



DROP/IBRP Account Withdrawals

Fact Sheet – 24

LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM

After you retire, you are eligible to receive your DROP/IBRP money. DROP/IBRP withdrawals are paid on the 5th of the month, can start and stop any time after retirement, and are based upon one of these methods:

Single Withdrawal – Provides a one-time lump or partial sum payment amount.

- **Lump Sum** – The entire balance will be depleted on the applicable withdrawal date.
- **Partial Sum** – The amount specified will be paid on the applicable withdrawal date. You can either leave the balance in the account or select a fixed withdrawal.

Fixed Withdrawal – Provides a payment based on one of the following frequencies:

- **Monthly** (every month)
- **Quarterly** (January, April, July, and October)
- **Semi-Annually** (January and July)
- **Annually** (January)

The fixed withdrawal amount can be any of the following:

- **Life Expectancy** – Balance paid based on IRS life expectancy tables using age at retirement
- **10-Year** – Balance will be paid over a period of 10 years
- **Specified amount** – Balance paid in the amount specified until depleted

The chart on page 2, as established by the IRS guidelines, signifies a life expectancy period according to your age at retirement. The single life expectancy period is used to determine the life expectancy withdrawal amount.

Example:

Let us assume you are age 56 when you retire and you have \$25,000 accumulated in your DROP/IBRP account. Based on the chart below your number of payout months will be 344 months. If you divide \$25,000 by 344 months, the life expectancy withdrawal would be \$73.00/monthly, \$219.00/quarterly, \$438.00/semi-annually, or \$876.00/annually.

Note: The life expectancy withdrawal amount does not consider interest earned. To learn more about interest on your account, refer to [Fact Sheet 13](#) for DROP or [Fact Sheet 14](#) for IBRP. Twice a year, you may change the amount (increase or decrease) and the frequency of your withdrawals.

If you are legally married, your spouse must complete [Form 11](#) if you are choosing to withdraw the balance in a lump sum or over a period of less than life expectancy.

Income Taxes on DROP/IBRP Account Withdrawals

All withdrawals from your DROP/IBRP account are subject to federal income tax and/or penalties; however, they are not subject to Louisiana state tax. In keeping with IRS regulations, LSERS will withhold 20% federal income tax if your withdrawal method depletes your DROP/IBRP account in a time frame of less than 10 years. If you choose a withdrawal method according to the life expectancy chart (shown below) or if you choose a withdrawal method that depletes your account in a time frame of more than 10 years, you may choose the amount of federal taxes you want withheld. Regardless of your withdrawal method, you may have to pay additional federal income tax when you file your annual income tax return.

According to IRS regulations, if you are less than age 55 at the time of retirement and choose a withdrawal amount other than life expectancy, or you modify your withdrawal to be less than life expectancy before you reach age 59.5, you may be subject to a 10% early withdrawal penalty. You are responsible for paying this penalty when you file your federal income tax return. Please read the [Special Tax Notice](#).

You may roll over your money to an IRA or other qualified plan:

- Your money will continue to be sheltered.
- LSERS will not report the rollover as taxable income.
- You will not be subject to the 20% withholding.
- You will not be subject to the 10% penalty for early withdrawal, even if you are under the age of 55.

For payments beginning in the year you reach age 70½, a certain portion of your payment cannot be rolled over because it is a “required minimum payment” that must be paid to you. Per IRS rules, Required Minimum Distribution (RMD) must take place when you reach age 70½ or at time of retirement, whichever is later.

We strongly recommend you consult a tax advisor and/or financial planner before making decisions regarding your DROP/IBRP account.

[IRS Publication 590B, Appendix B, Table I Single Life Expectancy](#)

Age at Retirement	Number months for payout	Age at Retirement	Number months for payout	Age at Retirement	Number months for payout
45	465	61	292	77	145
46	454	62	282	78	136
47	444	63	272	79	129
48	432	64	261	80	122
49	421	65	252	81	116
50	410	66	242	82	109
51	399	67	232	83	103
52	387	68	223	84	97
53	376	69	213	85	91
54	366	70	204	86	85
55	355	71	195	87	80
56	344	72	186	88	76
57	334	73	177	89	71
58	324	74	169	90	66
59	313	75	160	91	62
60	302	76	152	92	59