

POINTS TO CONSIDER

- ◆ **Rollover of the DROP account:** You could roll your DROP funds to another tax deferred account under two circumstances. If you exit the DROP and retire, you may elect to roll your DROP funds at any time. If you continue working past the DROP participation period and do not have a break in service, you would be required to take immediate possession of your DROP funds either as income or a rollover to another account.
- ◆ **Supplemental Funding:** This is the transfer of all paid vacation leave, sick leave and compensatory leave to the DROP account. *This option is available to all members of CPERS except those members of police the department who transferred their service to the Municipal Police Employees' Retirement System (MPERS).* You are subject to the rules regarding supplemental funding of DROP accounts. If you do not attain age 55 in the year you exit the DROP and retire (PSO under age 50), you will have the option to supplement your DROP account. If you attain age 55 in the year you exit the DROP (PSO age 50) you will be required to supplement your DROP account unless exemptions apply.
- ◆ **DROP Beneficiary:** You may have as many beneficiaries of your DROP account as you like. Under current community property law, your current spouse must be at least a 50% beneficiary unless he/she waives this right. A surviving spouse has three options

available to them regarding their portion of the DROP account. He/she may elect to leave his/her portion of the DROP account with CPERS, roll his/her portion to another tax deferred account or take his/her portion as income. All other beneficiaries are required to roll their portion to another tax deferred account or take the portion as income. They cannot keep their portion with CPERS.

FREQUENTLY ASKED QUESTIONS

Can I add funds to my DROP account? No, you cannot contribute to your DROP account. If a disbursement is made from the DROP account none of the funds can be returned to the account.

Can I roll my deferred compensation account into my DROP account? No, you cannot roll deferred compensation funds into your DROP account.

When must I schedule my appointment with the retirement office? You may schedule an appointment as early as 90 days but not less than 30 days prior to the end of your DROP participation period or selected retirement date, if exiting the DROP early.

When must I begin taking money from my DROP account? After retiring, you must begin receiving funds from your DROP account at age 70 1/2. There is a minimum distribution calculated according to federal requirements but you may request more.

DROP Exit Deferred Retirement Option Plan



City Parish Employee's
Retirement System
P.O. Box 1471 (70821)
209 St. Ferdinand Street
Baton Rouge, LA 70802
Phone: 225-389-3272 Fax: 225-389-5548
E-mail: retirement@brgov.com

DROP Exit (Deferred Retirement Option Plan)

As you approach the end of your DROP participation you will make several decisions regarding your DROP account, your separation and/or severance pay and your retirement benefit. The CPERS staff will counsel you on these decisions and coordinate all appropriate actions. When you complete your participation in the DROP, you will do so in one of four ways. Each has specific requirements regarding retirement or returning to work. In addition, access to your DROP account may be affected. Each scenario is discussed below:

- ◆ **Exit the DROP early and retire prior to your full DROP participation.** You will contact the Retirement Office at least 30 days prior to your anticipated retirement date and make an appointment to apply for retirement. If you attain age 55 in the year you exit the DROP and retire, you will not be subject to mandatory

disbursements and early withdrawal penalties. If you are a PSO (Public Safety Officer) you need only attain age 50 in the year you exit the DROP and retire to avoid mandatory disbursements and early withdrawal penalties. You will have full access to your DROP account if you meet the age requirements. If you exit the DROP and are under age 55 in the year you exit the DROP (PSO under age 50) you will be subject to mandatory disbursement from the DROP account. You will also be allowed a one time lump sum withdrawal from your DROP account subject to federal taxes and a 10% early withdrawal penalty. You can choose an amount, from a predetermined range, for your mandatory disbursement. The mandatory disbursement will stay in place until you attain age 59 1/2 or until the funds in the DROP account are exhausted.

- ◆ **Complete the full DROP participation period and retire.** You will be contacted by the Retirement Office to voluntarily attend a DROP Exit class and schedule an appointment to apply for retirement. Access to your DROP account will be the same as outlined in the previous scenario.
- ◆ **Complete the full DROP participation and continue working without a break in service.** Since you **ARE NOT** retiring at this point, you would not attend the DROP Exit class. However, you would make an appointment with the Retirement Office at

least 30 days prior to the end of your DROP participation period. In this appointment, you would, in writing, state your intention to continue working without a break in service. You will forfeit the interest earned on your DROP account and immediately take possession of your DROP funds as either income or a rollover. If you take possession of your DROP funds as income, you will be subject to federal income tax and any applicable early withdrawal penalties, depending on your age. Your pension would be frozen and no separation and/or severance payments will be made until such time as you terminate employment and retire.

- ◆ **Complete the full DROP participation period and return to work after a break in service.** You will be contacted by the Retirement Office to voluntarily attend a DROP Exit class and schedule an appointment to apply for retirement. If you return to work in either a part-time capacity (29 hours per week or less) or full-time capacity (30 hours per week or more), you will not contribute to retirement and earn an additional benefit. If you are returning to work in a part-time capacity, you can draw your pension while continuing to earn your part-time pay check. Access to your DROP account will be the same as outlined in the first scenario. If you return to work in a full-time capacity access to your pension and DROP account will be frozen until such time as you either terminate employment or change to part-time status.