



The Partial Lump-Sum Option (PLSO)

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Partners in Your Retirement Security.

What is the Partial Lump-Sum Option (PLSO)?

The Partial Lump-Sum Option (PLSO) is a PEERS service retirement benefit payment option that allows qualified members to elect to have lifetime monthly benefits actuarially reduced in exchange for the right to receive a one-time, lump-sum payment at retirement.

The one-time, lump-sum payment can be equal to 12, 24 or 36 times the permanent portion of your Option 1-Single Life benefit amount. **If you qualify** for the .8% temporary benefit, payable until age 62 if you have 30 or more years of credit or qualify for Rule of 80 (age + credit = 80), the lump-sum payment is calculated **before** the .8% temporary benefit is applied. The permanent portion of your monthly benefit is actuarially reduced because of the PLSO payment, with the .8% temporary benefit added (if eligible) to the reduced benefit amount until age 62.

If you choose PLSO, you still must choose a monthly payment option (Single Life, Joint-and-Survivor, or Term-Certain). You cannot select PLSO with the Accelerated Payment Plan (APP).

If you retire and return to work for a PEERS-covered employer, you cannot elect to receive a PLSO payment on the second, or special vested, membership.

How Do I Qualify for PLSO?

You are eligible to choose a PLSO payment if you meet **one** of the following criteria:

- You have a minimum of **33 years of service credit**, or
- You are at least **age 63 with a minimum of 8 years of service credit**, or
- Your **age plus your years of service credit equals 86 or more** (Rule of 86).

Making the PLSO Decision

Because PLSO lump-sum payments can be large, members are sometimes pressured by financial advisors/salespeople to elect a PLSO payment with the promise that doing so will provide the member with better financial results. Deciding to elect PLSO should be a very careful and pragmatic decision. Any promise of riches or unusually high investment returns should be viewed with skepticism.

Since your benefit is actuarially reduced to offset the payment of the PLSO, you are actually “paying” for the right to receive part of your lifetime benefit up-front at retirement in a lump-sum. There are many reasons to consider PLSO, and it may be a good choice for you. But before you decide, get help from a good financial planner and make the choice for the *right* reasons.

How Much Will My Lump-Sum Payment Amount Be?

Your PLSO lump-sum amount is determined by **multiplying the permanent portion** of your **Option 1-Single Life monthly benefit amount by 12, 24 or 36.**

You can estimate the amount of your PLSO payment and the actuarially reduced lifetime monthly benefits (reduced because of the PLSO payment) by using the Benefit Estimate Calculator located on our Web site www.psr-peers.org, or you can obtain an estimate by calling our office at (800) 392-6848.

EXAMPLE:

If you qualify for PLSO and your Option 1 lifetime permanent monthly benefit amount is \$500 per month, then your PLSO payment is calculated as follows:

12-month option

\$500 per month x 12 = \$6,000 BEFORE TAXES

24-month option

\$500 per month x 24 = \$12,000 BEFORE TAXES

36-month option

\$500 per month x 36 = \$18,000 BEFORE TAXES

How Much Will My Monthly Benefit Be Reduced?

Because of your lump-sum payment, your lifetime monthly benefit is reduced to reflect the value of the PLSO payment and your age. The actuarial reduction in your monthly benefit because of the PLSO applies regardless of the monthly benefit option you choose (Option 1, 2, 3, 4, 5, or 6).

Use the **Monthly Benefit Reduction Worksheet** and **Benefit Factor Table** to determine your approximate monthly benefit **after** it has been reduced due to a PLSO payment.

You can also estimate the amount of your PLSO payment and the actuarially reduced lifetime monthly benefit by using the Benefit Estimate Calculator located on our Web site www.psr-peers.org, or you can obtain an estimate by calling our office at (800) 392-6848.

PLSO Monthly Benefit Reduction Worksheet

Use this worksheet to determine the amount of your reduced lifetime monthly benefit if you elect to take a partial lump-sum payment. Benefit amounts are **BEFORE TAXES**. The member in this example is not eligible for the .8% temporary benefit.

	Monthly Benefit Estimate Before PLSO		Benefit Factor From Table on Next Page		Monthly Benefit After Choosing PLSO
Example	\$500		.7302 (age 65, 36-mo. PLSO)		\$365.10 per month
Option 1		X		=	
Option 2		X		=	
Option 3		X		=	
Option 4		X		=	
Option 5		X		=	
Option 6		X		=	

PLSO Benefit Factors (Approximates) Used to Estimate Monthly Benefits After PLSO

- The exact benefit factor applied will depend on your month and year of birth.
- The factor appropriate for your PLSO selection applies to the monthly benefit amount of the retirement plan you choose.

Example:

1. Your Age = 65
2. Single Life Benefit Amount **without PLSO** = \$500 per month
3. You choose 36-month PLSO payment

PLSO lump-sum payment = \$18,000

Reduced Single Life monthly benefit (before taxes):

\$500 (benefit amount) x **0.7302** (PLSO 36-month factor) = **\$365.10** (new benefit).

Your age at retirement	12-month PLSO factors	24-month PLSO factors	36-month PLSO factors
45	0.9339	0.8679	0.8018
46	0.9334	0.8668	0.8002
47	0.9328	0.8656	0.7984
48	0.9322	0.8643	0.7965
49	0.9315	0.8629	0.7944
50	0.9307	0.8615	0.7922
51	0.9299	0.8599	0.7898
52	0.9291	0.8582	0.7873
53	0.9282	0.8563	0.7845
54	0.9272	0.8543	0.7815
55	0.9261	0.8522	0.7783
56	0.9250	0.8499	0.7749
57	0.9237	0.8475	0.7712
58	0.9224	0.8448	0.7672
59	0.9210	0.8419	0.7629
60	0.9194	0.8389	0.7583
61	0.9178	0.8356	0.7534
62	0.9161	0.8321	0.7482
63	0.9142	0.8284	0.7426
64	0.9122	0.8244	0.7366
65	0.9101	0.8201	0.7302
66	0.9078	0.8156	0.7234
67	0.9054	0.8108	0.7162
68	0.9028	0.8056	0.7084
69	0.9000	0.8001	0.7001
70	0.8970	0.7941	0.6911
71	0.8938	0.7876	0.6815
72	0.8903	0.7807	0.6710
73	0.8865	0.7731	0.6596
74	0.8824	0.7648	0.6473
75	0.8779	0.7559	0.6338

Taxes on Partial Lump-Sum Distributions

A retiree who chooses a PLSO payment can treat as non-taxable, a portion of the payment equal to all previously-taxed funds that were credited to his or her account prior to January 1, 1987. If you have no taxed contributions in your account that meet the criteria above, then 100% of your distribution is considered taxable income in the year the PLSO payment is made.

The amount of your PLSO distribution that can be claimed as non-taxable is reported to you on the IRS Form 1099-R provided for the tax year in which the payment occurs.

Any portion of a partial lump-sum distribution that is considered taxable income by the IRS is subject to the mandatory 20% federal tax withholding by PEERS. In

addition, if your payment occurs before you reach age 59½ and a rollover of the taxable amount does not take place, a 10% federal tax penalty may apply in addition to the ordinary income tax owed. This penalty will not apply if you separate from service in or after the tax year in which you reach age 55. You can choose, however, to “roll over” the funds into an IRA or other qualified retirement plan, in which case the funds are not subject to either the 20% federal withholding or the 10% federal excise tax. **Caution: funds rolled over into a Roth IRA are considered taxable income in the tax year in which the rollover takes place.**

PLSO payments may also be subject to state taxes, although not withheld by PEERS.

If you elect to have 100% of your PLSO distribution (including both taxable and non-taxable funds) rolled over into a qualified retirement plan, you should check with your financial advisor to determine if the taxable and non-taxable portions will be tracked separately. This is required by the IRS and will help you ensure that you are not taxed again on any previously-taxed dollars. Only one check can be issued by PEERS for rollover funds.

Because PEERS does not offer tax advice, we strongly suggest that you consult a tax professional before making a final decision regarding the Partial Lump-Sum Option.



Contact Us

This brochure is not intended to serve as a legal document or a substitute for the law or regulations governing PEERS. For further information, please refer to the PEERS *Member Handbook*, contact us at our office in Jefferson City or visit our Web site

www.psr-speers.org



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