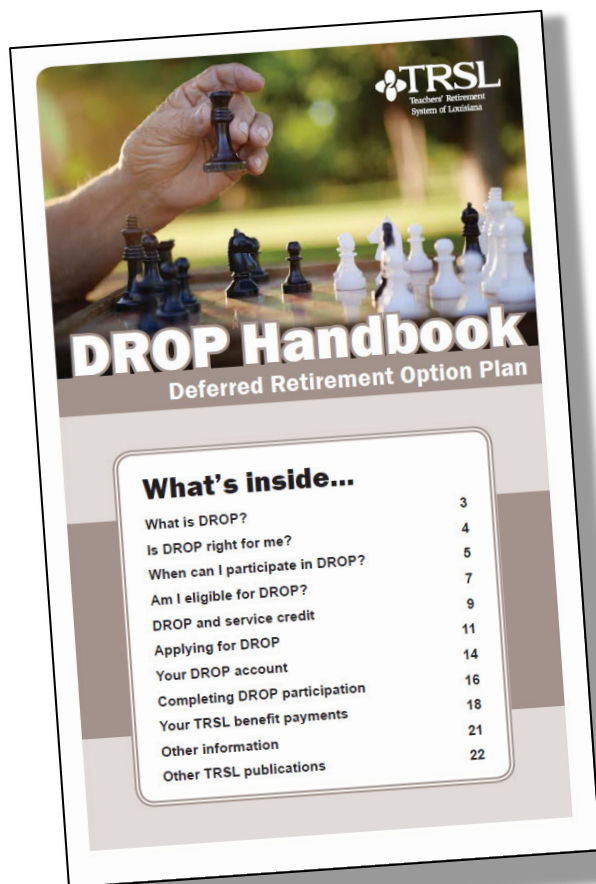
Tax liabilities

You're in DROP!



- The retirement option you chose (not your contributions) determines how much is deposited in your DROP account.
- **The option chosen is a permanent choice.** You will not get to choose another option when you retire.

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...

- 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.

Your options after DROP participation



CONTINUE TO WORK:

- Resume contributions to TRSL
- Earn supplemental benefit

OR



TERMINATE EMPLOYMENT (RETIRE):

- Start receiving monthly benefits
- Begin DROP account withdrawals

If you continue to work

- DROP deposits will end.
- You will resume contributions to TRSL.
- You will begin earning service credit again.
- You will earn a supplemental benefit amount:
 - » This supplement will be added to your base retirement amount to calculate your final monthly retirement benefit. It will not come as a separate check.
 - » The years before DROP will not be calculated in the supplemental benefit.
 - » The retirement option you chose at the time of entering DROP is also a factor in calculating your supplement amount.

After-DROP supplement

The length of employment after DROP will determine the Final Average Compensation (FAC) amount used in the supplement calculation (prior to Jan. 1, 2011):

If you work less than 3 years

- TRSL will use your before-DROP average.
- This is the same FAC that was used to calculate your DROP deposit.

If you work 3 or more years

- TRSL will calculate an after-DROP average.
- This may be a different FAC, depending on if your salary is higher or lower 3 years after DROP.

After-DROP supplement

The length of employment after DROP will determine the Final Average Compensation (FAC) amount used in the supplement calculation (on or after Jan. 1, 2011):

If you work less than 5 years

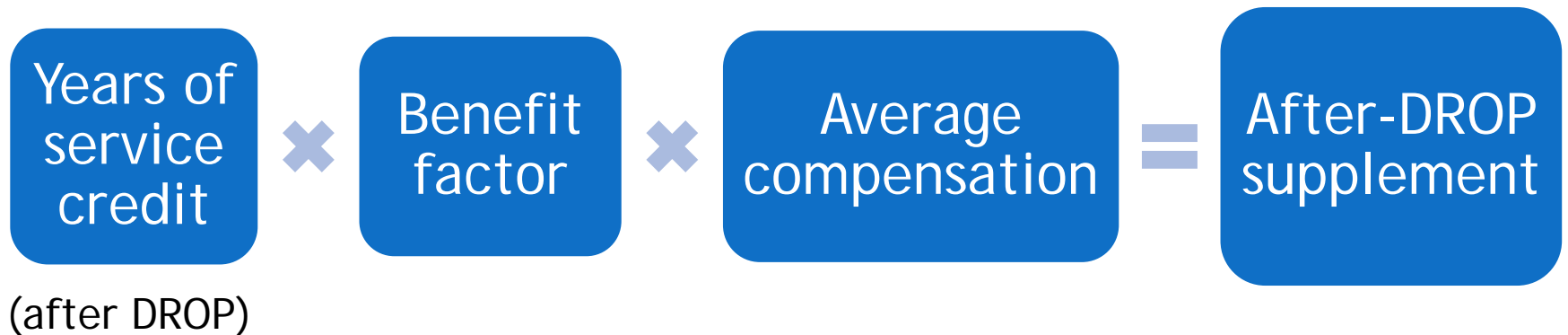
- TRSL will use your before-DROP average.
- This is the same FAC that was used to calculate your DROP deposit.

If you work 5 or more years

- TRSL will calculate an after-DROP average.
- This may be a different FAC, depending on if your salary is higher or lower 5 years after DROP.

Formula for after-DROP supplement

The formula for calculating the after-DROP supplement uses the same three components as the DROP deposit calculation. Your benefit factor will be the same as when you entered DROP (2%, 2.5%, 3%) and “froze” your benefit.



After-DROP supplement

$$1 \times 2.5\% \times \$3,000 = \$75$$

Base benefit	\$ 1,875
+ supplement	75
Final retirement benefit	\$ 1,950

Final monthly retirement benefit equals base benefit plus supplement.

- Member entered DROP with 25 years of service credit at age 57.
- DROP deposit calculated using 2.5% factor.
- Member works one year after DROP and then retires.
- Pre-DROP final average compensation was \$3,000.

After-DROP supplement

$$3 \times 2.5\% \times \$3,500 = \$263$$

Base benefit	\$ 1,875
+ supplement	263
Final retirement benefit	\$ 2,138

Working at least three years after DROP does not change the average compensation for the years before DROP.

- Member entered DROP with 25 years of service credit at age 57.
- DROP deposit calculated using 2.5% factor.
- Member works three years after DROP and then retires.
- After-DROP final average compensation is \$3,500.

Ready to retire?

What forms do I need to complete?



Form
11H

- *Termination of Employment at End of DROP Participation/ Employment*

Form
15D

- *Direct Deposit of Benefits*

What are your DROP withdrawal options?

- **Total account balance withdrawal**
 - » Direct payment
 - » Rollover
 - » Direct payment/rollover split
 - **Withdrawals from TRSL**
 - » Monthly
 - » Annual
 - **Partial single-sum withdrawal**
- You will have one opportunity in a 12-month period to change the withdrawal method and/or amount.
 - Amount cannot be decreased.
 - Total account withdrawal is available at any time.

Total account withdrawal

A total account withdrawal can be chosen at any time.

- DROP withdrawals that will exhaust the account balance in less than 10 years have tax consequences:
 - » Mandatory 20% federal withholding tax
 - » Additional 10% early withdrawal penalty
(before age 55)



Rollovers

- Must be rolled to another qualified plan within the United States.
- If TRSL rolls over the account to an IRA or other qualified plan, there will be no tax withholding at the time of distribution.
- **Minimum rollover amount:** \$200
- **Eligible accounts:** 401(a), 401(k), 403(b), 457, Roth IRAs, 408(a), traditional IRAs
- When withdrawals are made from a rollover, the funds are subject to both federal and state taxes.
 - » No longer Louisiana state tax exempt

Direct payment/rollover split

- Must be rolled to another qualified plan within the United States
- Minimum rollover amount: \$500
- Direct payment subject to federal taxes:
 - » Mandatory 20% federal withholding tax
 - » 10% early withdrawal penalty
(before age 55)



Monthly withdrawals from TRSL

- Minimum amount is determined by IRS life expectancy table
- Can be increased annually, never decreased
- Must be direct deposited (US Banks only)

Note: You still have the option to withdraw your total account balance at any time.



Annual withdrawals from TRSL

- Minimum amount is determined by IRS life expectancy table
- Can be increased annually, never decreased
- Must be direct deposited (US Banks only)
- You specify the month you wish to receive payment

Note: You still have the option to withdraw your total account balance at any time.



Partial single-sum withdrawal

Can be taken as follows:

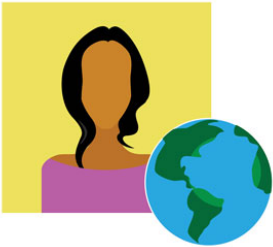
- Once in the lifetime of you or your spousal beneficiary; **and**
- At time of retirement; **or**
- After withdrawals have begun



- You must have been at least age 55 at time of retirement, or at least age 59 ½ at the time withdrawal is taken.
- It will affect the lifetime of the account balance and tax liabilities.
- If you are married, a DROP or ILSB Retiree Spousal Consent to Withdrawal Method (Form 11G-1) must be completed.

\$100K – Withdrawal comparison

TOTAL ACCOUNT WITHDRAWAL



Withdraws \$70K- \$80 to move abroad.*

PAYMENT/ ROLLOVER SPLIT



Withdraws approx. \$40K to pay off house. Rolls over remaining \$50K.*

MONTHLY WITHDRAWALS



Withdraws \$700-\$800 per month for 10 years to supplement income.*

ANNUAL WITHDRAWALS



Withdraws \$8K-\$9K per year for 10 years to take his family on vacation.**

PARTIAL SINGLE-SUM W/DRAWAL



Withdraws \$25K for a new car (\$20K after taxes).*

Still receives \$500-\$600 per month for 10 years.**

*Subject to 20% mandatory federal withholding tax and 10% early withdrawal penalty.

**Based upon the IRS life expectancy table; allows them to avoid 20% mandatory federal withholding tax.

Some tax considerations

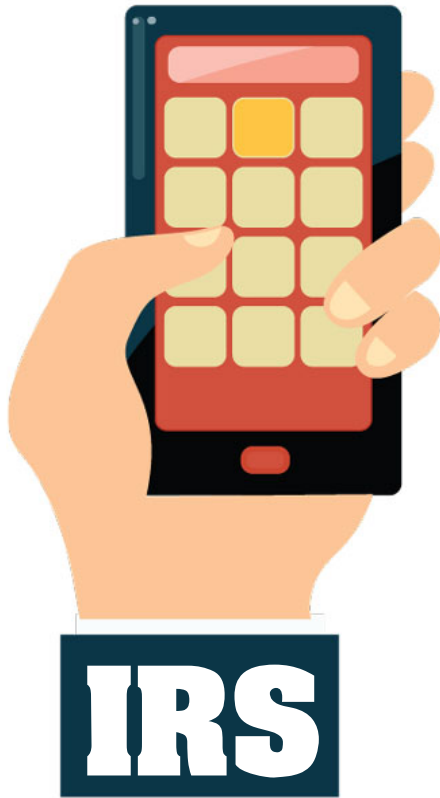
DROP withdrawals that will exhaust the account balance in less than 10 years have tax consequences:

- **Less than 10 years:**
 - » 20% mandatory federal withholding tax
 - » 10% early withdrawal penalty (before age 55)
- **At least 10 years:**
 - » Federal income tax withholding based on your W4P

Consult a qualified tax advisor before making any decisions about withdrawing your funds.

Federal taxes are deferred on DROP account deposits and become due as funds are withdrawn.

Tax liabilities



Your retirement benefit:

- » Exempt from Louisiana state income tax (not automatic, must file to receive exemption)
- » Subject to federal income tax

DROP withdrawals paid directly by TRSL:

- » Exempt from Louisiana state income tax (not automatic, must file to receive exemption)
- » May be subject to federal mandatory tax withholding

When are DROP withdrawals paid?

- Monthly DROP withdrawals are paid on the 15th of each month, following payment of your first monthly retirement benefit. Your retirement benefit will be paid on the 1st of each month.
- If TRSL pays your DROP withdrawal directly to you, it is Louisiana state tax exempt, provided you live in LA.
 - » You must still file a Louisiana income tax return and claim the exemption.

What forms do I need to submit?

Withdrawal form
(choose form,
appropriate for
your age):

Form
11J

- *DROP or ILSB Retiree Withdrawal Method Selection OR*

Form
11N

- *DROP or ILSB Retiree Withdrawal Method Selection for Ages 70 ½ and Over*

Direct deposit form
(if taking withdrawals
directly from TRSL):

Form
11R

- *Direct Deposit of DROP or ILSB Account Withdrawals*

Spousal consent form
(if withdrawal method is
not life expectancy):

Form 1
G-1

- *DROP or ILSB Retiree Spousal Consent to Withdrawal Method*

Summary

- You do not have to retire immediately after DROP participation ends.
- You can increase your final retirement benefit if you work after your DROP participation period ends.
- You must receive your first retirement payment before you can access your DROP funds.
- Depending on the withdrawal method chosen, you may face tax consequences.



Questions?



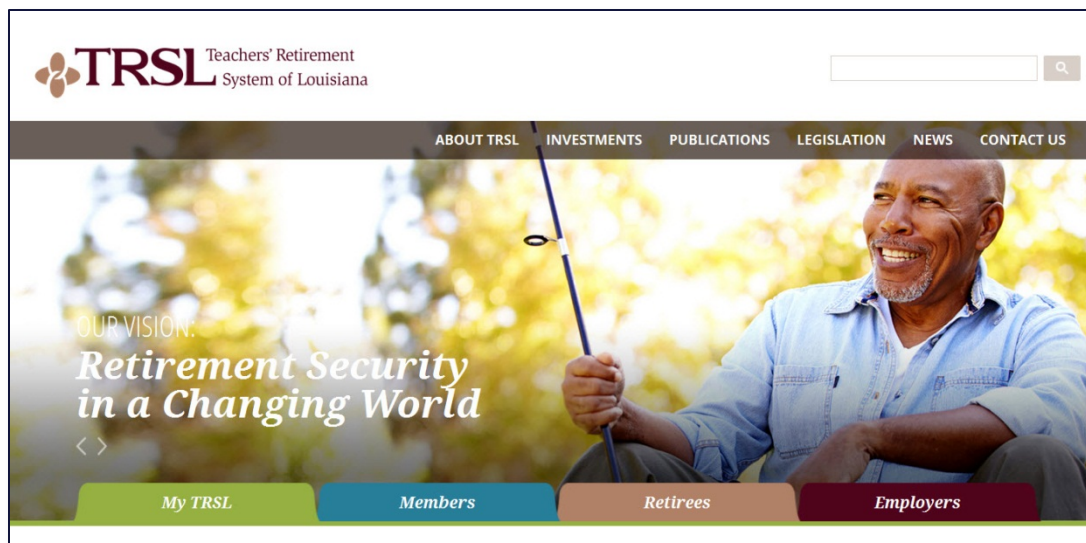
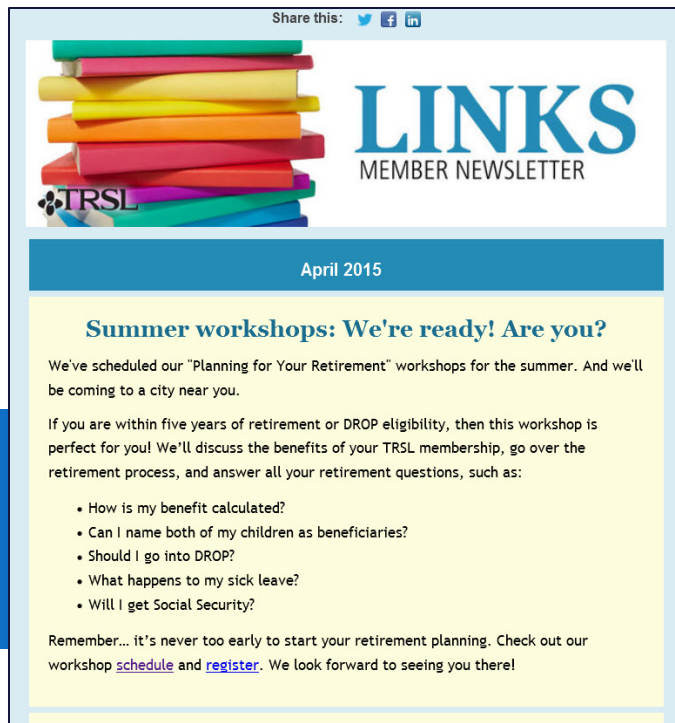
Online access to your TRSL account

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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