

PLOP

Partial Lump-Sum Option Payment

What is a PLOP?

At retirement, you may be able to elect a partial lump-sum distribution in exchange for a reduction in your lifetime retirement allowance. Your age, the amount of the lump sum, and your choice of retirement option are used to determine the reduction to your retirement allowance. A PLOP distribution will be made as a single payment at the time the first monthly allowance is paid. If you are considering a PLOP distribution, please seek assistance from a financial advisor and/or tax professional before.

Who is eligible?

You are eligible to choose a PLOP if you elect an ERS Service retirement and meet the following criteria:

- you have 30 years of creditable service at any age, or
- you have 10 years of creditable service and are at least age 60.

Members who retire with a Disability retirement or Early retirement are not eligible for a PLOP.

How much can I receive?

You may elect a lump-sum distribution in an amount between 1 and 36 times your normal monthly retirement allowance calculated under the Maximum Plan, in multiples of \$1,000. When a PLOP distribution is elected, your monthly retirement allowance is reduced. The combination of both the PLOP distribution and the reduced allowance have the same actuarial value as the unreduced normal retirement allowance.

Distribution Options

A PLOP distribution can be paid directly to you, or as a direct rollover to a qualified plan at a financial institution. If the payment is made directly to you, 20% of the distribution will be withheld from the taxable portion for federal income taxes. If you are under age 55, you may be subject to an additional 10% income tax on early distributions. Your actual taxes owed will be calculated on your tax return. To defer paying taxes on a PLOP, you may roll over all or a portion of the eligible distribution to another qualified plan, such as Peach State Reserves (PSR) 401(k), or a traditional Individual Retirement Account (IRA). You are encouraged to seek advice from a tax professional.

What will the reduction to my monthly benefit be?

The amount of your reduction will be based on the amount of your lump sum, your age at retirement, and the retirement option you select. Factors based on your age at retirement and optional form factors can change every year. See the ERS Handbook on the ERSGA website for current factors.

Example:

A 60-year-old member retiring on July 1, 2019 with a \$3,300 monthly retirement allowance elects to take a lump-sum distribution at retirement. The member is eligible to choose a PLOP distribution from \$4,000 to \$118,000 ($1 \times \$3,300 = \$4,000$ rounded up to the nearest \$1,000; and $36 \times \$3,300 = \$118,000$ rounded down to the nearest \$1,000). This member chooses a \$50,000 lump-sum distribution.

Under the Maximum Plan, the cost per \$1,000 of the lump-sum distribution for a member retiring on July 1, 2019 at age 60 is \$7.62 per month. This member's monthly cost for a \$50,000 payment is \$381.00 ($50 \times \$7.62$). To determine the reduced allowance, subtract \$381.00 from \$3,300. The member would receive \$2,919.00 per month under the Maximum Plan as a result of electing a \$50,000 PLOP. If the member selects an Optional Form of pension, the monthly benefit will be based on this reduced Maximum Plan benefit and the Optional Form Factor for the payment option selected. Sample Optional Form Factors are available in the ERS Handbook on the ERSGA website.

Should I elect a PLOP?

Before electing a PLOP distribution, you are encouraged to consider the following:

1. How much will you receive in a lump sum distribution?
2. What will you do with the lump sum distribution?
3. How much will your monthly retirement allowance be reduced?
4. Will the reduced monthly retirement allowance be sufficient to cover living expenses throughout retirement?

Please be aware that if you elect a PLOP, you will not be eligible to use your Peach State Reserves funds to purchase a Supplemental Guaranteed Lifetime Income (SGLI) pension from ERS at a later date.

If you have any questions on PLOP distributions, or any other retirement system questions, please contact ERSGA. We will be happy to help!

If something is not covered in detail in this summary, or if this summary can be read to be inconsistent with the governing laws, the law will take precedence.