Deferred Retirement Option Plan

(La. R.S. 11:447)

The Deferred Retirement Option Plan (DROP) is an optional retirement method that allows you to defer your retirement benefit for a maximum period of 36 months while you continue to work. Neither you nor your employer will pay contributions to LASERS, and you do not earn additional service credit during the participation period. Your monthly DROP benefit will be deposited into an individual DROP account which you can access after you have retired. You will continue to earn your regular salary and accrue annual and sick leave while in DROP.

Eligibility

A Regular Member must be eligible for retirement before participating in DROP. Members who take an actuarially reduced retirement may not participate in DROP. See the chapter on Retirement Eligibility for more information.

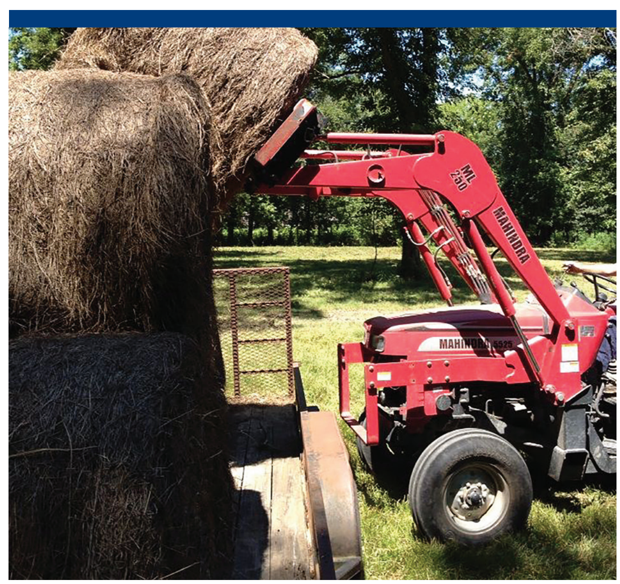
You may participate in DROP if you have service credit with another retirement system recognized by LASERS pursuant to the provisions of La. R.S. 11:142 (reciprocal recognition). Your combined service credit must meet the minimum eligibility requirements of each retirement system. You must submit an Application for DROP to both of the retirement systems.

Participation Period

If you were eligible to retire on or before **December 31, 1995,** you are eligible to participate in "Old DROP" and may enter DROP at any time prior to retirement. There is no defined window of participation. Your DROP account will remain at LASERS unless you make the irrevocable choice to transfer your DROP account to the Self-Directed Plan.

If you were eligible to retire **between December 31, 1995, and December 31, 2003,** and participated in DROP, you were in "New DROP." Your DROP account will remain at LASERS unless you make the irrevocable choice to transfer your DROP account to the Self-Directed Plan. The "New DROP" plan is no longer available.

If you are eligible to retire **on or after January 1, 2004,** you are required to enter the Self-Directed Plan. Self-Directed Plan DROP accounts will be transferred to the third party administrator, EMPOWER Retirement™, as soon as your DROP participation period ends. You will have a three year and 60-day DROP window. You must begin DROP participation within 60 days of your first eligible date for retirement in order to participate for the full 36 months. If you enter DROP later than 60 days from your first eligible date, the 36-month participation period is reduced.



(14) Photo by Beth Segura (Please see pages 100-101)

Steve is first eligible for regular retirement on June 1, 2016, so his 60 day window ends on July 30, 2016. If he wants to participate in DROP for the entire 36 months, he must start DROP prior to July 30, 2016. If he begins DROP on June 15, 2016, he can participate until June 14, 2019 (36 months). However, if he does not begin DROP until September 1, 2016, he can only participate in DROP until July 29, 2019. He will not get the full 36-month participation period.

You may elect to participate in DROP for fewer than 36 months. However, once you have chosen a DROP end date, this end date cannot be extended. You cannot exit DROP prior to your stated ending date unless you terminate employment.

Retirement Options and DROP Beneficiaries

When you decide to participate in DROP you will select a retirement option, a retirement option beneficiary, and a DROP account beneficiary. The retirement option selected upon participation in DROP cannot be changed. Your DROP account beneficiary can be different from your retirement option beneficiary, and may be changed at any time by submitting Form 01-06: Designation of Beneficiary to LASERS (Form 04-04: Spousal Consent may be required). Should you die during DROP participation, your named retirement beneficiary will receive benefits according to the retirement option you selected. Your DROP account beneficiary will be entitled to the remaining funds in your DROP account. See the chapter on Retirement Options for more information.

Your DROP account beneficiary can be different from your retirement option beneficiary, and may be changed at any time.

Calculating the DROP Benefit

Your DROP benefit is based on the amount that you would have received as a monthly retirement benefit if you had selected regular retirement. This monthly benefit will be deposited into an individual DROP account as long as you continue participation in DROP. Your unused annual and sick leave are not calculated when you go into DROP. Only when you terminate State service during or after DROP will your leave be calculated.

Beth is eligible for regular retirement with 19.20 years of service credit at age 60. Her first eligible date for regular retirement was January 2, 2016, so she must enter DROP within 60 days of this date to participate for the entire 36 months. She chose to enter DROP on January 2, 2016, so she is eligible to participate until January 1, 2019. She selected the Maximum Option so her DROP benefit is calculated in the following manner:

$40,000.00 Average compensation	x	.025 accrual rate	x	19.20 years of service credit	=	$19,200.00 per year ($1,600.00 per month)

While Beth continues working, a monthly amount of $1,600.00 will be deposited into her DROP account. These monthly deposits will continue until Beth either ends DROP participation on January 1, 2019, or terminates employment, whichever occurs first. If Beth participates in DROP for the full 36 months she will have $57,600.00 in her DROP account at the end of her participation period.

Application Process

To apply for DROP, you must submit the following to LASERS:

- Form 09-01 or 09-01A: Application for Deferred Retirement Option Plan **(DROP)**
  - Form 9-01 is for members who were eligible to retire on or after January 1, 1995
  - Form 9-01A is for members who were eligible to retire before January 1, 1995
- Form 04-04: Spousal Consent (if you are married and select Maximum or Option 1, or name a beneficiary who is not your spouse)
- Copies of Social Security cards and birth certificates for you and your beneficiary(ies)
- Certified Copy of a Judgment of Divorce from your former spouse and/or a copy of the death certificate of your former spouse (if applicable)
- Copy of Marriage Certificate (if Option 4A was selected)
- Certified Matrimonial Contract, Pre-nuptial Agreements, Seperate Property Agreements, ect. (if applicable)

You will not be enrolled in DROP until LASERS has received all required documents. LASERS recommends that you complete all of your retirement paperwork six months prior to your DROP start date. Your human resources personnel will assist you as you begin the retirement process.

You cannot change your decision to participate in DROP after the effective date.

End of DROP Participation

Once a member completes the DROP participation period, they must choose to either terminate employment and retire, or continue employment and resume contributions to LASERS. If you terminate employment while in DROP or on your DROP end date, you will begin receiving a monthly retirement benefit from LASERS. This monthly retirement benefit will be the same as your DROP benefit, unless you convert your unused annual and sick leave to retirement credit and/or make any purchases during DROP. If you continue employment after DROP, your agency must submit Form 09-02A: Certification of Continued Employment **after DROP Participation to LASERS.**

Once a member completes the DROP participation period, they must choose to either terminate employment and retire or continue employment, and begin contributing again to LASERS.

Interest on DROP Accounts

If you are eligible to leave your DROP account at LASERS, it may accrue interest once you have ended DROP participation or retired. Interest can be accrued until your DROP balance is depleted. The interest rate is equal to the LASERS actuarial rate of return on investments for the prior fiscal year minus 0.5 percent. This interest rate is based on a five-year actuarially smoothed return. Interest, if applicable, will be retroactively credited to your account based on your month-end account balance. If interest is earned it will be shown on your DROP annual statement which is issued in the first quarter of each year. For example, a DROP annual statement received in January 2015 would show the interest posted for July 2013 – June 2014.

Although LASERS DROP accounts do not earn interest during the DROP participation period, they are eligible to accrue interest once the participation period ends. Self-Directed Plan DROP accounts will be transferred to the third-party administrator, EMPOWER Retirement™, as soon as the DROP participation ends. LASERS will not pay any interest on these accounts; instead, you will have a selection of investment options for these funds through EMPOWER Retirement™.

Working after DROP

You may choose to continue working after your DROP participation ends. Monthly deposits to your DROP account will cease and your employee contributions as well as employer contributions will resume. When you terminate employment, you will begin receiving a monthly retirement benefit from LASERS. This will include a supplemental benefit for employment after DROP. If you work less than three months after DROP, your service credit will not be rounded up, but will be rounded to the nearest tenth.

The calculation of your supplemental benefit for working after DROP depends on whether you had a 36 month or 60 month final average compensation period when you entered DROP.

- If you had a 36 month final average compensation period when you entered DROP and you work less than three years after your DROP participation ends, your supplemental benefit will be based on your pre-DROP final average compensation. If you work three or more years after your DROP participation ends, your supplemental benefit will be based on your new 36 month after-DROP final average compensation.
- If you had a 60 month final average compensation period when you entered DROP and you work less than five years after your DROP participation ends, your supplemental benefit will be based on your pre-DROP final average compensation. If you work five or more years after your DROP participation ends, your supplemental benefit will be based on your new 60 month after-DROP final average compensation.
- Any unused annual and sick leave will be calculated based on the final average compensation calculation period when you entered DROP (36 or 60 Months). See the chaper on "Unused Annual and Sick Leave".

Beth entered DROP when she had a final average compensation of $40,000.00 based on 36 months. She participated in DROP for the full 36 months and worked five years after her DROP participation ended. Her final average compensation for the time she worked after DROP was $62,000.00 based on 36 months. She has now retired and her retirement benefit is calculated in the following manner:

Drop Benefit

$40,000.00 *36 month average compensation*	x	.025 *accrual rate*	x	19.20 *years of service credit*	=	$19,200.00 per year ($1,600.00 per month)

Since Beth participated in DROP for the full 36 months she has $57,600.00 in her DROP account.

After DROP supplemental benefit

$62,000.00 *new 36 month average compensation*	x	.025 *accrual rate*	x	5.0 *after DROP service credit*	=	$7,750.00 per year ($645.83 per month)

Beth's supplemental benefit is added to her DROP benefit to find her monthly retirement benefit: $1,600.00 + $645.83 = $2,245.83, so Beth will receive $2,245.83 per month for her lifetime.

Susie entered DROP when she had a final average compensation of $35,000.00 based on 60 months. She participated in DROP for the full 36 months and worked five years after her DROP participation ended. Her final average compensation for the time she worked after DROP was $55,000.00 based on 60 months. She has now retired and her retirement benefit is calculated in the following manner:

Drop Benefit

$35,000.00 *60 month average compensation*	x	.025 *accrual rate*	x	19.20 *years of service credit*	=	$16,800.00 per year ($1,400.00 per month)

Since Susie participated in DROP for the full 36 months she has $50,400.00 in her DROP account.

After DROP supplemental benefit

$55,000.00 *new 60 month average* compensation	x	.025 *accrual rate*	x	5.0 *after DROP service credit*	=	$6,875.00 per year ($572.92 per month)

Susie's supplemental benefit is added to her DROP benefit to find her monthly retirement benefit: $1,400.00 + $572.92 = $1,972.92, so Susie will receive $1,972.92 per month for her lifetime.

Application Process

To apply for retirement after DROP, you must submit the following to LASERS:

- Form 09-02: Certification at End of Employment
- Form 02-01A: Authorization for Direct Rollover (if rolling over your payment for unused leave)
- Form 04-05: Authorization for Direct Deposit
- Form 06-02: Insurance Premium Deduction Authorization (if applicable)
- Form W-4P: Withholding Certificate for Pension or Annuity Payments. This form is not required. If the form is not submitted to LASERS, your federal tax withholding will be set to the IRS default, which is currently "Married with three allowances".
- Form 07-01: Certification of Unused Annual and Sick Leave (submitted by your agency)

No retirement benefits will be paid until LASERS receives all of the required documents. You can assist LASERS in promptly paying your monthly benefit by having all necessary documents on file prior to your retirement.