



THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO
Donald L. Yancey, Deputy Director

June 28, 2019

Partial Lump Sum Option Plan (PLOP)

At retirement, in addition to selecting Options 1, 2, 3, or 4, you may also elect to receive a one-time lump-sum distribution (cash payment) in addition to your monthly retirement benefit.

In exchange for a reduced lifetime monthly benefit, you can elect to receive a Partial Lump Sum Option Plan (PLOP). Your age and option at retirement are used to determine the reduction in your benefit.

A PLOP distribution will be made as a single payment at the time your first monthly benefit is paid. Based on the amount of the PLOP, your monthly retirement benefit is then reduced to be the actuarial equivalent of the retirement benefit without a lump-sum distribution.

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

Fast Facts

- The amount of lump-sum distribution you are eligible to receive is based on the maximum monthly benefit amount you are eligible to receive.
- The smallest lump-sum distribution available to you is the amount of one month of your maximum benefit. (Rounded up to the nearest \$1,000)
- The largest lump-sum distribution available to you is the sum of 24 months of your maximum benefit. (Rounded down to the nearest \$1,000)
- All lump-sum distributions will be provided in \$1,000 increments.
- Your monthly retirement benefit will be actuarially reduced due to the election of a PLOP distribution.

Who is Eligible?

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

- have 25 years of creditable service or 10 years of creditable service and attain age 60 for Tier I members or 10 years of creditable service and attain age 62 for Tier II members;
- retire on or after October 1, 2019

When applying for retirement, you may choose a retirement option that provides for survivorship benefits. If you elect a survivorship option, you may also choose to receive a lump-sum distribution. Once the lump-sum amount is determined, the reduced monthly benefit will be calculated based upon the joint life expectancy of the retiree and the beneficiary. If you elect a survivorship option and a PLOP distribution, at your death, the beneficiary's benefit will be based on your reduced benefit.

Members who have participated in the Deferred Retirement Option Plan ("DROP") are not eligible to participate in PLOP.

Distribution Options

At retirement, you may elect a lump-sum distribution in an amount between 1 and 24 months of your monthly retirement benefit. This amount will be calculated under maximum retirement benefit and will be rounded to the nearest \$1,000. If a PLOP distribution is elected, your monthly benefit is actuarially reduced to reflect the value of the PLOP distribution. The combination of both the PLOP distribution and the reduced benefit are the same actuarial value as the unreduced benefit alone.

A PLOP distribution can be rolled over to a financial institution or be paid by check. Generally, 20% of the lump-sum distribution will be withheld for federal income taxes.

To defer paying taxes on a lump-sum distribution, you may roll over all or a portion of the distribution to another qualified retirement plan, such as RSA-1. The RSA encourages you to seek advice from a tax professional.

Before electing a PLOP distribution, the RSA 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 reduced?
3. Will the reduced monthly benefit be sufficient to cover living expenses throughout 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 if you elect a PLOP distribution.

Example

A 60-year-old TRS member with a \$3,300 maximum monthly retirement benefit elects to take a lump-sum distribution at retirement. The TRS member is eligible to choose a PLOP distribution, in \$1,000 increments, from \$4,000 – \$79,000 ($1 \times \$3,300 = \$4,000$ rounded up to the nearest \$1,000; and $24 \times \$3,300 = \$79,000$ rounded down to the nearest \$1,000). This member chooses a \$50,000 lump-sum distribution.

If the TRS member chooses the maximum retirement benefit, the cost per \$1,000 of the lump-sum distribution for a member retiring at age 60 is \$7.66 per month, as per the benefit reduction table (the benefit reduction will vary by system). This member's monthly cost for a \$50,000 payment is \$383 ($50 \times \$7.66$).

To determine the reduced benefit, subtract \$383 from \$3,300. The TRS member would receive \$2,917 per month as a result of electing the PLOP distribution.

Tax Implications

A PLOP distribution is subject to federal income tax withholding. Since these payments have been identified as eligible rollover distributions, the RSA must withhold 20 percent for income tax unless the eligible portion is rolled over into a qualified retirement plan.

To defer paying taxes on these payments, you may roll over all or a portion of the entire “eligible rollover distribution” amount to another qualified retirement plan.

For additional information on taxes, please contact a tax consultant or the IRS at 800.829.1040.

Reinstatement

If you received a PLOP distribution at retirement, returned to active service, were reinstated with ERS or TRS, your benefit will be actuarially-reduced when you retire again. This reduction will be based on your age at the time of the second retirement.

Benefit Reduction Table

The table below identifies the amount a monthly benefit is reduced for each \$1,000 of a lump-sum distribution. Amounts shown in this table are based on the maximum retirement benefit. If you choose any of the other retirement options, the amounts shown will vary. The benefit reductions vary between ERS and TRS due to different actuarial assumptions adopted by the plans based on the unique experience of the membership of these two plans.

Age	Reduction per \$1,000	
	ERS	TRS
50	7.11	6.93
51	7.17	6.98
52	7.24	7.03
53	7.32	7.09
54	7.40	7.16
55	7.49	7.23
56	7.58	7.30
57	7.68	7.38
58	7.79	7.47
59	7.91	7.56
60	8.03	7.66
61	8.17	7.77
62	8.31	7.89
63	8.47	8.01
64	8.63	8.15
65	8.81	8.29
66	9.00	8.45
67	9.21	8.62
68	9.43	8.80
69	9.67	9.00
70	9.93	9.22
71	10.20	9.45
72	10.51	9.70
73	10.83	9.98
74	11.19	10.28
75	11.58	10.61