

What is the Initial Lump-Sum Benefit (ILSB)?

If you meet one of the following retirement eligibility requirements:

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

and you have not participated in the Deferred Retirement Option Plan (DROP), you can choose the Initial Lump-Sum Benefit (ILSB), which provides a one-time, lump-sum payment of up to 36 months of the Maximum Option monthly benefit, along with a reduced regular monthly benefit for life. You may choose an ILSB payment that is less than the maximum allowed.

The monthly, lifetime retirement benefit will be actuarially reduced based on the lump-sum amount withdrawn and your age at retirement.

If you choose ILSB, you must also choose a retirement option: Maximum Option, Option 2, 2A, 3, 3A, 4, or 4A. Option 1 may not be chosen.

The one-time, lump-sum distribution may:

- ◆ Be directly rolled over into an individual retirement account (IRA) or other qualified plan.
- ◆ Remain in an interest-bearing account at TRSL. Act 962 of 2003 changed the way interest is calculated on these accounts. If you were eligible to retire with ILSB before Janu-

ary 1, 2004, the account will earn interest at 0.5% less than TRSL's actuarially realized rate of return. If you were eligible to retire with ILSB on or after January 1, 2004, the account will earn interest at the liquid asset money market rate, less a 0.25% administrative fee for TRSL. There are minimum withdrawal requirements. (For information on account withdrawals, see the TRSL brochure *Withdrawing from your DROP or ILSB Account.*)

- ◆ Be paid directly to you subject to any federal taxes and penalties due. Twenty percent will be withheld for federal income taxes, but this may not be sufficient to pay the taxes due.

How does it work?

Let's say you are age 60, and your average salary is \$24,250. You have 18 years of service credit and 55% of a year of sick leave credit when you decide to retire and receive an ILSB.

The Maximum Option retirement allowance would be computed as follows: 18.55 years of service credit times a factor of 2% times the average salary of \$24,250 equals \$8,997. Divide this annual amount by 12 to determine the maximum monthly benefit of \$750.

By choosing an ILSB, you could receive a maximum lump-sum payment of up to 36 times \$750, or \$27,000.

Using this example, to find the monthly cost of the one-time payment, you can find your age on the chart below and the corresponding cost per \$1,000 of \$8.37.

The monthly cost to withdraw \$27,000 would be \$8.37 times 27, or \$225.99. (The monthly cost to withdraw \$10,000 would be \$83.70.)

The \$225.99 will be subtracted from the \$750 monthly benefit to determine the actuarially reduced monthly benefit. Therefore, \$750 minus \$225.99 equals \$524.01. Your new lifetime maximum monthly benefit would be \$524.01 if you withdrew \$27,000 as a lump sum.

You would then have to choose one of the various retirement options (Maximum Option, 2, 2A, 3, 3A, 4, or 4A), which will be used to finalize the lifetime retirement benefit.

Payment of lump sum

If you choose an ILSB payment equal to 85% or more of your maximum lump-sum payment, you will not be allowed to withdraw the payment until your retirement benefit is finalized, which often takes several months.

If you choose less than 85% of the maximum lump-sum, payments can be processed after estimated benefits have been set up.

Monthly payments (including estimated)

TRSL issues retirement payments, including estimated payments, on the first of each month for that month. Service retirees must wait a minimum of 30 days after their retirement date to be set up for retirement payroll. For example, if your retirement date is June 6, TRSL can set up

Member cost per \$1000 of ILSB payment

At the age shown, this chart shows the amount a monthly benefit is reduced for each \$1,000 of payment. For example, 50-year-old members who receive \$10,000 would have their benefit reduced \$74.60 a month for life (\$7.46 x 10 = \$74.60).

Ages 35-43	Ages 44-52	Ages 53-62	Ages 63-71	Ages 72-80
35 - \$6.89	44 - \$7.16	53 - \$7.66	63 - \$ 8.81	72 - \$11.01
36 - \$6.91	45 - \$7.20	54 - \$7.74	64 - \$ 8.98	73 - \$11.36
37 - \$6.93	46 - \$7.24	55 - \$7.83	65 - \$ 9.17	74 - \$11.74
38 - \$6.96	47 - \$7.29	56 - \$7.92	66 - \$ 9.38	75 - \$12.15
39 - \$6.99	48 - \$7.34	57 - \$8.02	67 - \$ 9.60	76 - \$12.58
40 - \$7.01	49 - \$7.40	58 - \$8.13	68 - \$ 9.84	77 - \$13.05
41 - \$7.05	50 - \$7.46	59 - \$8.24	69 - \$10.10	78 - \$13.55
42 - \$7.08	51 - \$7.52	60 - \$8.37	70 - \$10.38	79 - \$14.08
43 - \$7.12	52 - \$7.59	61 - \$8.50	71 - \$10.68	80 - \$14.65
		62 - \$8.65		

your benefit for the August 1 payroll as long as your completed Form 11E or 11E-5 (affidavit of retirement option), Form 15D (direct deposit of benefits), and a copy of your Social Security card are received by the first week of July.

The first retirement check will be mailed to your home address. As required by LSA-R.S. 11:815, members retiring on or after January 1, 2002, must have subsequent payments made by electronic funds transfer to a financial organization designated by the member. The member must complete and submit a *Direct Deposit of Benefits* (Form 15D) for deposit of the regular retirement benefit. If monthly withdrawals are made from the ILSB account, then a *Direct Deposit of DROP or ILSB Account Withdrawals* (Form 11R) must be completed and submitted.

Take special note

If you choose ILSB, your lump-sum distributions may be subject to special tax provisions. TRSL recommends that you discuss the matter thoroughly with a tax advisor.

The monthly benefit reduction due to the ILSB is permanent. Carefully consider the reduced benefit you will receive after taking ILSB to be sure you are not reducing your benefit to the point where you will not be able to meet future financial obligations.

Get a benefit estimate!

The decision to take an initial lump-sum benefit at retirement is a serious one and should be made with the greatest care. The first thing you should do is get an estimate to see how it will reduce your monthly retirement benefit.

To get an estimate, complete a *Benefit Estimate Request* (Form 10) and have your employer

complete an *Employment History Certification* (Form 6).

You will also have to provide TRSL with the specific amount you want to receive as an initial lump-sum benefit and the specific date you plan to retire. You will also need to supply your name, address, Social Security number, and the name and age of your beneficiary (if any).

Return-to-work restrictions

Effective July 1, 2001, Act 1173 allows all TRSL retirees (excluding disability retirees) who have been retired at least 12 months to return to work in a position covered by TRSL and earn both full salary and full retirement benefits. Retirees who return to work before the 12-month lapse must have a break in service of at least one weekday and will have their benefits suspended. For more information about the return-to-work provisions, see TRSL's brochure *Returning to Work after Retirement*.

The 12-month waiting period begins at the date of retirement. Reemployment during the 12-month waiting period will result in a suspension of benefits for the duration of reemployment or the lapse of the waiting period, whichever occurs first, and refundable, unsheltered contributions will be required on the salary received in the return-to-work position.

Retirees returning to work after the 12-month waiting period will make unsheltered contributions to TRSL on their salaries, but those contributions are refundable (without interest), upon request, after reemployment is terminated. Neither additional service credit nor additional retirement benefits will be received due to employment after retirement.

For more information about withdrawal requirements and interest earnings, please see TRSL's brochure, *Withdrawing from Your DROP or ILSB Account*.

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