



**MUNICIPAL EMPLOYEES'**  
RETIREMENT SYSTEM  
OF LOUISIANA

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MEMORANDUM

TO: ALL DROP PARTICIPANTS  
FROM: WARREN PONDER, DIRECTOR  
DATE: AUGUST 13, 2018

Deferred Retirement Option Program (DROP) is available to all MERS members who have reached the age or service required to be eligible to enter "normal" retirement. A member who is eligible MAY enter DROP, but it is not always advisable to do so. In some cases, a delayed entry is more beneficial, or in some cases, not participating at all is the best option. Each member is different and the decision to enter DROP depends on circumstances for that member.

When a member enters DROP, technically that person has "retired". Of course, the member continues to work and receive a paycheck, but while in DROP the member no longer contributes to retirement, but his employer continues contributing as if no changes were made. MERS will deposit an amount equal to the member's retirement to a separate account in the member's name for as long as the member remains in DROP. This account is a non-interest account. Once the member completes DROP (a maximum of 36 months), the money in the member's account is transferred to an interest-bearing account at Empower Retirement. The member MAY opt to "self-direct" all, or part of their account in mutual funds, target date funds, and/or index funds. The member is not required to move any amount of their DROP funds to "self-directed" funds but may leave the entire DROP balance in the guaranteed interest account at Empower Retirement.

The laws and regulations regarding DROP have not changed. NO WITHDRAWAL of DROP money is allowed until the member terminates employment. The IRS does not permit "in service withdrawals" or taking money out of the account while still working for the town, or other member employer. Once the member terminates and withdraws funds, the money is considered "income" for federal tax purposes, but as long as it remains in DROP until withdrawn, the withdrawn funds are exempt from state income taxes. A member loses that exemption if the funds are rolled over to another retirement account.

MERS has partnered with Empower to provide a variety of investment options from which to choose. A complete list of those options is attached to this memo. The mutual funds are offered from reputable companies that cover international, large and small U.S. companies, as well as bond funds. Target Date Funds re-allocate the stock to bond ratio to reduce volatility as the target date gets closer. As the target date draws nearer, the fund is re-allocated to increase the percentage of bonds relative to stocks. Finally, index funds are offered which is considered passive investing. These funds seek to match appropriate indexes in each investment such as the "S & P 500".

MERS employees cannot give investment advice but Empower does have financial advisors available for consultation. These experts do charge a fee so members who avail themselves of this service are urged to discuss the fee arrangement with the advisor before engaging the service.

If you have questions regarding Empower Retirement, the process after completion of DROP, or the self-directed funds, call Connie Stevens at 225.663.5501 or 800.937.7604.