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## Frequently Asked Questions

## IBO Application Checklist for Members

## Overview

This chapter outlines the steps to be taken when a member applies for retirement with an Initial Benefit Option (IBO). For information on other types of retirement (Regular, DROP and Disability), refer to Chapters 10, 12, and 13, respectively. LASERS encourages the employer, as well as the member, to make sure eligibility has been met prior to submitting an application and/or terminating employment. Members should be aware that termination of state service does not automatically constitute application for retirement. They must submit a retirement application on or before their termination date to retire in state service.

If a member decides not to retire after submitting the application, then the application may be rescinded *prior to the retirement date*. A member cannot rescind his or her application after the retirement date has passed (for more information, refer to the *Rescinding an Application* section of [Chapter 7: The Retirement Process](#)). Furthermore, a member cannot change his or her decision to select an IBO or change the amount of the IBO lump sum after the retirement date has passed.

**NOTE:** *The date of termination should be the member's last working day (or last day on payroll), not the member's retirement date.*

## What is the Initial Benefit Option?

The Initial Benefit Option (IBO) is an optional retirement plan that allows the member to receive a lump sum equivalent of up to 36 months of his or her maximum monthly retirement benefit. Members that select an IBO may choose any retirement option other than Option 1.

At the time of the member's retirement, he or she will select the amount of the IBO. A member is able to designate:

❖ Any lump sum amount up to 36 months of the member's maximum retirement benefit

- OR -

❖ The MAXIMUM lump sum amount, which is 36 months of the member's maximum retirement benefit

The member's monthly retirement benefit will be actuarially reduced based on the member's age and the amount of the lump sum chosen. The actuarial factors change periodically.

## WHO IS ELIGIBLE?

Any member is able to choose an Initial Benefit Option (IBO) as long as he or she has met the **regular retirement** eligibilities of his or her plan. Members who participated in Deferred Retirement Option Plan (DROP) are not eligible to participate in IBO. Members who choose regular retirement with an actuarially reduced benefit are not eligible to participate in IBO or DROP. Unlike DROP, a member retiring with an IBO does not have a defined window in which he or she must make that selection. The member can select an IBO and retire at any point after he or she becomes eligible.

**NOTE:** *Members who select an actuarially reduced retirement, disability retirement, or who participate in DROP are not eligible to select the IBO.*

## THE IBO ACCOUNT

LASERS will transfer 80 percent of the designated lump sum amount to the member's IBO account once the preliminary benefit calculation has been performed. This calculation is normally performed within 30 to 45 days after the member's date of retirement. LASERS will transfer the remaining 20 percent of the designated lump sum amount to the member's IBO account once the final benefit calculation has been performed. This calculation is normally performed within 60 to 90 days after the preliminary calculation. For information on withdrawing from an IBO account, refer to the *Withdrawals* section of this chapter.

## The Application Process

Members applying for the Initial Benefit Option (IBO) will need to submit one of the following IBO applications:

- ❖ [Form 06-01A: Application for Retirement with Initial Benefit Option \(IBO\)](#) should be used for members who were first eligible to retire after January 1, 2004.

- ❖ [Form 06-01B: Application for Retirement with Initial Benefit Option \(IBO\)](#) should be used for members who were first eligible to retire on or before January 1, 2004.
- ❖ [Form 08-02A: Judicial Application for Retirement with Initial Benefit Option \(IBO\)](#) should be used for members of the Judicial Plan who were first eligible to retire after January 1, 2004, and who were members of one of the four state retirement systems prior to January 1, 2011. Judges in Judicial 2 or Judicial 3 plans should complete Form 06-01A.
- ❖ [Form 08-02B: Judicial Application for Retirement with Initial Benefit Option \(IBO\)](#) should be used for members of the Judicial Plan who were first eligible to retire prior to January 1, 2004.

## DESIGNATING IBO BENEFICIARIES

Members who select an IBO will need to designate a beneficiary independent of the retirement beneficiary on the application. They may name as many IBO beneficiaries as they choose; however, the member may be limited in the number of retirement beneficiaries based on the retirement option chosen. If a member has selected IBO or a retirement option that allows for multiple beneficiaries, then [Form 01-06: Designation of Beneficiary](#) should be submitted along with the retirement application.

The IBO beneficiary may differ from the retirement beneficiary and can be changed at any time after retirement. Additionally, a Spousal Consent form may be required depending upon the IBO beneficiary and the retirement option chosen (for more information on Spousal Consent, please refer to [Chapter 16: Community Property & Divorce](#)).



***A member must designate an IBO beneficiary independent of the retirement beneficiary. The IBO beneficiary may differ from the retirement beneficiary.***

If a member decides to change an IBO beneficiary after retirement, [Form 01-06: Designation of Beneficiary](#) should be submitted to LASERS, even if the member's Self-Directed Plan (SDP) account has been transferred to the third-party administrator, EMPOWER Retirement™.

## MEMBERS

Along with the application and other retirement forms submitted to LASERS, members will need to submit additional documentation with their application to ensure timely and accurate processing of their benefit. To ensure proper identification of documents, the member's full name and last four digits of the member's Social Security number should be clearly written on all documents submitted to LASERS. Below is a list of applicable documents needed:

- ❖ Copies of birth certificate for member and beneficiary(ies)
- ❖ Copies of Social Security card for member and beneficiary(ies)
- ❖ Copy of marriage license -- *required if member selects Option 4A*
- ❖ Copy of death certificate -- *required if member's spouse is deceased*
- ❖ Certified copy of Divorce Decree - *required if member is divorced*
- ❖ Certified copy of Community Property documents (if applicable)
- ❖ Certified copy of Matrimonial Contract, Prenuptial Agreement, Separate Property Agreements (if applicable)



*It is very important that all documents submitted to LASERS include the member's full name and last four digits of his or her Social Security number.*

## EMPLOYERS

When a member contacts the agency's Human Resources Office regarding retirement, LASERS suggests the Personnel Officer supply the member with a "Retirement Packet". This packet should contain an IBO Retirement Checklist for Members (a checklist is provided at the end of this chapter) and the following forms, which can be found on the LASERS website under "Forms". Forms listed below with an asterisk (\*) do not apply to all applicants:

- ❖ [Form 06-01A](#), [Form 06-01B](#), [Form 08-02A](#) or [Form 08-02B](#) – *reference listings above for correct application*
- ❖ [Form 04-05: Authorization for Direct Deposit](#)
- ❖ [Form W-4P: Withholding Certificate for Pension or Annuity Payments](#)
- ❖ [Form 06-02\\*: Insurance Premium Deduction Authorization](#) – *only needed if the member is insured through Louisiana Office of Group Benefits*
- ❖ [Form 01-06\\*: Designation of Beneficiary](#) – *only needed if the member has chosen a retirement option that allows for more than one beneficiary and the member would like to list additional beneficiaries not currently listed on the application*
- ❖ [Form 04-04\\*: Spousal Consent \(for retirement benefit\)](#) – *only needed if the member has selected a beneficiary other than his or her spouse or if the option selected does not leave a monthly benefit to his or her spouse of at least 50 percent of the member's benefit*
- ❖ [Form 04-04\\*: Spousal Consent \(for IBO benefit\)](#) – *only needed if the member's spouse is receiving less than 50% of the IBO benefit*
- ❖ [Form 02-01A\\*: Authorization for Direct Rollover](#) – *only needed if the member has chosen to roll over his or her lump sum leave payment*
- ❖ [Form 06-03\\*: Option 2B Mentally Handicapped Designee](#) – *only needed if the member has chosen Option 2B*

**THE IBO BENEFIT CALCULATION**

**Example:** Mark began employment in 1991, and is now retiring at age 55 with 25 years of service credit. His final average compensation is \$55,000. Mark has selected the Maximum Option and the maximum IBO amount. His benefit amount is calculated in the following manner:

Average compensation	\$55,000
x	x
Accrual rate	2.5%
x	x
Years of service credit	25.00
=	=
<b>Maximum Benefit</b>	<b>\$34,375.00 per year (\$2,864.58 monthly)</b>

Since Mark chose the maximum IBO amount, he will receive a lump-sum payment of 36 times \$2,864.58 or **\$103,124.88**.

To determine Mark's actuarially reduced monthly maximum benefit, two variables are factored into the calculation: his age and the approximate cost to receive the IBO lump sum.

Mark's age of 55 would yield an approximate monthly cost (reduction) of \$757.05. This reduction would be subtracted from his maximum benefit to determine the actuarially reduced monthly maximum benefit. Here is how the reduction is calculated:

Monthly Maximum Benefit	\$2,864.58
-	-
Reduction	\$757.05
=	=
<b>Actuarially Reduced Monthly Maximum Benefit</b>	<b>\$2,107.53</b>

If Mark had selected Regular retirement with no IBO, his lifetime maximum monthly benefit would be \$2,864.58. By selecting the IBO, Mark will receive an initial lump-sum payment of \$103,124.88 and a lifetime reduced monthly maximum benefit of \$2,107.53. Depending upon the option Mark chooses, his benefit could be further reduced (refer to [Chapter 9: Retirement Options & Cost-Of-Living Adjustments](#)).

## Calculating A Benefit

The Initial Benefit Option will provide a member with an upfront lump sum payment along with an actuarially reduced monthly benefit for life. The member's lump sum selection will determine how the retirement benefit is calculated. For selection options, reference the section *What is the Initial Benefit Option?* in this chapter.

**NOTE:** *Members employed prior to July 1, 1986 may be eligible for an additional \$300 annual benefit (\$25.00 monthly) if they retire with an accrual rate of 2.5%. A member who transfers time into LASERS from either TRSL or LSERS may be eligible to receive the additional benefit if the member earned service credit prior to July 1, 1986.*

## The Self-Directed Plan

Members eligible to retire **after January 1, 2004** will automatically have their IBO accounts transferred to the Self-Directed Plan once the IBO first deposit is made. EMPOWER Retirement™ will administer the IBO account.

LASERS will not pay any interest on these accounts; instead, the gains and losses experienced will be a result of the member's investment choices. All withdrawal and investment changes must be made through EMPOWER Retirement™, not LASERS.

Members who have an IBO account at LASERS can make the irrevocable decision to transfer the balance of their IBO account to EMPOWER Retirement™. For more information, reference the section *IBO Accounts Held at LASERS* in this chapter.

## IBO Accounts Held at LASERS

Members eligible to retire **on or before January 1, 2004** have the option to either leave their IBO account at LASERS or transfer it to the Self-Directed Plan (SDP), which is managed by the third-party administrator EMPOWER Retirement™.

If a member is eligible to have his or her IBO account held at LASERS and decides to transfer the funds to SDP, then [Form 09-04: Transfer to Self-Directed Plan](#) must be submitted to LASERS. The decision to transfer to SDP is irrevocable. For more information, refer to *The Self-Directed Plan* section in this chapter.

IBO accounts held at LASERS (non-SDP accounts) may accrue interest until the IBO 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 investment earnings and changes from year to year. Interest, if applicable, will be retroactively credited to the member's account based on the month-end account balance.

If interest is earned, then it will be reflected on the IBO annual statement, which is issued in the first quarter of each year. For example, an IBO annual statement that was issued in 2015 would show interest posted for July 2013 – June 2014.

## Withdrawals from the Self-Directed Plan (SDP)

Members participating in the Self-Directed Plan may make withdrawals from their IBO accounts after they have terminated state service and their first deposit has been transferred to EMPOWER Retirement™. Members should contact EMPOWER Retirement™ to learn about their options for withdrawal. Also, all withdrawal paperwork should be submitted directly to them.

To withdraw or roll over funds from an IBO account held by EMPOWER Retirement™, members may contact them in the following manner:

- Online at [www.louisianadcp.com](http://www.louisianadcp.com)
- Visiting their office at  
9100 Bluebonnet Centre Boulevard  
Suite 203  
Baton Rouge, LA 70809
- Telephone at 225.926.8086, 800.937.7604, or 800.701.8255.

## Withdrawals from IBO Accounts Held at LASERS

Members may make withdrawals from their IBO accounts after they have terminated state service and LASERS has finalized their retirement benefit. Members may choose from the following distribution methods:

1. Account rollover to a qualified tax annuity plan or Individual Retirement Account (IRA)
  - a. Members can elect to roll over the entire balance
  - b. Members can elect to roll over a partial amount
2. Lump sum payment of the entire balance
3. One-time withdrawal of a specified amount designated by the member
4. Monthly withdrawals of a specified amount designated by the member
5. Monthly withdrawals of an amount based on the expected lifetime of the member
6. Annual withdrawal of a specified amount designated by the member

### REQUIRED MINIMUM DISTRIBUTION

By federal law, withdrawals must begin no later than the year in which the member attains age 70 ½, if born before 7/1/1949, or in the year the member turns 72, if born on or after 7/1/1949, provided he or she has retired and is receiving monthly retirement benefits. At the beginning of each calendar year, LASERS will notify any member of the amount that is required to be withdrawn to meet the required minimum distribution (RMD). Rollovers do not count towards meeting the RMD. If the member has not met the RMD by December 1st of that year, then LASERS will automatically issue a payment to the member, via check or direct deposit, so that he or she will not incur penalties.

**NOTE:** *Monthly IBO withdrawals are paid on the first day of each month. Annual and monthly withdrawals may be changed or stopped at any time.*

## Taxes

Amounts withdrawn from an IBO account held at LASERS are subject to ordinary federal income tax in the year in which they are received. Lump sum payments, one-time payments and monthly payments where the distribution will be paid out in less than 10 years, will be subject to a mandatory 20 percent federal income tax withholding. If the member is under age 59 ½, then payments are subject to a mandatory 10 percent federal early withdrawal penalty, unless an exception applies.

**LASERS recommends that members consult a qualified tax advisor before making any decision about the withdrawal of funds from an IBO account.**

All IBO distributions from LASERS and the SDP are exempt from Louisiana state income tax. Ordinary federal income tax will apply to any benefit received during the calendar year, and some penalties may apply for early withdrawal. Form 1099-R (federal tax) will be issued to the member annually and will include any IBO withdrawals.



**To withdraw or roll over funds from an IBO account held at LASERS, the member should submit the following forms:**

- ❖ [Form 09-03: Request for Withdrawal from DROP/IBO Accounts](#)
- ❖ [Form 04-05: Authorization for Direct Deposit \(if applicable\)](#)
- ❖ [Form 02-01A: Authorization for Direct Rollover \(if applicable\)](#)

## Employer Quick Check

- ✓ Did the member complete Form [06-01A](#), [06-01B](#), [08-02A](#), or [08-02B](#)? For the correct application, reference the section *The Application Process* in this chapter.
- ✓ Did the Personnel Officer certify the application with the correct termination date in Section 11?
- ✓ Did the member attach copies of applicable documents? See the listing found at the end of this chapter.
- ✓ Did the member complete the following forms in their entirety and attach them to the application?
  - ✓ [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](#)
- ✓ Did the member complete any other applicable forms and attach them to the application?
- ✓ Did the member clearly write his or her name and last four digits of his or her Social Security number on all documentation?
- ✓ Did the member receive a copy of the forms?
- ✓ Were copies of the forms placed in the member's personnel file?
- ✓ Were all documents submitted to LASERS prior to the member's termination date? LASERS will accept faxed copies of all documents except for Spousal Consent forms, Divorce Decrees, and other legal forms that require a raised seal.

## Frequently Asked Questions

### 1. Can a member rescind his or her retirement application?

Yes. If a member chooses to rescind, a signed and dated letter stating the decision to rescind should be submitted to LASERS by the agency's Human Resources Office. It must be received prior to the date of retirement.

### 2. When and how can a member change the termination/retirement date listed on a submitted application?

The member must submit a revised application prior to the retirement date listed on the initial application.

### 3. Can a member change his or her retirement option or leave selection after the application has been submitted?

Yes. A revised application may be submitted prior to the retirement date listed on the application.

### 4. Can a member make changes to the IBO amount after the retirement date?

No. Once the retirement date passes, no changes can be made to the retirement application. If a revised application is submitted prior to the retirement date, then a change can be made to the IBO amount.

### 5. When should a member expect his or her first benefit payment?

The first payment is made 30 to 45 days after the retirement date as long as LASERS has received all required documents.

### 6. Does a member have to designate a retirement beneficiary and an IBO beneficiary?

Yes. A member must designate an IBO beneficiary independent of the retirement beneficiary. The designated IBO beneficiary may differ from the member's retirement beneficiary. In the event of a member's death, the named IBO beneficiary would receive the remaining balance of the member's IBO account.

### 7. Can a member change his or her IBO beneficiary?

A member may submit [Form 01-06: Designation of Beneficiary](#) to change an IBO account beneficiary at any time after retirement. This form needs to be submitted directly to LASERS.

### 8. When can a member withdraw money from the IBO account?

IBO withdrawals can be made at any time after the member has terminated service and the first deposit has been made into the account.

### 9. Are state income taxes deducted from IBO withdrawals?

No. Withdrawals from IBO accounts are exempt from Louisiana state income tax.

### 10. Does a rollover count toward meeting the Required Minimum Distribution (RMD) requirement?

No. Rollovers do not count toward meeting the RMD requirement.

### 11. Can a member select an IBO while opting to retire with a regular retirement with an actuarially reduced benefit?

No. Members who retire with a regular retirement with an actuarially reduced benefit are not eligible to retire with an IBO.

### 12. If a member repaid refunded time from 1985, would he or she be eligible for the \$300 annual additional benefit?

The member would have had to repay the refund prior to July 1, 1986 and must meet the requirements in order to be eligible for the \$300 annual additional benefit.

## Reference Material

### APPLICABLE FORMS

- [01-06: Designation of Beneficiary](#)
- [02-01A: Authorization for Direct Rollover](#)
- [04-04: Spousal Consent](#)
- [04-05: Authorization for Direct Deposit](#)
- [06-01A: Application for Retirement with Initial Benefit Option \(IBO\) \*\(form to be used if the member was eligible to retire after 01/01/2004\)\*](#)
- [06-01B: Application for Retirement with Initial Benefit Option \(IBO\) \*\(form to be used if the member was eligible to retire on or before 01/01/2004\)\*](#)
- [06-02: Insurance Premium Deduction Authorization](#)
- [06-03: Option 2B Mentally Handicapped Designee](#)
- [07-01: Certification of Unused Annual and Sick Leave](#)
- [08-02A: Judicial Application for Retirement with Initial Benefit Option \(IBO\) \*\(complete if eligible to retire after 01/01/2004, if retiring from the Judicial Plan, and if the first eligible date from membership in one of the four state retirement systems occurred prior to 01/01/2011\)\*](#)
- [08-02B: Judicial Application for Retirement with Initial Benefit Option \(IBO\) \*\(complete if eligible to retire on or before 01/01/2004\)\*](#)
- [09-03: Request for Withdrawal from DROP/IBO Accounts](#)
- [09-04: Transfer to Self-Directed Plan](#)
- [W-4P: Withholding Certificate for Pension or Annuity Payments](#)

### APPLICABLE AGENCY LIAISON MEMORANDA

- [10-06: LASERS Required Documents](#)
- [10-12: Termination Date](#)
- [13-19: Selecting a Retirement Date](#)
- [15-19: Employees Hired After July 1, 2015](#)
- [16-24: Submission of LASERS Documents Via Fax](#)

### APPLICABLE LAWS AND RULES

**(Note: this list is not exhaustive)**

- [La. R.S. 11:441](#) Eligibility for Retirement
- [La. R.S. 11:442](#) Application for Retirement; Effective Date; Cancellation; Suspension of Benefits
- [La. R.S. 11:444](#) Computation of Retirement Benefit
- [La. R.S. 11:445](#) Payment of Benefit; Guaranteed Return of Accumulated Contributions
- [La. R.S. 11:446](#) Mode of Payment Where Option Elected
- [LAC 58.1.2723](#) Initial Benefit Option
- [LAC 58.1.2901-2103](#) Spousal Consent
- [LAC 58.1.3705](#) Tax Liability
- [LAC 58.1.4101-4135](#) Self-Directed Plan
- [Act 818 of 2003](#) Self-Directed Plan

### APPLICABLE CHAPTERS IN MEMBER'S GUIDE TO RETIREMENT

- [Chapter 13: Initial Benefit Option \(IBO\)](#)
- [Chapter 15: DROP/IBO Account Withdrawals & Self-Directed Plan](#)

### APPLICABLE LASERS VIDEOS

- [Initial Benefit Option Plan \(IBO\) \(2013\)](#)
- [Annual and Sick Leave: How it Affects You](#)
- [Countdown to Retirement](#)
- [Judges Retirement Plan](#)





## Initial Benefit Option (IBO) Application Checklist for Members

This checklist is to assist you in completing retirement paperwork to be submitted to your Human Resources Personnel Officer. Retirement benefits are not paid by LASERS until all required documentation is received. To ensure proper identification, include your full name and the last four digits of your Social Security number on all documents submitted to LASERS. Please write clearly.

### **FORMS TO COMPLETE:**

- Section 1 through Section 10 of the appropriate IBO application
- Form 04-05: Authorization for Direct Deposit
- Form W-4P: Withholding Certification for Pension or Annuity Payments
- If applicable, complete Form 06-02: Insurance Premium Deduction Authorization (*This form is required if you are insured through Louisiana Office of Group Benefits.*)
- If applicable, complete Form 04-04: Spousal Consent (*This form is required if you are selecting a beneficiary other than your spouse or if the retirement option selected does not leave a monthly benefit to your spouse of at least 50 percent of your monthly benefit.*)
- If applicable, complete Form 02-01A: Authorization for Direct Rollover (*This form is required if you have chosen to roll over a lump sum leave payment.*)
- If applicable, complete Form 01-06: Designation of Beneficiary (*This form is needed if you have chosen a retirement option that allows for more than one beneficiary and you would like to list additional beneficiaries not currently listed on the retirement application.*)
- If applicable, complete Form 06-03: Option 2B Mentally Handicapped Designee (*This form is needed only if you have chosen Option 2B.*)

### **DOCUMENTS TO ATTACH TO THE APPLICATION:**

- A copy of your birth certificate and Social Security card issued by the Social Security Administration
- A copy of your beneficiary(ies) birth certificate and Social Security card issued by the Social Security Administration
- A copy of your marriage license (only required if you have chosen Option 4A)
- A copy of your spouse's death certificate, if applicable
- A certified copy** of any Divorce Decrees, if applicable
- A certified copy** of Community Property documents, if applicable
- A certified copy** of Matrimonial Contract, Pre-nuptial Agreement, and/or Separate Property Agreement, if applicable



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