Deferred Retirement Option Plan (DROP) is an optional retirement method in which LSERS will create a DROP account for you and deposit your retirement benefit into this account for up to 36 months while you continue to work. While in DROP, you do not pay contributions into LSERS and you do not earn service credit. You may continue working after DROP and earn additional service credit. When you do retire, LSERS will pay your monthly benefit directly to you.

Information regarding your retirement eligibility, the application process, benefit options, unused leave and benefit calculation can be found in the Regular Service Retirement, Retirement Application Process, Benefit Options, and Unused Leave Fact Sheets.

How Does DROP Work? Please see examples below (numbers used are for example only):

1. LSERS calculates your retirement benefit, excluding unused leave:

   **Standard Retirement Formula**
   
   \[
   \text{Service Credit} \times \text{Accrual Rate} \times \text{Monthly Average} = \text{Maximum Monthly Benefit}
   \]
   
   \[
   5.00 \times 0.025 \times 3333.33 = 416.67
   \]
   
   2. You choose your lifetime monthly benefit option:

   **Lifetime Monthly Benefit Options**
   
<table>
<thead>
<tr>
<th>Option</th>
<th>Monthly Benefit</th>
<th>Months of Participation</th>
<th>DROP Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum</td>
<td>$416.67</td>
<td>36</td>
<td>$14,928.12</td>
</tr>
<tr>
<td>Option 1</td>
<td>$404.67</td>
<td>36</td>
<td>$14,568.12</td>
</tr>
<tr>
<td>Option 2</td>
<td>$362.58</td>
<td>36</td>
<td>$13,052.88</td>
</tr>
<tr>
<td>Option 2A</td>
<td>$351.82</td>
<td>36</td>
<td>$12,665.52</td>
</tr>
<tr>
<td>Option 3</td>
<td>$392.02</td>
<td>36</td>
<td>$14,112.72</td>
</tr>
<tr>
<td>Option 3A</td>
<td>$385.65</td>
<td>36</td>
<td>$13,883.40</td>
</tr>
</tbody>
</table>

3. LSERS deposits your monthly benefit into you DROP account for the duration of your DROP participation period. Your final DROP deposit balance varies, depending on your monthly benefit option selection. You do not contribute during this period; therefore, you do not earn service credit.

   **Option | Monthly Benefit | Months of Participation | DROP Balance**
<table>
<thead>
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</tbody>
</table>

Examples of No DROP:

If you do not participate in DROP, you will continue to earn service credit, therefore your benefit will grow:

\[
8.00 \times 0.025 \times 3333.33 = 666.67
\]

\[
11.00 \times 0.025 \times 3333.33 = 878.93
\]

If your salary increases, your benefit will grow even more:

\[
11.00 \times 0.025 \times 4019.58 = 1055.64
\]
DROP Window

You must begin DROP participation within 60 days after you first become eligible to make deposits for the full 36 months possible. You may still participate in DROP after the 60-day window, but each day past the window is deducted from the total 36 months.

During DROP

In order to participate in DROP, you must apply. Once your application is processed, you will receive quarterly statements. You can also track your monthly deposits using your online account accessible at www.lsers.net.

You will not be eligible to receive a cost-of-living adjustment (COLA), if LSERS Board of Trustees grants this increase while you are participating in DROP.

You may retire at any time, provided you separate service with your employer. If you retire before the 36 months has ended, LSERS will stop your DROP deposits and start paying your regular monthly benefit directly to you.

After DROP

Your account balance will be transferred to the Self-directed Plan with Empower Retirement to begin earning interest.

On your DROP end date, you may choose to retire or continue working.

If you choose to retire or retire within 30 days of your DROP end date, LSERS will begin paying your retirement benefits. Your unused leave may be converted to retirement credit and LSERS will add a supplement to your benefit, if you are not at 100% benefit accrual.

If you choose to continue working for at least 30 days of your DROP end date, you will begin making contributions to LSERS again unless you have reached 100% accrual.

Retirement After DROP

You are eligible to request withdrawals from your DROP account once you have separated service and are retired. More withdrawal details can be found in Fact Sheet 24 DROP/IBRP Account Withdrawals.

You will be eligible for COLAs.

If you work less than 3 years (5 years if your membership in LSERS began 7/1/06 or after) after DROP, LSERS will calculate a supplemental benefit using your service credit after DROP, your pre-DROP final average compensation (FAC), and your unused leave.

If you work more than 3 years (5 years if your membership in LSERS began 7/1/06 or after) after DROP, LSERS will calculate a supplemental benefit using your service credit after DROP, your highest FAC, and your unused leave. LSERS will calculate and compare your pre-DROP FAC and your after-DROP FAC. The higher FAC will be used in calculating this supplemental benefit.

DROP Account Interest

Your DROP account does not earn interest while you are participating in DROP. The account begins to earn interest after your deposits stop. The percent of interest earned is based on when you were first eligible for DROP. Your DROP account is guaranteed and protected from negative investment returns except for any self-directed portion.

If you are eligible for DROP on or after January 1, 2004, when your deposits stop, your DROP fund is invested in the self-directed plan managed by Empower Retirement. Any portion in the default option –Stable Value Fund for LSERS within the Self-directed Plan is earning interest based on this fund which is principal guaranteed. Any self-directed
portion within the Self-directed Plan is earning a rate of return based on the members’ other investment selections.

If you were eligible for DROP prior to January 1, 2004, your account’s interest rate is equal to the realized rate of return on the system’s assets less 0.5%. The realized rate of return is calculated and established by the system’s actuary after the end of each fiscal year.

Refer to DROP and IBRP Interest Rate publication for prior year interest rates for both types of interest earnings accounts.