This supplement to Memo to Members provides you with an overview of the Partial Lump-sum Option (PLOP). The Partial Lump-sum Option allows you to receive a lump-sum distribution up to three times your annual benefit amount if you work past your eligibility for unreduced retirement. The amount of the lump-sum distribution depends on the number of years you work beyond your eligibility for unreduced retirement.

**Advantages for you and your employer**

This new retirement payout option provides a number of advantages:

- PLOP provides you with the flexibility to take a portion of your benefit as a lump-sum cash payment at the time you retire.

- PLOP allows you to receive a cash payment while you retain nearly the same monthly benefit you would receive qualifying for an unreduced benefit.

- PLOP allows you to receive a cash payment and select a survivor option, if desired.

- With PLOP you can earn additional years of salary and service, usually at a time when your salary is at its highest level.

- With PLOP you can also keep employer paid fringe benefits longer by working beyond unreduced benefit eligibility.

- PLOP benefits your employer by encouraging you and other experienced employees to stay on the job longer.

**How the legislation may affect you**

If you remain in service for two years after you first become eligible for an unreduced service retirement benefit, you may receive a lump-sum distribution equal to two years of your basic annual benefit.

And, if you remain in service for at least three years after you become eligible for full retirement, you may receive a lump-sum distribution equal to three years of your basic annual retirement benefit.

If you choose to receive the lump-sum distribution, your monthly retirement benefit will be reduced on an actuarially equivalent basis to reflect the payment of the lump-sum distribution.

The lump-sum distribution is paid to you at the same time as your first monthly retirement payment.

You receive the same amount of money over your life expectancy. PLOP changes the way VRS pays your benefit payment to you, not the value of your benefit.

You can choose the Partial Lump-Sum Option when you apply for retirement. VRS calculates your monthly retirement benefit, based on your years of service, your age and the average of your 36 consecutive months of highest salary, and then adjusts the monthly benefit to reflect your decision to receive a portion of the benefit in a lump sum. The amount of the lump-sum payment is based on the time you work in your VRS-covered position beyond the date you are eligible for an unreduced retirement benefit as shown below:

- the lump-sum payment would be equal to one year of your annual benefit if you work at least one year beyond the date you are first eligible for an unreduced retirement benefit;

- the lump-sum payment would be your choice of one or two years of your annual benefit if you work at least two years beyond eligibility for unreduced retirement; and

- the lump-sum payment would be your choice of one, two or three years of your annual benefit if you work at least three years past your eligibility for unreduced retirement.
The maximum lump-sum payment is equal to three years of your annual benefit. 
To choose PLOP, you must have worked for at least one full year after qualifying for an unreduced retirement benefit and have been in service for at least one full year after January 1, 2001. The first retirement dates that you can choose PLOP as your benefit are:

- January 1, 2002 if you want a lump-sum payment equal to one year of your annual benefit;
- January 1, 2003 if you want a lump-sum payment equal to two years of your annual benefit; and
- January 1, 2004 if you want a lump-sum payment equal to three years of your annual benefit.

Following are some examples of retirement benefits with and without PLOP:

<table>
<thead>
<tr>
<th>Age at Retirement</th>
<th>Monthly Average Final Comp.</th>
<th>Years of Service Credit</th>
<th>Monthly Benefit Without PLOP</th>
<th>Max. PLOP Amount</th>
<th>Monthly Benefit With PLOP</th>
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</thead>
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<tr>
<td>50</td>
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<td>33</td>
<td>$1,923.67</td>
<td>$69,252.08</td>
<td>$1,534.94</td>
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</tbody>
</table>

The partial lump-sum payment is subject to taxes (20 percent federal and 4 percent state) at the time you receive the payment. If you are younger than 55, you must also pay a 10 percent penalty on the amount of the lump-sum payout for early distribution from a pension plan. If part of the lump-sum amount is member contributions on which you have already paid taxes, that portion is not taxed again. You may delay paying taxes on your lump-sum payment by rolling the taxable amount into an IRA.

Following are some questions members have asked about PLOP:

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

PLOP is another choice of how the VRS benefit you earn as a member can be paid to you. You may choose to receive one, two or three years of benefit payments in a lump sum at the time of your retirement.

- The lump-sum payment would be one times your annual benefit if you work at least 12 months beyond qualifying for an unreduced benefit;
- The lump-sum payment would be either one or two times your annual benefit, if you work at least 24 months beyond eligibility for unreduced retirement; and
- The lump-sum payment would be either one, two, or three times your annual benefit, if you work at least 36 months beyond eligibility for unreduced retirement.

What is the amount of lump-sum benefit available to me if I work two and one half years beyond qualifying for an unreduced benefit?

You could receive one or two years of benefits as the lump-sum payment amount. Time worked beyond eligibility for unreduced benefits is rounded down to determine the maximum lump-sum payment available.

Who may choose the Partial Lump-Sum Option (PLOP)?

You may choose PLOP as long as you qualify for an unreduced benefit under the rules of the plan by which you are covered. You may choose PLOP one year after qualifying for the unreduced benefit. You must also work at least one year beyond January 1, 2001.

What is the maximum cash payout I can receive by choosing PLOP?

The maximum lump-sum payment is 36 times the monthly retirement benefit.

What are the tax consequences of PLOP?

The partial lump-sum payment is subject to taxes (20 percent federal and 4 percent state) at the time you receive the payment. If you are younger than 55, you must also pay a 10 percent penalty on the amount of the lump-sum payout for early distribution from a pension plan. If part of the lump-sum amount is member contributions on which you have already paid taxes, that portion is not taxed again. You may delay paying taxes on your lump-sum payment by rolling the taxable amount into an IRA.

May I choose PLOP if I want to leave a monthly VRS benefit to another person at my death?

You may choose PLOP and a survivor option. The monthly benefit resulting after PLOP is calculated becomes the basis for calculating the survivor option.