



DROP/IBRP Account Withdrawals

Fact Sheet – 24

LOUISIANA SCHOOL EMPLOYEES'
RETIREMENT SYSTEM

If you are a DROP retiree, you may begin withdrawals from your DROP account once your monthly retirement benefit is setup. If you are an IBRP retiree, you may begin withdrawals once your monthly benefit *is finalized*.

If you were eligible to retire on or after 1/1/2004:

Your DROP/IBRP account is managed by the Empower Retirement. You must contact Empower Retirement directly regarding all withdrawal schedules, methods, arrangements, etc. at www.louisianadcp.com or 1.800.701.8255.

If you were eligible to retire prior to 1/1/2004, continue reading information below.

Your DROP/IBRP account is managed by LSERS. Please contact us at 1.800.256.3718 for required forms and documents to set up or change your withdrawals. You may change the amount (increase or decrease) and the frequency of your withdrawals twice a year. Payments are issued on monthly basis and dated on the 5th of each month.

Your payment can be either a direct deposit, paper check, or you may rollover the funds into another qualified plan. Withdrawal methods are listed below:

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, is an IRS guideline signifying your anticipated life expectancy period according to your age at retirement and is used to determine your withdrawal amount based on your life expectancy. The life expectancy withdrawal amount does not consider interest earned.

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.

If you are legally married, your spouse must consent if you are choosing to withdraw the balance in a lump sum or over a period of less than life expectancy.

To learn more about interest on your account, refer to [Fact Sheet 13](#) DROP or [Fact Sheet 14](#) IBRP.

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