

Chapter 12: Deferred Retirement Option Plan

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Overview

This chapter outlines the steps to be taken when a member applies for retirement with the Deferred Retirement Option Plan (DROP). A member must be eligible for retirement to enter DROP. For information on other types of retirement (Regular, IBO and Disability), refer to Chapters 10, 11, and 13, respectively. LASERS encourages the employer, as well as the member, to make sure eligibility has been met prior to submitting an application for DROP.

If a member decides not to enter DROP after submitting the application, then the application may be rescinded *prior to the DROP start date*. A member cannot rescind his or her application after the DROP start date has passed (for more information, refer to the *Rescinding an Application* section of [Chapter 7: The Retirement Process](#)).

NOTE: *The DROP start date should be the day after the member's last working day prior to entering DROP.*

What is the Deferred Retirement Option Plan?

The Deferred Retirement Option Plan (DROP) is an optional retirement method that allows the member to defer his or her retirement benefit for a maximum period of 36 months while he or she continues to work. While participating in DROP, the member continues state employment and has all the rights and responsibilities of other employees except for those relating to retirement. The member will continue to earn a regular salary and accrue annual and sick leave. Any deductions for taxes, insurance, deferred compensation, etc. continue during DROP participation. The member is eligible to be considered for raises, promotions, demotions, termination, etc. while participating in DROP and while working after DROP. The member can also change agencies while participating in DROP or while working after DROP, as long as there is no break in service.

Neither the agency nor the member pay contributions to LASERS while the member is in DROP; therefore, the member does not earn service credit during the participation period. The DROP benefit is the same amount that the member would have received as a monthly benefit had he or she retired.



Members who participate in DROP cannot choose a Regular Retirement with an Actuarially Reduced Benefit, Initial Benefit Option or Disability Retirement.

The monthly DROP benefit will be deposited into the member's DROP account on the last day of each month.

Once a member completes the DROP participation period, he or she must choose to either terminate employment and retire, or continue employment and begin contributing to LASERS again. The member will not be able to access the funds in the DROP account until he or she has terminated state service and LASERS has finalized the member's retirement benefit. *DROP accounts are unassignable and are exempt from levies, garnishments, or attachments under state law.*

Types of DROP Accounts

SELF-DIRECTED PLAN (SDP)

Members who were first eligible to retire on or after January 1, 2004 are required to participate in the **Self-Directed Plan (SDP)**. All DROP accounts in the SDP are transferred to a third party administrator, EMPOWER Retirement™, as soon as the DROP participation period ends.

OLD DROP

Members who were eligible to retire on or before December 31, 1995 are eligible to participate in "**Old DROP**". There is no defined window of participation and members may enter DROP at any time prior to retirement. The member's DROP account will remain at LASERS unless he or she irrevocably chooses to transfer the DROP account to the Self-Directed Plan (SDP), which is administered by EMPOWER Retirement™.

NEW DROP

Members who were eligible to retire between December 31, 1995 and December 31, 2003 were eligible to participate in "**New DROP**". There are no remaining members who are eligible for New DROP. The member's DROP account will remain at LASERS unless he or she irrevocably chooses to transfer the DROP account to the Self-Directed Plan (SDP), which is administered by EMPOWER Retirement™.

Entering DROP

Members may participate in DROP only once and for no more than 36 months. Each member must specify the length of participation on the DROP application. A member must designate:

- To participate for the MAXIMUM months allowed (36 months)

- OR -

- To participate for less than the maximum (36 months) allowed. If this option is chosen, the member is required to designate the number of months he or she chooses to participate.

Once a member has selected a DROP end date and the DROP participation period has started, the end date cannot be changed. Members cannot exit DROP prior to their chosen ending date unless employment is terminated and they retire immediately.

THE DROP WINDOW

Members can participate in DROP for up to 36 months and have a 60-day grace period to begin participating. In order to participate for the full 36-month period, members must begin DROP participation within 60 days of their **first eligible date for retirement** (excluding members of the Wildlife Agents 2 Plan who must enter DROP within 60 days of their **first eligible date for DROP**. Refer to the section "Who is Eligible for DROP?" within this chapter).

- Members who apply to enter DROP *before or during* the 60-day grace period can participate in DROP for the full 36 months.
- Members who apply to enter DROP *after* the 60-day grace period has expired **will not** have the full 36-month period to participate in DROP. In other words, if the member enters DROP later than 60 days after he or she was first eligible, then the 36-month participation period is reduced. The member's participation period cannot be extended beyond 36 months and 60 days.

Example: Grant will be first eligible for regular retirement with an unreduced benefit on June 1, 2016. His 60-day grace period will end on July 30, 2016.

If he wants to participate in DROP for the entire 36-month period, then he must enter DROP **on or before** July 30, 2016.

If he enters DROP on June 15, 2016, then he can participate in DROP until June 14, 2019 (36 months).

However, if he does not enter DROP until September 1, 2016, then he can only participate in DROP until July 29, 2019 (35 months).

Once the 60-day grace period expires, regardless of the date that he enters DROP, he cannot participate in DROP after July 29, 2019.

The following chart illustrates several DROP windows for a member whose first eligible date was June 1, 2016:

| DROP Start Date | DROP End Date |
|--|--|
| 06/01/2016 <i>(first eligible date)</i> | 05/30/2019 <i>(36 months of participation)</i> |
| 07/01/2016 <i>(within 60-day grace period)</i> | 06/30/2019 <i>(36 months of participation)</i> |
| 07/30/2016 <i>(last day of 60-day grace period)</i> | 07/29/2019 <i>(36 months of participation)</i> |
| 09/01/2016 <i>(beyond 60-day grace period)</i> | 07/29/2019 <i>(member lost 2 months of participation)</i> |
| 12/01/2016 <i>(beyond 60-day grace period)</i> | 07/29/2019 <i>(member lost 6 months of participation)</i> |

Based on this example, regardless of when the member enters DROP, the member cannot participate after July 29, 2019 because that date is 36 months and 60 days after the member’s first eligible date for a regular retirement.

WHO IS ELIGIBLE FOR DROP?

Members must be eligible for regular retirement without an actuarial reduction according to the eligibility requirements for their particular retirement plan before participating in DROP. For more information on eligibility requirements for retirement plans, refer to Chapter 8: Retirement Benefit Calculation & Eligibility.

NOTE: *To be eligible to participate in DROP, members of Wildlife Agents 2 plan (WLO2) must have at least 10 years of service credit at age 60 with the last 10 years earned as a Wildlife Agent or 25 years of service credit at any age with the last 10 years earned as a Wildlife Agent.*

Members with reciprocal agreements may participate in DROP; however, the combined service credit must meet the minimum eligibility requirements of each retirement system. A DROP application must be submitted to each system.

Members of the Harbor Police Employees Plan have different eligibilities for DROP Participation. For more information, contact LASERS at 800.256.3000 or 225.922.0600.

SUBMITTING FINAL PRE-DROP EARNINGS

Final Pre-DROP earnings are submitted via the agency’s monthly contribution report, typically during the month following the member’s DROP start date. The earnings reported should **only** include the remaining days worked up until, but not including, the member’s DROP start date.

The Application Process

Members applying for the Deferred Retirement Option Plan (DROP) will need to submit one of the following DROP applications:

- ❖ [Form 09-01: Application for Deferred Retirement Option Plan \(DROP\)](#) should be used for members who were first eligible to retire after December 31, 1995
- ❖ [Form 09-01A: Application for Deferred Retirement Option Plan \(DROP\)](#) should be used for members who were first eligible to retire on or before December 31, 1995
- ❖ [Form 08-03: Judicial Application for Deferred Retirement Option Plan \(DROP\)](#) should be used for members of the Judicial Plan who were enrolled in one of the four state retirement systems prior to January 1, 2011

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. Deposits will not be made into the DROP account until all required documents are received. 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, Pre-nuptial Agreement, Separate Property Agreements (if applicable)

Employer Quick Check: Entering DROP

- | | |
|---|---|
| <ul style="list-style-type: none"> ✓ Is the member eligible for regular retirement without an actuarial reduction? ✓ Did the member complete Form 09-01, 09-01A, or 08-03? For the correct application, reference the section <i>The Application Process</i> in this chapter. ✓ Did the Personnel Officer certify sections 1 and 9 of the application with the correct DROP start date? ✓ Did the member attach copies of applicable documents? See the listing found at the end of this chapter. ✓ Did the member complete any other applicable forms and attach them to the application? | <ul style="list-style-type: none"> ✓ 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 DROP start 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. |
|---|---|

EMPLOYERS

When a member contacts the agency’s Human Resources Office regarding entering DROP, LASERS suggests that the Personnel Officer supply the member with a “DROP Retirement Packet”. This packet should contain a DROP 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 09-01](#), [Form 09-01A](#), or [Form 08-03](#) – refer to the section titled *Reference Material* in this chapter for correct application
- ❖ [Form 01-06*](#): [Designation of Beneficiary](#) – only needed if the member has chosen a retirement option that allows for more than one beneficiary or wants to list multiple DROP beneficiaries
- ❖ [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 \(for DROP benefit\)](#) - only needed if the member’s spouse is receiving less than 50% of the DROP benefit
- ❖ [Form 06-03*](#): [Option 2B Mentally Handicapped Designee](#) – only needed if the member has chosen Option 2B

NOTE: *The member’s unused annual and sick leave is not calculated when the member enters DROP. It is calculated when the member terminates state service and LASERS finalizes his or her retirement benefit.*

Calculating A DROP Benefit

The DROP benefit is based on the amount that the member would have received as a monthly benefit had he or she selected a regular retirement without an actuarial reduction (see the example in the next

column). This monthly benefit amount will be deposited into an individual DROP account while the member participates in DROP.

The DROP benefit is determined when the member enters DROP; any changes in salary while the member is participating in DROP will not affect the amount of the DROP benefit. However, if the member works after DROP and earns a new FAC, then any salary changes during DROP will be reflected in the post-DROP FAC. The supplemental benefit earned by working after DROP and any unused leave will be based on the post-DROP FAC. For more information, refer to the section *Calculating a Supplemental Benefit* in this chapter.

Example: Ethan is first eligible for regular retirement with 19.20 years of service credit at age 60. His first eligible date for regular retirement with an unreduced benefit was January 2, 2016, so he must enter DROP within 60 days of this date in order to participate for the entire 36 month period.

He chose to enter DROP on January 2, 2016 and elected to participate for 36 months; therefore, he is eligible to participate until January 1, 2019. Ethan chose the Maximum Option, so his monthly DROP benefit amount is calculated as follows:

| | |
|--------------------------|--|
| Final Average Comp (FAC) | \$50,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 19.20 |
| = | = |
| Maximum Benefit | \$24,000 per year (\$2,000 monthly) |

While Ethan continues working during DROP participation, a monthly amount of \$2,000 will be deposited into his DROP account. The monthly deposits will continue until Ethan either ends DROP participation on January 1, 2019, or terminates employment, whichever occurs first.

If Ethan participates in DROP for the full 36 months, he will have \$72,000 in his DROP account at the end of his participation period.

Ending DROP and Retiring

Approximately two months prior to a member's DROP end date, an End of DROP notification letter is mailed to the member and agency. This letter directs the member to contact the agency's Human Resources Personnel Officer to make one of the following choices:

- ① **Terminate employment on his or her DROP end date.** The member will begin receiving monthly retirement benefits from LASERS.

If a member terminates employment prior to his or her DROP end date, the member would be required to retire immediately following the termination date. The member will forfeit any remaining DROP participation time and subsequent DROP deposits.

- ② **Continue to work after DROP.** In this case, the member will begin paying employee contributions to LASERS and will begin accruing service credit. Upon retirement, the member *may* receive a supplemental benefit for the time worked after DROP.

END-OF-DROP PARTICIPATION AND RETIREMENT

If the member terminates employment while in DROP or on the DROP end date, then he or she will begin receiving a monthly retirement benefit from LASERS. This monthly retirement benefit will be the same amount as the member's monthly DROP account deposit unless the member converts his or her unused annual and sick leave to service credit and/or makes any service credit purchases during DROP or while working after DROP (refer to [Chapter 5: Purchases, Transfers & Reciprocity](#) of this handbook). [Form 09-02: Certification at End of Employment after DROP](#) should be submitted to LASERS if the member is terminating employment and retiring.

NOTE: *If a member dies during the DROP participation period or while working after DROP, then the agency is still required to submit [Form 09-02: Certification at End of Employment after DROP](#) and [Form 07-01: Certification of Unused Annual and Sick Leave to LASERS](#). The termination date will be the member's date of death.*

WORKING AFTER DROP

A member may choose to continue working after his or her DROP participation ends. Monthly deposits to the DROP account will cease, the employee contributions (EEs) and employer contributions (ERs) will resume, and the member will begin accruing service credit for time worked after DROP. [Form 09-02A: Certification of Continued Employment After DROP Participation](#) should be submitted to LASERS if the member is continuing employment after DROP.

Similar to a member retiring at the end of DROP, a member who terminates at the end of working after DROP will receive monthly retirement benefits. [Form 09-02: Certification at End of Employment after DROP](#) should be submitted to LASERS. If the member works less than three months after DROP, his or her service credit will not be rounded up, but will be rounded to the **nearest tenth**. Typically, a member has to work at least 13 **eight-hour** days after DROP to receive service credit and a supplemental benefit.

SUBMITTING POST-DROP EARNINGS

When a member continues to work after DROP, employee contributions (EEs) and employer contributions (ERs) will resume. Like final earnings, Post-DROP earnings are submitted via the agency's monthly contribution report. The earnings reported should only include the days worked after the member's DROP end date.

The Retirement Process

MEMBERS

It is not necessary for a member to submit vital documents since these documents were submitted when the member entered DROP. A member should only submit updated information if there were any changes in beneficiaries, marital status, or the death of a beneficiary occurred since the member entered DROP. 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:

- ❖ Copies of birth certificate for beneficiary(ies)
- ❖ Copies of Social Security card for beneficiary(ies)
- ❖ Copy of marriage license – *required if member has divorced and re-married since entering DROP*
- ❖ Copy of death certificate - *required if member's beneficiary has passed away while participating or working after DROP*

- ❖ Certified copy of Divorce Decree - *required if member divorced while participating or working after DROP*
- ❖ Certified copy of Community Property documents (if applicable)
- ❖ Certified copy of Matrimonial Contract, Pre-nuptial Agreement, Separate Property Agreements (if applicable)

EMPLOYERS

When a member decides to retire after DROP, the agency's Human Resources Office should supply the member with an "End of Employment after DROP Retirement Packet". This packet should contain a 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 asterisks(*) do not apply to all applicants:

- ❖ [Form 09-02: Certification at End of Employment after DROP](#)

Employer Quick Check: Retiring After DROP

- | | |
|---|--|
| <ul style="list-style-type: none"> ✓ Did the member complete Form 09-02 or 08-06? For the correct application, reference the section <i>Ending DROP and Retiring</i> in this chapter. ✓ Did the Personnel Officer certify the application with the correct termination date in Section 5? ✓ Did the member complete the following forms in their entirety and attach them to the application? <ul style="list-style-type: none"> ✓ Form 04-05: Authorization for Direct Deposit ✓ Form 06-02: Insurance Premium Deduction Authorization ✓ Form W-4P: Withholding Certificate for Pension or Annuity Payments ✓ Did the member complete any other applicable forms and attach them to the application? | <ul style="list-style-type: none"> ✓ Did the member complete any DROP withdrawal forms? ✓ 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. |
|---|--|

- ❖ [Form 08-06*](#): [Judicial Certification at End of Employment After DROP](#)
- ❖ [Form 04-05](#): [Authorization for Direct Deposit](#)
- ❖ [Form W-4P](#): [Withholding Certificate for Pension](#)
- ❖ [Form 06-02*](#): [Insurance Premium Deduction Authorization](#) – only needed if the member has insurance 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 change retirement beneficiaries or DROP beneficiaries
- ❖ [Form 02-01A*](#): [Authorization for Direct Rollover](#) – only needed if the member has chosen to roll over his or her lump sum leave payment

Calculating a Supplemental Benefit

The calculation of the member's supplemental benefit for working after DROP depends on the member's final average compensation (FAC) period when entering DROP.

If a member had a **36-month final average compensation** when entering DROP and:

- worked less than 36 months after the DROP participation ended, the supplemental benefit will be based on his or her pre-DROP final average compensation.
- worked 36 months or more after DROP participation ends, the supplemental benefit will be based on a **new** 36-month after-DROP final average compensation.

If a member had a **60-month final average compensation** when entering DROP and:

- worked less than 60 months after the DROP participation ended, the supplemental benefit will be based on his or her pre-DROP final average compensation.
- worked 60 months or more after DROP participation ends, the supplemental benefit will be based on a **new** 60-month after-DROP final average compensation.

36-month FAC Working Less Than 3 Years After DROP

Example: When Carol entered DROP, she had a 36-month FAC of \$50,000 and chose the Maximum Option. She participated in DROP for 36 months and worked two years and six months after DROP. Because she worked fewer than 36 months after DROP, she did not earn a new FAC. She had 1.80 years of unused leave. Her retirement benefit was calculated as follows:

| DROP Benefit (Base Benefit) | |
|------------------------------------|---|
| Final Average Comp (FAC) | \$50,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 25.00 |
| = | = |
| Maximum DROP Benefit | \$31,250 per year (\$2,604.17 monthly) |

| After - DROP Supplemental Benefit | |
|--|--|
| Pre-DROP FAC | \$50,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 2.50 |
| = | = |
| Supplemental Benefit | \$3,125 per year (\$260.42 monthly) |

| Unused Leave Converted to Service Credit | |
|---|--|
| Pre-DROP FAC | \$50,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 1.80 |
| = | = |
| After-DROP Leave Conversion | \$2,250 per year (\$187.50 monthly) |

Because Carol worked fewer than 36 months after DROP, her pre-DROP FAC was used in the calculation of her unused leave. Her monthly retirement benefit is calculated by adding her DROP benefit, her supplemental benefit, and her unused leave benefit: \$2,604.17 + \$260.42 + \$187.50 = \$3,052.09. Therefore, she will receive \$3,052.09 per month until her death.

60-month FAC Working 5 Years or More After DROP

Example: When Sophia entered DROP, she had a 60-month FAC of \$40,000 and chose the Maximum Option. She participated in DROP for 36 months and worked six years and six months after DROP. Because she worked 60 months or more after DROP; she earned a new FAC. Her post-DROP FAC was \$52,000 and she had 1.50 years of unused leave. Her retirement benefit was calculated as follows:

| DROP Benefit (Base Benefit) | |
|---|---|
| Final Average Comp (FAC) | \$40,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 11.80 |
| = | = |
| Maximum DROP Benefit | \$11,800 per year (\$983.33 monthly) |
| After - DROP Supplemental Benefit | |
| Post-DROP FAC | \$52,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 6.50 |
| = | = |
| Supplemental Benefit | \$8,450 per year (\$704.17 monthly) |
| Unused Leave Converted to Service Credit | |
| Post-DROP FAC | \$52,000 |
| x | x |
| Accrual Rate | 2.5% |
| x | x |
| Years of Service | 1.50 |
| = | = |
| After-DROP Leave Conversion | \$1,950 per year (\$162.50 monthly) |

Because Sophia worked 60 months or more after DROP, her post-DROP FAC was used in the calculation of her unused leave. Her monthly retirement benefit is calculated by adding her DROP benefit, her supplemental benefit, and her unused leave benefit: \$983.33 + \$704.17 + \$162.50 = \$1,850. Therefore, she will receive \$1,850 per month until her death.

The Self-Directed Plan

Members eligible to retire **after January 1, 2004** will automatically have their DROP accounts transferred to the Self-Directed Plan once the DROP participation period has ended. EMPOWER Retirement™ will administer the DROP 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 a DROP account at LASERS can make the irrevocable decision to transfer the balance of their DROP account to EMPOWER Retirement™. For more information, reference the *DROP Accounts Held at LASERS* section in this chapter.

DROP Accounts Held at LASERS

Members eligible to retire **on or before January 1, 2004** have the option to either leave their DROP 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 DROP account held at LASERS and decides to transfer the funds to SDP, then [Form 09-04: Transfer to Self-Directed Plan](#) needs to be submitted to LASERS. The decision to transfer to SDP is irrevocable. For more information, reference the *Self-Directed Plan* section in this chapter.

DROP accounts held at LASERS (non-SDP accounts) may accrue interest once the DROP participation period has ended. Interest can be accrued until the member's DROP account 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 the member's account based on the month-end account balance.

If interest is earned, then it will be reflected on the DROP annual statement, which is issued in the first quarter of each year. For example, a DROP 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 DROP accounts after they have terminated state service and their balance 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 EMPOWER Retirement™.

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

- Online at 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 DROP Accounts Held at LASERS

Members may make withdrawals from their DROP 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 terminating employment and retiring.

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

REQUIRED MINIMUM DISTRIBUTIONS

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 1 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 any penalties.



To withdraw or roll over funds from a DROP 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 \(if applicable\)](#)

Taxes

Amounts withdrawn from a DROP 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 59½, 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 a DROP account.**

All DROP 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 DROP withdrawals.

Frequently Asked Questions

- 1. Can a member make changes to the DROP application on or after the DROP start date?**

No. Changes cannot be made to the DROP application on or after the DROP start date. A member can neither rescind nor change the DROP application after the DROP start date.
- 2. Can a member rescind his or her application of Certification at End of Employment after DROP?**

*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.***
- 3. When and how can a member change the DROP start date or termination/retirement date listed on a submitted application?**

The member must submit a revised application prior to the DROP start date if entering DROP or retirement date if retiring after DROP.
- 4. For members retiring after DROP, can they change their retirement option after the application has been submitted?**

No. The retirement option was selected when the member entered DROP and can not be changed at the time of retirement unless the member is able to revert to maximum due to death of their beneficiary or divorce.
- 5. For members retiring after DROP, can they change their leave selection after the application has been submitted?**

Yes. A revised application may be submitted prior to the retirement date listed on the application.
- 6. Can a member change his or her DROP beneficiary?**

Yes. A member may submit [Form 01-06: Designation of Beneficiary](#) to change a DROP account beneficiary at any time after entering DROP. This form must be submitted directly to LASERS. In the event a member's spouse is receiving less than 50% of the DROP benefit, [Form 04-04: Spousal Consent](#) will be required.
- 7. Does a member have to designate both a retirement beneficiary and a DROP beneficiary?**

Yes. A member must designate a DROP beneficiary independent of the retirement beneficiary. The designated DROP beneficiary may differ from the member's retirement beneficiary. In the event of a member's death, the named DROP beneficiary would receive the remaining balance of the member's DROP account.
- 8. When should a member expect his or her first DROP deposit?**

The first payment is made 30 to 45 days after the DROP start date as long as LASERS has received all required documents. DROP deposits are typically made on the last day of the month for the month prior.
- 9. When does a member's DROP account begin earning interest?**

DROP interest begins accruing after the completion of the DROP participation period.

10. 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.

11. Can a member choose to participate in DROP for less than 3 years?

Yes. A member can designate the number of months that he would like to participate in DROP on the DROP application.

12. Can a member end DROP participation prior to the designated end date of the DROP participation period?

Yes, but the member must retire immediately.

13. When does DROP participation end for a member who enters DROP after the 60-day grace period?

DROP participation will end no more than three years and 60 calendar days from the date that the member first became eligible for regular retirement.

14. Can a member change agencies while participating in DROP or working after DROP?

Yes. As long as there is no break in service, a member can change agencies during DROP and/or after DROP.

15. Is a member eligible for raises, promotions, and/or demotions while in DROP?

Yes.

16. Is it mandatory for a member to end employment when DROP ends?

No. Once DROP participation has ended, the member must choose to retire or to continue employment.

17. If a member dies while working after DROP, then what happens to the unused leave?

If the member died while participating in DROP or while working after DROP, then the unused leave will be automatically converted to service credit unless the member left specific written instructions before dying to select a lump sum payment of leave.

18. Can a member convert leave to service credit in order to reach DROP eligibility?

No. Unused leave cannot be used to reach eligibility for retirement/DROP. In addition, unused leave is not calculated at the time of DROP entry. Members continue to use and accrue leave during DROP participation. Unused leave is only calculated once a member retires.

19. When can a member withdraw money from the DROP account?

DROP withdrawals can be made at any time after the member terminates state employment and LASERS has finalized his or her benefit.

20. Are state income taxes deducted from DROP withdrawals?

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

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

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

22. Can a member select to participate in DROP while opting to retire with an actuarially reduced benefit?

No. Members who retire with an actuarially reduced benefit are not eligible to participate in DROP.

23. 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 1st, 1986 and must meet the requirements in order to be eligible for the \$300 annual additional benefit.

24. Is the DROP eligibility for each class the same as the unreduced, regular retirement eligibility?

No. It is the same for all classes **except** for the Harbor Police (HARP) Plan and the Wildlife Agents Plan (WLO2). Both HARP and WLO2 have separate eligibilities for DROP and for unreduced, regular retirement.

25. If a member participates in DROP while enrolled in the Corrections Primary Component Plan (COR1), then what plan will the member be placed in if he continues to work after DROP?

A member who is in the Corrections Primary Component Plan (COR1) plan when participating in DROP will automatically be placed in the Corrections Secondary Component Plan (COR2) if he continues to work after DROP as long as the member completed DROP on or after January 1, 2002.

26. If a rank-and-file member who was hired on or before June 30, 2006 continues to work after DROP, when would a new Final Average Compensation (FAC) be earned?

A new Final Average Compensation (FAC) would be earned if the member works at least 36 months after DROP participation ends.

27. If a rank-and-file member who was hired on or after July 1, 2006 continues to work after DROP, when would a new Final Average Compensation (FAC) be earned?

A new Final Average Compensation (FAC) would be earned if the member works at least 60 months after DROP participation ends.

28. If a member has reached 100% of his or her FAC (100% vested status) prior to entering DROP and continues to work after DROP, then should the agency report employee contributions (EEs)?

No. Once the member has obtained 100% vested status, employee contributions (EEs) should stop; however, employer contributions (ERs) should continue.

29. How is a member's DROP benefit calculated?

The member's DROP benefit is calculated in the same way that the member's retirement benefit would be calculated. The number of years of service credit is multiplied by the benefit accrual rate, which is multiplied by the Final Average Compensation. The benefit may be further reduced if the member chose any option other than Maximum Option.

30. How many days does a member have to work after DROP in order to receive 0.10 of a year of service credit?

Typically, a member must work at least 13 eight-hour days after DROP in order to receive 0.10 of a year of service credit.

31. If a member works less than three months after finishing DROP participation, then is the member's service credit still rounded up?

No. If a member works less than three months after finishing DROP participation, then the member's service credit will be rounded to the nearest tenth (up or down).

32. If a member selected an option other than the Maximum Option when entering DROP, then can the member's benefit revert to the Maximum Option if the member's retirement beneficiary precedes the member in death?

Yes. The member can change the retirement option if the retirement beneficiary dies before the member. The benefits that are payable to the member shall be increased to the amount the member would have received had he or she selected the maximum benefit (for more information, refer to [Chapter 9: Retirement Options & Cost-Of-Living Adjustments](#)). This can be done during DROP participation, while working after DROP, or while retired.

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](#)
- [06-02: Insurance Premium Deduction Authorization](#)
- [06-03: Option 2B Mentally Handicapped Designee](#)
- [07-01: Certification of Unused Annual and Sick Leave](#)
- [08-03: Judicial Application for Deferred Retirement Option Plan \(DROP\) *\(for members whose first eligibility for membership in one of the four state retirement systems occurred prior to 1/1/2011\)*](#)
- [08-06: Judicial Certification at End of Employment after DROP](#)
- [09-01: Application for Deferred Retirement Option Plan \(DROP\) *\(form to be used if the member was eligible to retire after 12/31/1995\)*](#)
- [09-01A: Application for Deferred Retirement Option Plan \(DROP\) *\(form to be used if the member was eligible to retire on or before 12/31/1995\)*](#)
- [09-02: Certification at End of Employment after DROP](#)
- [09-02A: Certification of Continued Employment after DROP Participation](#)
- [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

- [06-08: Act 75 of the 2005 Regular Session](#)
- [06-14: Certification at End of Employment Forms](#)
- [10-06: LASERS Required Documents and Payment of Retirement Benefits](#)
- [10-12: Termination Date](#)
- [11-04: DROP and Retirement Eligibility Changes for Employees Covered under the Provisions of Act 75](#)
- [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
- [La. R.S. 11:447](#) Deferred Retirement Option Plan
- [La. R.S. 11:448](#) Plan Participation
- [La. R.S. 11:449](#) Deferred Retirement Option Plan (Subaccounts)
- [La. R.S. 11:450](#) Termination of Participation
- [La. R.S. 11:451](#) Irrevocability of Election
- [La. R.S. 11:451.1](#) Self-directed Deferred Retirement Option Plan Participants' Subaccounts
- [La. R.S. 11:451.2](#) Selection of Providers
- [La. R.S. 11:451.3](#) Vested Participants
- [La. R.S. 11:582](#) Eligibility; Benefits (DROP Eligibility for WLO2)
- [La. R.S. 11:606](#) Deferred Retirement Option Plan Participation (COR1 after DROP)
- [LAC 58:l.2701](#) Eligibility (DROP)
- [LAC 58:l.2703](#) Participation in Three-Year Program
- [LAC 58:l.2705](#) Effects of Participation
- [LAC 58:l.2711](#) Methods of Withdrawal
- [LAC 58:l.2713](#) Time for Disbursement
- [LAC 58:l.2715](#) Interest
- [LAC 58:l.2717](#) Changes in Withdrawal
- [LAC 58:l.2719](#) Eligibility (New DROP)
- [LAC 58:l.2721](#) Participation in New DROP
- [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 14: Deferred Retirement Option Plan \(DROP\)](#)
- [Chapter 15: DROP/IBO Account Withdrawals & Self-Directed Plan](#)

APPLICABLE LASERS VIDEOS

- [Deferred Retirement Option Plan \(DROP\)](#)
- [Countdown to Retirement](#)
- [Annual and Sick Leave: How it Affects You](#)
- [Judges Retirement Plan](#)



Deferred Retirement Option Plan (DROP) Application Checklist for Members

This checklist is to assist you in completing retirement paperwork to be submitted to your Human Resources Personnel Officer. Deposits will not be made into the DROP account 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 9 of the appropriate DROP application
- If applicable, complete Form 04-04: Spousal Consent (*For the Retirement Benefit, 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. For the DROP Benefit, this form is required if member's spouse is receiving less than 50% of the DROP Benefit.*)
- 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



Retiring After DROP 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.

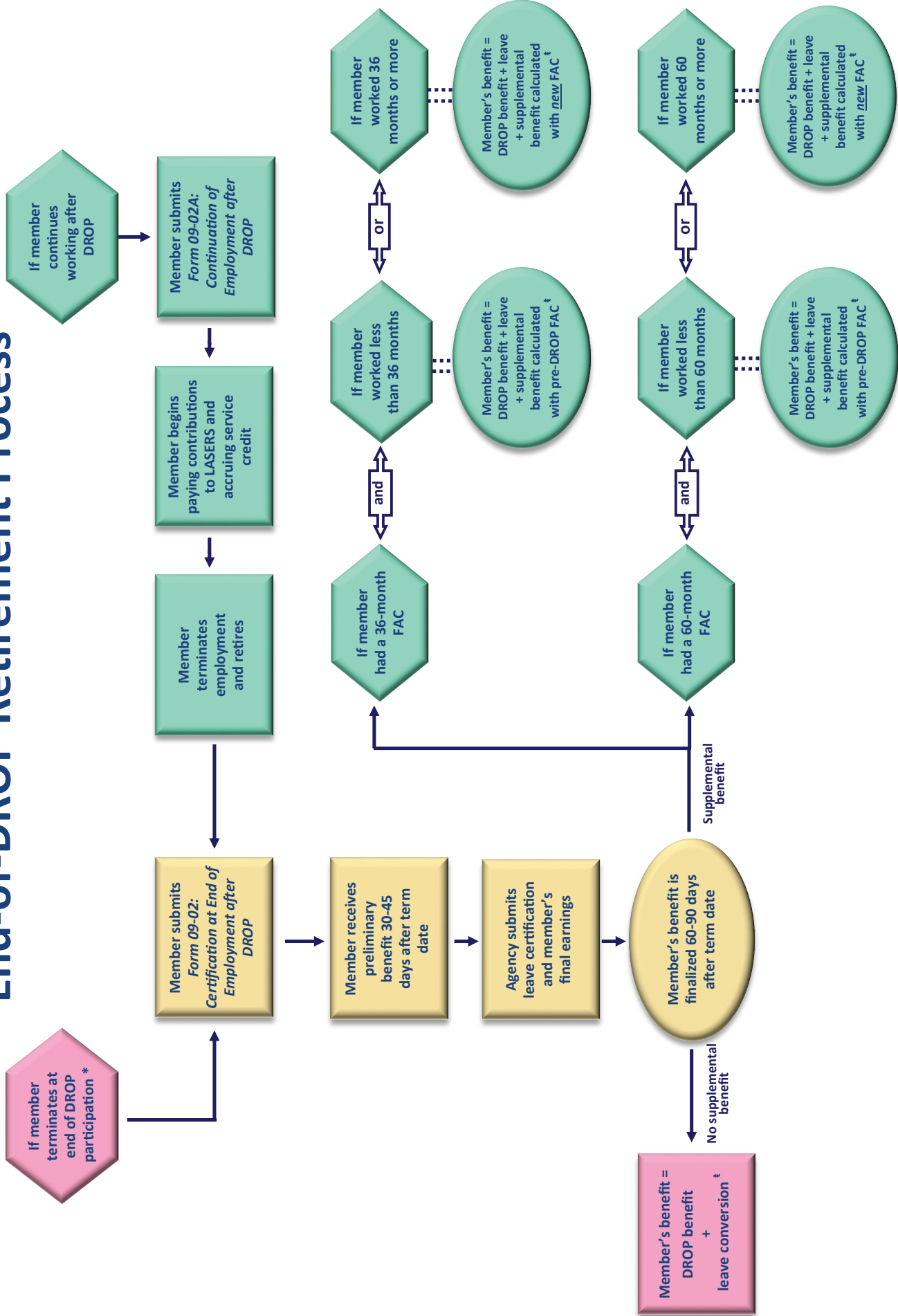
FORMS TO COMPLETE:

- Section 1 through Section 5 of Form 09-02: Certification at End of Employment after DROP
- 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 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.*)

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

End-of-DROP Retirement Process



* If a member terminates employment prior to his or her DROP end date, the member would be required to retire immediately following the termination date. The member will forfeit DROP participation time and subsequent DROP deposits.

‡ Benefit calculation would also include any purchases made during DROP participation or while working after DROP.