

# Initial Lump-Sum Benefit (ILSB)

## What is ILSB?

The Initial Lump-Sum Benefit (ILSB) allows members to take a portion of their retirement benefit in a one-time, lump-sum payment, and still receive a monthly benefit for life at a reduced amount.

## Who is eligible?

If you have not participated in the Deferred Retirement Option Plan (DROP), and you meet one of the following retirement eligibility requirements, you may choose the ILSB option:

### Regular Plan and Plan A

- 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

### Plan B

- At least age 55 with 30 years of service
- At least age 60 with 10 years of service

## How does it work?

ILSB 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 chosen and your age at retirement.

Once you choose ILSB, you will need to select a retirement option: Maximum Option, Option 2, 2A, 3, 3A, 4, or 4A. These options determine the amount of the lifetime benefit you (and your beneficiary, if you choose) will receive. Option 1 may not be chosen.

For more information about retirement options, see the *TRSL Member Handbook*, available on our website, [www.trsl.org](http://www.trsl.org).

## Payment of lump sum

You can choose to have your one-time, lump-sum payment distributed by any of the following methods:

- Rolled directly over into an individual retirement account (IRA) or other qualified plan
- Remain in an interest-bearing account at TRSL. The interest rate your ILSB account

earns is based on when you became eligible to choose the ILSB option:

- » If you were eligible before January 1, 2004, the account earns interest at 0.5% less than TRSL's actuarially realized rate of return.
- » If you were eligible on or after January 1, 2004, the account earns interest at the liquid asset money market rate, less a 0.25% administrative fee for TRSL.
- Paid directly to you and 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.

*NOTE: If you choose an ILSB payment less than 85 percent of your maximum lump-sum payment, that payment can be processed after estimated benefits have been set up. Otherwise, payments will be processed once TRSL finalizes the retirement benefit.*



**All of TRSL's publications and forms are just a click away.**

Find them on our website at [www.trsl.org](http://www.trsl.org).

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

## Get a benefit estimate!

Once you choose ILSB, the reduction to your monthly lifetime benefit is permanent. TRSL recommends that you get a benefit estimate to see how ILSB will reduce your monthly retirement benefit.

This may help you determine whether the reduced benefit will be enough to cover future financial obligations.

To get an estimate based on ILSB participation, you will need to provide the following:

- *Benefit Estimate Request* (Form 10)
- Specific amount you want to receive as an initial lump-sum benefit
- Specific date you plan to retire
- Names and ages of your beneficiary(ies), if any

**Example:** Let's say you are 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 and ILSB.

The Maximum Option retirement allowance would be computed as follows:

$$\begin{array}{r}
 18.55 \text{ (years of service credit)} \\
 \times \\
 2.0\% \text{ (benefit factor)} \\
 \times \\
 \$24,250 \text{ (final average salary)} \\
 = \\
 \$8,997 \text{ (annual benefit, or } \$750 \text{ a month)}
 \end{array}$$

ILSB allows a maximum lump-sum payment of up to 36 times \$750, or \$27,000.

To find the monthly cost of the one-time payment, find your age on the chart to the right and the corresponding cost per \$1,000 of \$8.39.

The monthly cost to withdraw \$27,000 would be \$8.39 times 27, or \$226.53. (The cost to withdraw \$10,000 would be \$83.90 per month.)

If you withdrew \$27,000, your new lifetime maximum monthly benefit would be calculated as follows:

$$\begin{array}{r}
 \$750 \text{ (monthly benefit)} \\
 - \\
 \$226.53 \text{ (cost to withdraw } \$27,000) \\
 = \\
 \$523.47 \\
 \text{(new lifetime benefit, actuarially reduced)}
 \end{array}$$

Therefore, your new monthly lifetime benefit would be \$523.47.

### Member cost per \$1,000 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 benefits reduced \$74.40 a month for life (\$7.44 x 10 = \$74.40).

35 - \$6.88	58 - \$8.14
36 - \$6.90	59 - \$8.26
37 - \$6.92	60 - \$8.39
38 - \$6.94	61 - \$8.53
39 - \$6.97	62 - \$8.68
40 - \$7.00	63 - \$8.83
41 - \$7.03	64 - \$9.00
42 - \$7.06	65 - \$9.19
43 - \$7.10	66 - \$9.38
44 - \$7.14	67 - \$9.59
45 - \$7.18	68 - \$9.81
46 - \$7.22	69 - \$10.06
47 - \$7.27	70 - \$10.32
48 - \$7.32	71 - \$10.60
49 - \$7.38	72 - \$10.90
50 - \$7.44	73 - \$11.23
51 - \$7.50	74 - \$11.58
52 - \$7.58	75 - \$11.96
53 - \$7.65	76 - \$12.38
54 - \$7.74	77 - \$12.82
55 - \$7.83	78 - \$13.31
56 - \$7.92	79 - \$13.84
57 - \$8.03	80 - \$14.42

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

### For more information contact:

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