

PARTIAL LUMP-SUM OPTION



n an effort to provide you with more choices, TRS offers the Partial Lump-Sum Option Plan (PLOP).

In exchange for a permanently reduced lifetime TRS benefit, you may elect to receive a lump-sum distribution in addition to a monthly retirement benefit. A PLOP distribution is provided as a single payment at the same time your first monthly retirement benefit is paid. Your age and the plan of retirement you elect are used to determine the reduction in your benefit. Once you select the deduction amount, your benefit will be actuarially reduced to reflect the value of the PLOP distribution.

A PLOP distribution used to enhance retirement income or savings may merit consideration. A PLOP distribution used to purchase depreciable assets or used for leisure should be given careful consideration as these purchases may compromise your long-term retirement income. *If you are interested in electing a PLOP distribution, TRS encourages you to seek assistance from a financial planner and tax professional.*

ELIGIBILITY

You are eligible to participate in the Partial Lump-Sum Option Plan if you meet the following criteria.

- You must have 30 years of creditable service or 10 years of creditable service and attain age 60 (not early retirement).
- You must not retire with disability benefits.

SURVIVORSHIP PLANS

When applying for retirement, if you choose a retirement plan that allows you to provide a continuing monthly benefit to a survivor after your death in exchange for a reduced pension, you may also choose to receive a PLOP distribution. Once the lump-sum amount is determined, the reduced monthly benefit will be calculated based on your age and the age of your beneficiary(ies). If you elect a survivorship option and a PLOP distribution, upon your death, the beneficiary's benefit will be based on your reduced benefit.



REDUCED BENEFIT TABLE

This table identifies the amount a monthly benefit is permanently reduced for each \$1,000 taken as a PLOP distribution. The amounts shown are based on the Maximum Plan of Retirement. Choosing another plan will alter the reduction.

Age	Reduction per \$1,000
50	\$ 6.76
51	\$ 6.81
52	\$ 6.87
53	\$ 6.93
54	\$ 7.00
55	\$ 7.07
56	\$ 7.14
57	\$ 7.22
58	\$ 7.31
59	\$ 7.41
60	\$ 7.51
61	\$ 7.62
62	\$ 7.74
63	\$ 7.87
64	\$ 8.00
65	\$ 8.15
66	\$ 8.31
67	\$ 8.47
68	\$ 8.65
69	\$ 8.84
70	\$ 9.05
71	\$ 9.27
72	\$ 9.51
73	\$ 9.76
74	\$ 10.04
75	\$ 10.33

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A PLOP EXAMPLE

Mary Johnson is retiring with 30.222 years of service at age 57. Under the defined benefit formula of TRS, she has earned a monthly retirement benefit of \$4,020. Under the PLOP, she has a one-time option of taking a lump-sum amount between \$5,000 and \$144,000. This option is only available at retirement and is irrevocable once her first benefit payment is received.

If Mary chooses a lump-sum payment of \$50,000 and selects the Maximum Plan as her retirement option, her monthly benefit will be reduced from \$4,020 to \$3,659 permanently in order to maintain the total projected benefit to be paid to her over her lifetime in retirement. The actuarially determined reduction in this example is based on \$7.22 per \$1,000 taken.

$$\begin{aligned} \$50,000/\$1,000 &= 50 \\ 50 \times \$7.22 &= \$361 \\ \$4,020 - \$361 &= \$3,659 \end{aligned}$$

CONSIDERATIONS

Before electing a PLOP distribution, TRS encourages you to consider the following:

1. How much will you receive in a lump-sum distribution?
2. How much will your monthly benefit be permanently reduced?
3. Will the permanently reduced monthly benefit be sufficient to cover living expenses throughout your retirement?

If you elect a PLOP distribution, you will receive an actuarially reduced monthly benefit. Your age at retirement, along with your beneficiary's age (if you choose a survivorship option), is used to determine the reduction in your benefit.



EFFECTS OF TAKING A PLOP

Regardless of your motivation for electing a PLOP distribution, there are consequences you should take into consideration prior to making a final decision.

Tax Effect

If you elect to receive a PLOP distribution as a direct payment, TRS is required to withhold a minimum of 20% of the elected amount for Federal taxes. In addition, under certain circumstances, an early withdrawal penalty may be incurred, further increasing the Federal tax burden. State taxes will also apply to a direct payment, increasing the tax burden further.

An immediate tax effect can be avoided if you rollover your PLOP distribution to another qualified retirement plan or to a traditional Individual Retirement Account (IRA). However, there are still income effects that must be considered even if immediate taxes are avoided.

If you are considering a PLOP, we strongly recommend consulting with a tax advisor so he or she can explain and quantify the tax implications of varying PLOP amounts. Due to varying individual circumstances, TRS cannot provide specific tax information.

PLOP FACTS

The actual lump-sum distribution is based on your monthly retirement benefit

- Monthly benefit payments will be actuarially and permanently reduced due to the election of a PLOP distribution
- Lump-sum distributions are provided in \$1,000 increments
- The smallest lump-sum distribution available to you cannot be less than one month of your normal monthly retirement benefit
- The largest lump-sum distribution amount available to you cannot exceed 36 months of your normal monthly retirement benefit
- All PLOP distributions are considered final once the money has either been deposited into a checking or savings account or rolled into a qualified retirement plan, including an IRA

Income Effect

As the example demonstrates, when a PLOP is elected, there is a corresponding monthly income reduction required to re-establish the actuarially projected lifetime retirement benefit. In addition to the initial reduction, a further consideration is the loss of annual cost-of-living adjustments (COLA) that may be granted to you in retirement.

Although the reduction per benefit payment can seem small when deducted on a monthly basis, it can add up over your retirement lifetime to a significant loss of income, as demonstrated in this example.

Assumptions...

- \$361 initial monthly reduction (see example)
- \$361 x 12 = \$4,332 annual income forgone
- 20-year retirement period
- 3% COLA loss per year

Annual Income Lost by Taking a \$50,000 PLOP Distribution

Year 1	\$4,332	Year 11	\$5,822
Year 2	\$4,462	Year 12	\$5,997
Year 3	\$4,596	Year 13	\$6,176
Year 4	\$4,734	Year 14	\$6,362
Year 5	\$4,876	Year 15	\$6,553
Year 6	\$5,022	Year 16	\$6,749
Year 7	\$5,173	Year 17	\$6,952
Year 8	\$5,328	Year 18	\$7,160
Year 9	\$5,488	Year 19	\$7,375
Year 10	\$5,652	Year 20	\$7,596

Total Income Lost : \$116,402



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