

## DROP CALCULATIONS

### Example #1

10 years of service, age 55, 3 year DROP

Highest 36 month (3 year) salary \$108,000.00

36 month average \$3,000

Percentage (10 yrs X 2.5%) 25%

Monthly Benefit \$750

**3 Year DROP Principal Balance: \$27,000**

### Example #2

25 years, any age, 5 year DROP

Highest 36 month (3 year) salary \$144,000.00

36 month average \$4,000

Percentage (25 yrs X 3.0%) 75%

Monthly Benefit \$3,000

**5 Year DROP Principal Balance: \$180,000**

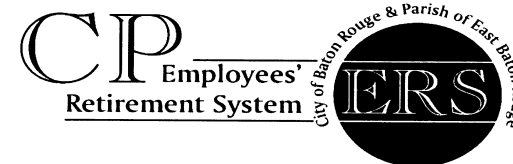
**Note: For further explanation of how the monthly benefit is calculated, please refer to the CPERS brochure "Service Retirement".**

## FREQUENTLY ASKED QUESTIONS

- ◆ **Can I file for a disability retirement if I am participating in the DROP?** No. You would apply for retirement from the DROP and begin receiving your monthly retirement benefit.
- ◆ **Is there a deduction in my paycheck to pay for my DROP account?** No. There are no DROP deductions from your regular paycheck. Your DROP account principal is funded each month with your retirement benefit amount.
- ◆ **If I get a promotion after DROP entry, will my pension amount increase?** No. Future salary increases will affect your paycheck but will not increase your retirement benefit.
- ◆ **What happens to my DROP account in the event of my death?** Any remaining funds are distributed to your beneficiaries.
- ◆ **Who can I designate as my DROP beneficiary?** You may have as many beneficiaries as you like. If single, you may choose anyone. If married, your spouse must be listed as at least a 50% beneficiary unless they waive their right to this benefit. Beneficiary payments to minors are paid to the legal guardian(s) or to a designated simple trust.
- ◆ **Can I change my beneficiary?** Yes. You may change your beneficiary at any time. If you are married, your spouse must remain at least a 50% beneficiary. If divorced, you must submit written proof of divorce to remove the former spouse.
- ◆ **Is the DROP account community property?** Yes. The DROP account is a retirement account and is considered community property.

## DROP Entry Deferred Retirement Option Plan

*Hire Date Prior To 9/1/15*



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## **DROP Entry** (Deferred Retirement Option Plan) *Hire Date Prior To 9/1/15*

### WHAT IS THE DROP?

The Deferred Retirement Option Plan (DROP) is a type of pre-retirement plan which allows you to begin accumulating retirement benefits while continuing employment. In effect, your monthly City-Parish Employee's Retirement System (CPERS) benefit is calculated at time of DROP entry, and the resulting benefit is placed each month in a tax-deferred account. The account balance accrues interest which is payable, provided that the terms of the DROP contract are not violated. The DROP interest rate is set annually by a pre-determined formula. Once enrolled in the DROP, you will not earn any additional service credit toward a CPERS benefit. Your monthly benefit is determined on the day you enter DROP and will never change. You will no longer have retirement contributions deducted from your

paycheck. As a DROP participant you will continue to work, earning a regular paycheck, receiving pay increases, and continuing to accrue sick and vacation leave.

### WHO IS ELIGIBLE FOR THE DROP?

A member becomes eligible to participate in the DROP when they have either:

- 1) 10 years service at age 55, or
- 2) 25 years of service at any age

### MAXIMUM DROP PARTICIPATION

Years of Service	Age	Maximum Years of DROP Participation
10 less than 25	55	3
25 to 27	Any age	5
28	Any age	4
29	Any age	3
30	Any age	2
More than 30		Cannot participate

To apply for DROP entry, the member must be employed and actively contributing to CPERS. An application for participation must be submitted to the CPERS Retirement Board of Trustees for approval at least 30 days prior to the desired date of

DROP entry. A member who has either retired or terminated employment cannot enter the DROP. However, a member participating in the DROP may elect to exit the DROP and retire at any time. A written notice given at least 30 days prior to the anticipated retirement date is required.

### BENEFITS OF CPERS DROP PARTICIPATION

- ◆ Accumulate a lump sum retirement benefit while continuing employment.
- ◆ Retirement contributions to CPERS stop during DROP participation.
- ◆ DROP principal is not subject to investment market risk (annual interest rate cannot go below zero).
- ◆ DROP funds received are exempt from Louisiana state taxes.
- ◆ The DROP account is a tax deferred account. Federal taxes are assessed only on funds withdrawn.
- ◆ Payment of vacation leave, sick leave, and compensatory time may be deposited into your DROP account at DROP exit. (MPERS employees excluded)
- ◆ The DROP account is the property of the member and at death, the balance is paid to the designated beneficiary(ies).