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LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM

Deferred Retirement Option Plan & Initial Benefit Retirement Plan

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LSERS Retirement Education**



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DROP and IBRP

Deferred Retirement Option Plan

“DROP”

Initial Benefit Retirement Plan

“IBRP”



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Agenda

- Eligibility for DROP and IBRP
- Benefit Calculation
- Unused Leave
- Option Plans
- DROP
- Option Examples
- IBRP
- DROP and IBRP Accounts
- Review



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IMPORTANT

DROP is not for everyone.

Some members could lose benefits by participating in
DROP.

Questions to Ask Yourself:

- Do you anticipate receiving a salary increase?
- Do you plan on working after DROP?
- Are you close to 100% accrual?



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Eligibility for DROP and IBRP

Member before 7/1/2010

- 10 years of service at age 60
- 25 years of service at age 55
- 30 years of service at any age

Member on or after 7/1/2010

- 5 years of service at age 60



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Benefit Calculation

FORMULA

service credit x accrual rate x FAC = annual
benefit

FAC = the average of your highest consecutive years of earnings



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Unused Leave

Unpaid and unused sick and annual leave will be converted to additional service credit upon retirement

Calculation:

unused leave ÷ days in employment year = service credit



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Option Plans

- Maximum
- Option 1*
- Option 2
- Option 2A
- Option 3
- Option 3A

*Not available with the IBRP



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Deferred Retirement Option Plan (**DROP**)

A way you can save your retirement benefits while you continue to work



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DROP Option Examples

Self Funded COLA available with all options

Example 55-year-old member

25 years of service credit and FAC of \$14,868

Regular Service Retirement Maximum benefit = \$1,033

	Retiree	Beneficiary
Maximum	\$1,033	Lump sum
Option 1	\$1,012	Lump sum
Option 2	\$932	\$932
Option 2A	\$926	\$926
Option 3	\$979	\$489
Option 3A	\$976	\$488



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DROP Account Accumulation

DROP participation lasts up to 36 months, depending on your first eligible date

Example: member selects Option 2

Option 2 benefit \$932	Monthly Deposit	Accumulated Balance
Month 1	\$932	\$932
Month 2	\$932	\$1,864
Month 3	\$932	\$2,796
Month 4	\$932	\$3,728
...		
Month 36	\$932	\$33,552



After DROP Benefit Calculation

Retiring After DROP	Working After DROP
$\text{DROP} = \text{Service Credit} \times \text{Accrual Rate} \times \text{FAC}$	
$\text{DROP} + (\text{Supplement Years} \times \text{Accrual Rate} \times \text{FAC}^*)$	
<u>Supplement Years</u> Unused Leave Credit	<u>Supplement Years</u> Unused Leave Credit + Additional Service Credit

*FAC used to calculate the supplement amount for members who work 3 or more years after DROP will be based on the highest average 3-year salary.



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Initial Benefit Retirement Plan (IBRP)

- An alternative to the DROP program, with a lump sum and permanent reduced monthly benefit.

Example 55-year-old member

Regular Service Retirement Maximum benefit = \$1,033

$\$1,033 \times 36 = \$37,188$ ← maximum lump sum

	IBRP Lump Sum \$37,188	Service Retirement Lump Sum \$0.00
Maximum	\$760	\$1,033
Option 2	\$686	\$932
Option 2A	\$681	\$926
Option 3	\$721	\$979
Option 3A	\$718	\$976



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IBRP Example

\$37,188 IBRP

Maximum monthly benefit – Monthly Reduction = IBRP Monthly Benefit

$$\$1,033 \quad - \quad \$273 \quad = \quad \$760$$

	Monthly Benefit	Lifetime Total Benefit Payments 11 ½ Years	Lifetime Total Benefit Payments 20 Years
<u>IBRP</u> Monthly benefit	\$760	\$104,880	\$182,400
<u>Service</u> Monthly benefit	\$1,033	\$142,554 (Difference of \$37,674*)	\$247,920 (Difference of \$65,520)

***After 11 ½ years, the total payments exceed the IBRP payment plus the monthly benefits
(\$273 x 11.35 = \$37,183)**



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DROP and IBRP Accounts

- DROP and IBRP money is held in an account created for you.
- Interest begins accruing:
 - DROP Accounts: after your DROP participation ends
 - IBRP Accounts: when you retire
- You may withdraw funds when you retire.
- Funds are taxable upon withdrawal.

Fact Sheet Links:

[DROP](#)

[IBRP](#)



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Review

- LSERS offers plans to provide a lump sum in addition to monthly benefit plans.
- Plans are different and not all plans are best for everyone.
- Planning ahead offers you the opportunity to decide what is best for you.



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Plan Ahead!

- LSERS offers many tools:
 - Website www.lasers.net
 - Publications
 - Calculator
 - Toll Free Number 800.256.3718 (Baton Rouge area 225.925.6484)
 - Counselors are available to meet with you 8:00-4:30
 - Estimates upon request for those within 3 years of eligibility
 - Workshops
- Contact your Human Resources division at least 6 months prior to making a decision.



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Happy Planning!



For more information call
800.256.3718 or 225.925.6484

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