



## Retirement Distribution Option

### Partial Lump Sum Option FAQs

**1. What is the Partial Lump Sum Option (PLSO)?**

At retirement, eligible members may select a partial lump sum option (PLSO) distribution which will result in a reduced monthly annuity.

**2. What is the PLSO eligibility requirements?**

Members who are not retiring under the Proportionate Retirement Law may select a PLSO at retirement if they meet eligibility requirements.

Tier 1, Tier 4, and Tier 6 Members	Tier 2, Tier 3, and Tier 5 Members
Be eligible for an unreduced service retirement	AND <ul style="list-style-type: none"> <li>• Be eligible for service retirement</li> <li>• Have combined age plus years of service credit total at least 90</li> </ul>

Additional information regarding retirement eligibility can be found in the [TRS Benefits Handbook \(pdf\)](#).

A disability retiree is not eligible to select a PLSO.

**3. How is PLSO distributed?**

Eligible members may select a PLSO equal to 12, 24, or 36 months of a standard service retirement annuity. When a PLSO is selected, the member's monthly annuity is reduced to reflect the PLSO distribution. The reduced annuity will continue throughout the life of the member.

A lump sum amount equal to 12 months of a standard annuity may be taken at the same time as the member's first monthly annuity payment. A lump sum amount equal to 24 months may be taken in either one or two annual payments. A lump sum amount equal to 36 months may be taken in one, two or three annual payments.

The PLSO distribution is eligible to be rolled over to another eligible retirement plan. TRS will provide the appropriate rollover form no earlier than two months prior to your retirement date.

If you select two or three annual payments, you are eligible to accelerate the distribution of the remaining payment(s). Contact TRS for the appropriate form at 1-800-223-8778.

**Example:**

A member who retires at age 60 with a \$2,000/month annuity and selects a PLSO of 12 months would receive a \$24,000 lump sum distribution ( $\$2,000 \times 12$ ) plus an \$1,829.80/month reduced annuity ( $\$2,000 \times 91.49\%$ ). If the member then selects an optional retirement annuity, the option factor will be applied to the reduced standard annuity.

To calculate estimated PLSO amounts, [log in to MyTRS](#) and visit the Benefit Calculator under Planning Tools.

**4. How can I determine if selecting a PLSO will meet my needs?**

Each member may have unique needs in retirement. It is important to note that selecting a PLSO distribution results in a **permanent** reduction of a retiree's monthly annuity. Members should carefully consider the uses of any PLSO distribution and the amount of reduction to their annuity. You may wish to consult with your professional tax advisor before selecting a PLSO.

**5. Will my standard annuity be reduced if I select PLSO?**

Yes. When a PLSO is selected, the member's monthly annuity is reduced to reflect the PLSO distribution. The reduced annuity will continue throughout the life of the member.

**6. How will PLSO distributions be taxed?**

Your PLSO distributions are subject to federal income tax withholding. Since PLSO are eligible rollover distributions, TRS must withhold 20% for income tax unless the eligible portion is rolled over into another eligible retirement plan. For additional information on this topic, please review the [Special Tax Notice Regarding Rollover Options under TRS \(pdf\)](#).

**7. What payment options are available with PLSO?**

Eligible members may select a PLSO equal to 12, 24, or 36 months of a standard service retirement annuity. When a PLSO is selected, the member's monthly annuity is reduced to reflect the PLSO distribution. The reduced annuity will continue throughout the life of the member.

**8. If I select a two or three – year PLSO, would it be better for me to take a payout or immediately roll proceeds into another tax – sheltered investment?**

If you select a 24-month or 36-month PLSO and elect to have it paid out over multiple years, the distribution is taxable and reportable to the IRS in the year it is distributed. TRS does not pay interest on PLSO balances during distribution. TRS does not make investment recommendations or offer financial planning services, so members should consult with their own tax and financial advisor on investment options.

**9. How will selecting a PLSO impact future annuity increases for retirees should increases be provided?**

The selection of a PLSO reduces a retiree's annuity as compared with the annuity that would be received if they had not selected a PLSO. Post-retirement increases are based on the amount of a retiree's annuity. Consequently, any future increases that may be approved by the legislature

would be calculated on the reduced annuity. Given the longer life span of retirees today, this factor should be considered when deciding whether to select a PLSO.

For a complete statement of the laws and administrative rules that pertain to PLSO, please consult the [TRS Laws and Rules](#) (Laws, Chapter 824, and Rules, Chapter 29).

**10. Why is it important to add a beneficiary?**

A retiree may designate a beneficiary for the sole purpose of receiving unpaid PLSO payments at the time of the retiree's death. For this to occur, the retiree must make this designation on form TRS 12L, "Designation of Beneficiary for Partial Lump Sum Payment(s)." The completed form must be received by TRS prior to the member's death to be effective. The designation on form TRS 12L will determine the beneficiary only for a remaining PLSO balance but will not control the distribution of other TRS death benefits. Should a retiree die prior to receiving all PLSO payments that are due, TRS will pay any remaining PLSO payments in a single lump sum payment. If a PLSO beneficiary has not been designated on form TRS 12L, or if the beneficiary(ies) designated on form TRS 12L predeceases the retiree, this payment will be made in accordance with the most current beneficiary designation on file with TRS for the retiree's retirement annuity and as provided by law. A beneficiary may roll over a PLSO distribution to an IRA or other eligible retirement plan to the extent permitted under federal tax law.