

## **Kansas Police & Firemen's Retirement System**

### **General Information**

- Contacting KP&F Page 1

### **Designated Agent**

- Please refer to the Designated Agents in your KPERS manual.

### **Membership**

- Membership requirements for KP&F Page 2
- Definition of Policeman Page 2
- Definition of Fireman Page 2
- Classifications of KP&F membership Page 3
- Portability Page 4
- Dual Employment Page 5
- Totality of Employment Page 5
- Making contributions to KP&F Page 5
- Interest Page 5

### **Beneficiary**

- Designation of Beneficiary Page 6

### **Service Credit**

- Types of Service Credit Page 7
- Purchasing Service Credit Page 7-9

### **Vesting**

- Vesting requirements with KP&F Page 10

### **Withdrawal**

- Withdrawal Procedures Page 11-12
- Tax Rules for Withdrawals Page 12

### **Death Benefits**

- Active Tier I or Tier II service-connected Page 13
- Active Tier I or Tier II non service-connected Page 13
- "Transfer Member" Death Benefits Page 13
- "Special Member" Death Benefits Page 14
- Employer's Report of Death Benefits (KP&F-560) form

### **Optional Group Life Insurance**

- Please refer to your Optional Group Life Insurance Manual in your KPERS Designated Agent manual

## **Disability Benefits**

### **Tier I Disability**

- How to apply for KP&F disability Page 15
- Tier I service-connected disability with children Page 16
- Tier I service-connected disability without children Page 16
- Tier I non service-connected disability Page 16-17
- Tier I disability death benefits Page 17

### **Tier II Disability**

- Tier II disability requirements Page 17
- Tier II disability death benefits Page 18
- Working while on disability Tier I and Tier II Page 18

### **Annual Statements**

- Information regarding KP&F annual statements Page 19

### **Retirement Eligibility and Procedures**

- Age and service retirement Page 20
- Calculation of retirement benefits Page 21
- Calculating final average salary Page 21
- Final average salary “Spike Law” Page 22
- Final average salary “Cap Law” Page 22
- Retirement options Page 23-24
- Spousal Consent Law Page 24

### **Reporting**

- For electronic remitting please refer to KPERS manual
- For annual reporting please refer to KPERS manual

### **After Retirement**

- Working after retirement Page 25
- Earnings limitation after retirement Page 25
- Taxability of benefit Page 25-26
- Direct Deposit Page 26
- Death benefit Page 26

## CONTACTING KP&F

Please feel free to contact our office if you have any questions regarding a KP&F member issue. If your question concerns an individual member, please have the member's social security number available when contacting the KP&F office.

**KPERS Office Hours:** Monday through Friday from 8:00 a.m. until 4:00 p.m.

**Visiting our Office:** Tuesday through Friday from 9:00 to 11:00 a.m., or 1:00 to 4:00 p.m. Please call for an appointment.

**Address:** 611 S. Kansas Ave, Suite 100, Topeka KS 66603-3803

**Toll-Free Infoline Hours:** 8:00 a.m. until 4:00 p.m.

**InfoLine Number:** 1-888-ASK-KPERS (1-888-275-5737)  
Outside of the United States: 785-296-6166  
In the Topeka area: 296-6166

**Fax Number:** 785-296-6638

**Internet E-Mail Address:** [kpers@kpers.org](mailto:kpers@kpers.org)

**World Wide Web Home Page:** [www.kpers.org](http://www.kpers.org) (You may access our most current forms by logging onto the KPERS home page. Click on Forms & Publications; click on Forms; click on the form number you need, and print).

This publication explains the benefits and other provisions of the Kansas Police & Firemen's Retirement System (KP&F). In the interest of simplicity, certain generalizations have been made. The text of the law and the rules adopted by the Board of Trustees will control specific situations.

## **Membership**

Membership in KP&F is **mandatory** for all employees in a covered position (position requires at least 1,000 hours and position is not temporary or seasonal).

There is an exception to the mandatory membership rule for retirees. If a KP&F member retires and returns to work in a KP&F position, the member may not make contributions to the system from which they retired. If a KP&F member retires and returns to work in a KPERS covered position or Judges covered position, the member must begin contributing to the KPERS Retirement System.

In this section there is information on the following:

- Definition of police officer or fireman
- Classifications of KP&F membership
- Dual employment
- Totality of Employment

A member must meet the following definition of a policeman or fireman to be enrolled in the Kansas Police & Fireman Retirement System.

### **Policeman**

A “policeman” means an employee assigned to the police department whose principal duties are engagement in the enforcement of law and maintenance of order within the state and its political subdivisions, including sheriffs and sheriffs’ deputies; who have successfully completed the required course of instruction for law enforcement officers approved by the Kansas law enforcement training center.

### **Fireman**

A “fireman” means an employee assigned to the fire department whose principal duties are engagement in the fighting and extinguishment of fires and the protection of life and property. For the purposes of any affiliation under subsection (c), whenever the word “fireman” is used in article 49 of chapter 74 and amendments thereto, it shall be construed to include “emergency medical service technician” as defined by subsection (a).

## **Classifications of KP&F membership**

**Tier I member**- members who were employed prior to July 1, 1989, who did not elect Tier II coverage.

**Tier II member**- members who were employed prior to July 1, 1989, who did elect Tier II coverage, as well as all members employed on or after July 1, 1989.

Some current KP&F members are considered either Tier I or Tier II “Transfer” or “Brazelton” members.

**Transfer member**- a member who is a former member of a local plan who elected to participate in KP&F when their employer affiliated for KP&F coverage. Former Kansas Highway Patrol and former Kansas Bureau of Investigation members are included in this group. Also included are countywide law enforcement agencies.

**Brazelton member**- a member, who participated in a class action lawsuit, whose contribution is lower and whose benefits are offset by Social Security.

**Special member**- A “Special” member cannot be a Tier I or Tier II member. A “Special” member chose to stay under provisions of their local plan when their employer affiliated with the Kansas Police and Firemen’s Retirement System.

## **Portability**

K.S.A. 74-4988 is known as the “portability” section of the Kansas Retirement Act. Portability allows members under certain conditions to combine their service and salary from three retirement systems KPERs administers (KPERs, KP&F and Judges). This is done to meet eligibility requirements for retirement and vesting. Normally, portability does **not** apply to any member who has retired under one system and then began working under another system.

Portability does not apply to any member who retired from one system and became a member in a second system after July 1, 1995.

Effective as of July 1, 1996, members who established membership under two systems after July 1, 1995, and who are eligible to retire under their active system but not their inactive system due to age requirements may freeze their inactive account and retire under their active account.

Effective as of July 1, 1998, members who established membership under two systems prior to July 1, 1995, and who need service credit from both systems to retire under one system may combine the service and retire under one system while remaining active under the other system.

Members who purchase service after July 1, 1995, to establish a second account are not covered under the 1998 statute allowing portability. They must either retire under both systems or freeze their inactive account if service credit is needed from both systems to meet eligibility requirements.

## **Dual Employment**

If the member is employed in a KP&F position and also working with another employer in a KP&F covered position, the member will contribute to KP&F with both employers.

If the member is employed in a KP&F position and also working another job in a KPERS covered position, the member will not make contributions to the Kansas Public Employees Retirement System. A member cannot receive service credit from two KPERS administered retirement systems at the same time.

## **Totality of Employment**

Contributions must be taken from all compensation earned with the **same employer** if the additional duties the member is working are considered KP&F duties.

## **Making Contributions**

All KP&F members contribute a percentage of their salaries to fund in part their future retirement benefits. Contribution and interest rates vary according to the classification of KP&F membership to which the member belongs.

- Tier I and Tier II members contribute 7% of their gross wages (reduced to 2% after attaining 32 complete years of KP&F service)
- Brazelton members contribute .008% with a social security offset
- Special members contribute 3% of their gross wages

Employer contributions are not credited to the individual member's account. The employer contributions remain with the Kansas Police & Firemen's Retirement System if a member terminates employment and withdraws his/her contributions plus interest.

## **Interest**

Members, who have membership prior to July 1, 1993, earn 8% interest annually on their accumulated contributions in their account.

Members, who were members on or after July 1, 1993, earn 4% interest annually on their accumulated contributions in their account.

If a member has membership prior to July 1, 1993 with any Retirement System that KPERS administers, that member will earn 8% interest on his/her contributions. If a member has an additional membership with a different Retirement System July 1, 1993 and after and has not withdrawn his/her contributions from the previous membership, that member will continue to accrue 8% interest on both Retirement System memberships.

## **Designation of Beneficiary**

Timely completion and filing of a KPERS 7/99 Designation of Beneficiary form is very important and should be done on the employee's membership date.

Changing employers does not mean the employee must fill out a new form. If you employ a member who has a beneficiary form on file with KP&F, who is transferring from one KP&F employer to another and does not want to change his/her beneficiary, the member **does not** need to complete a new beneficiary form.

The beneficiary designation applies to all systems in which the employee is a member.

New legislation allows members to designate separate beneficiaries for retirement benefits and optional group life insurance benefits.

### **Inactive members**

- If at the time of death the member was an inactive member with at least 20 years of credited service but had not reached retirement age and the member's surviving spouse is named the sole primary beneficiary, the surviving spouse may elect to leave the contributions on deposit with KP&F and receive a survivor's monthly benefit at the earliest date the member would have become eligible for retirement.

The Retirement Act provides a line of descendency in the event a beneficiary has not been named or is not living at the time of the member's death.

## Service Credit

Upon retirement, a member's retirement benefit is based on a formula. The formula sets the amount of the annual benefit in the following way. It multiplies years of credited service (participating service, prior service credit and purchased service) times a percentage (the Multiplier of 2.5% for KP&F) times the member's final average salary. The annual benefit is divided by 12 to arrive at the amount of the monthly benefit.

### Types of Service Credit

**Participating Service Credit:** The member will receive participating service credit for any reporting quarter in which the member makes contributions after the membership date.

- Participating service credit is credited according to the agency's period of service dates (that is, payroll periods; e.g., pay for service in the last week of December in some cases could result in service credit in the first quarter of the next year).
- When a member retires, the participating service quarters are converted to years to determine the member's participating service credit basis. At retirement, two quarters round up to the next full year of credit. For example, 24 years and 2 quarters of service rounds up to 25 years.

**Prior service:** If the member was employed on his/her employer's entry date with KP&F and the employer affiliated for prior service, the member will have all eligible prior years of service credit calculated at 2.5% at time of retirement.

**Future service only:** If the member is employed by a participating employer that affiliated for future service only, the member's service before the employer's KP&F entry date will remain in the KPERS system and the member will be entitled to receive a monthly retirement benefit from each system.

### Purchasing Service Credit

There are various service purchase plans available to members of KP&F. Some of these purchases may be made by a lump sum payment, while other purchases may be made by making additional contributions to KP&F each pay period. The purchase of service credit affects the member's retirement benefit by increasing the number of years of credited service. Purchasing service credit has no effect on final average salary for retirement purposes.

**Military Service:** A member may purchase military service in a lump sum or by the modified double or triple payroll deduction method. The purchase of military service affects retirement benefits by increasing the number of years of credited service only.

**Military service credit cannot be used to meet age and service requirements for retirement with KP&F.** Military service is computed at 2.5% at time of retirement.

**Forfeited KP&F Service:** A member may purchase forfeited KP&F service credit at an actuarially-determined amount, either as a lump sum or over time through payroll deductions. The member must purchase all forfeited KP&F service. Forfeited KP&F service is computed at 2.5% at time of retirement.

**Forfeited KPERS Service:** A member may purchase forfeited KPERS service at an actuarially-determined amount by the lump sum method only. This service will re-establish a KPERS record and will not be added to your KP&F record. Forfeited KPERS service is computed at 1.75% at time of retirement.

**Application Required.** Purchasing service credit requires the member to submit an application to purchase service credit (KPERS-67) form. At the conclusion of the process, when the service to be purchased has been verified by KPERS staff, the member receives a letter from the retirement system (mailed in care of the DA), quoting the price of the service purchase – either the lump sum price or the salary-reduction percentage.

**Lump sum payment:** A member may purchase service credit by lump sum. The cost is based on the actuarial value of the service being purchased. **(Please refer to the lump sum table).** The value is established in part by using the member's **current annual salary** (hourly rate of pay times the number of hours of work the position requires per year) or, the amount of compensation the member earned in the last twelve months, whichever is higher. This would include overtime, etc. The member's age at the time of the purchase also figures into the calculation. Lump sum purchases are made with after-tax dollars or eligible rollovers. The member has 45 days from the date of the letter to send payment to the Retirement System.

CURRENTLY, consistent with the Internal Revenue Code, KP&F accepts rollovers in payment for lump sum purchases of service credit, provided the money is an "eligible rollover distribution" received from:

- 401(a) tax qualified plan (including a Keogh plan that meets additional requirements pertaining to owner-employees);
- 401(k) profit sharing plan;
- 403(a) qualified annuity plan;
- 403(b) tax sheltered annuities (educational employers);
- 457(b) deferred compensation (state and local governmental employers);
- Money from IRAs;
- 408(a) individual retirement account;
- 408(b) individual retirement annuity.

Kansas law has been amended to enable KP&F members to purchase their eligible service credit through a direct trustee-to-trustee transfer or via rollover from their 457(b) governmental or (403(b) plans.

There are two requirements for an in-service trustee-to-trustee transfer to purchase service credit.

- The 457(b) or 403(b) plan must allow an in-service trustee-to-trustee transfer;
- Money transferred can be no more than the service purchase cost;

**Rollovers** and **transfers** are distinguished as follows:

- A **rollover** involves the distribution of the employee's entire available balance from a former employer plan; the employee's employment under the plan has come to an end; the employee's account is closed.
- A **transfer** may involve the distribution of part of the employee's balance; it may be from a former employer or current employer plan; the employee's employment and participation in the plan may have come to an end or it may be continuing; the employee's account may remain open.

**Additional payroll deductions:** A member may purchase service credit by making additional payroll contributions under a payroll deduction agreement between the employer and the member. Purchases by this method are made with pre-tax dollars. This method is called the modified double or triple deduction method. **(Please refer to the KP&F payroll deduction tables).**

- An age actuarial table is used to determine the percentage that is to be taken from the member's gross wages during the period of the purchase.
- This period is equal to the number of quarters being purchased.
- The member has 21 days from the date of the letter to send the salary reduction authorization to KP&F.
- The employer should not commence additional payroll deduction for a service purchase unless the member has sent the executed salary-reduction authorization to KP&F.

**Salary Reduction Method, Once Chosen, Cannot Be Changed or Stopped.** The method of purchase cannot be changed once payroll deductions have been authorized. This is a fundamental qualified plan requirement for governmental plans selling service credit on a pre-tax basis and KP&F is not allowed to authorize any exceptions. However, if the member is terminating employment or has applied to retire, the remaining service to be purchased may be paid for by making a lump sum payment to complete the purchase.

### Lump Sum Buyback Table-KP&F

<u>Age</u>	<u>Factor</u>	<u>Age</u>	<u>Factor</u>
20	2.800000	51	8.486338
21	2.800000	52	9.196495
22	2.800000	53	9.969340
23	2.800000	54	9.846681
24	2.800000	55	9.717736
25	2.800000	56	9.582131
26	2.800000	57	9.439512
27	2.800000	58	9.289595
28	2.800000	59	9.132192
29	2.800000	60	8.967208
30	2.800000	61	8.794644
31	2.800000	62	8.614583
32	2.800000	63	8.427229
33	2.800000	64	8.232893
34	2.800000	65	8.032003
35	2.800000	66	7.825075
36	2.800000	67	7.612691
37	2.821874	68	7.395385
38	3.050168	69	7.173637
39	3.297133	70	6.947829
40	3.564360	71	6.718260
41	3.853582	72	6.485200
42	4.166698	73	6.249150
43	4.505796	74	6.010592
44	4.873180	75	5.771456
45	5.271384	76	5.532101
46	5.703212	77	5.294219
47	6.171770	78	5.059029
48	6.680456	79	4.827513
49	7.232993	80	4.600427
50	7.833468		

To calculate buyback amount, multiply the current annual rate times 2.5% = total.  
Multiply the total by the member's age factor = total. Multiply by number of years being purchased = lump sum cost





## VESTING

To qualify for a retirement benefit from KP&F, a member must be “vested.” A vested member has accrued enough service credit to ultimately be eligible to receive retirement benefits even if the member leaves covered employment, provided the member leaves his or her accumulated contributions on deposit with the Retirement System.

KP&F members are vested with the following:

**Tier I members:** are vested with 20 years of service credit

**Tier II members:** are vested with 15 years of service credit

Keep in mind that vesting requirements differ from the requirements used to determine eligibility for retirement.

The most significant benefit to being a vested member is that being vested guarantees the member a lifetime retirement benefit as long as the member’s contributions remain on deposit with the Retirement System. Vested members who withdraw their contributions forfeit all vested rights and other rights and privileges under KP&F.

Non-vested members have their memberships protected and interest credited to their accounts for five (5) years from the date they terminate employment. If a member leaves his or her contributions on deposit and returns to covered employment within the five (5) year protection period, that member will immediately resume making contributions and earning service credit.

If a member has membership with more than one Retirement System administered by KPERS and his or her service credit with both systems vests the member with one Retirement system but not the other, the member does not have to withdraw the non-vested membership after 5 years.

Please remind members who become inactive (leave covered employment) to keep KP&F apprised of their current address so that they can continue to receive annual statements.

## WITHDRAWALS

Members are eligible to withdraw their KP&F contributions plus interest 30 days after their last day on their employer's payroll provided they have not returned to any employment with any participating employer. In withdrawing contributions, members forfeit any rights or benefits, such as insurance coverage, that were accrued prior to withdrawal.

KP&F is a 401(a) qualified plan under the Internal Revenue Code (IRC). The IRC requires that there must be a "distributable event" before a qualified plan may make a distribution to a member. These distributable events include retirement, death, or separation from service. Specific rules apply to the situations involving a member's separation from service. In the following situations, members are **not** allowed to withdraw their contributions and interest:

- A member transfers to a position with the same employer that is not covered by KP&F because of reduced hours.
- A member transfers from a KP&F position to a KPERS or Judges' Retirement System position (or vice versa) with the same employer.
- A member's position is re-classified by the employer to a position that is covered by another plan.
- A member terminated employment with a participating KP&F employer less than 30 days ago.

The IRC does allow members to withdraw contributions and interest when members change employers and change retirement systems. For example, a member worked for the city and was a police officer with the Kansas Police & Firemen's Retirement System. The member left his job as a police officer and went to work in a school district as a teacher with the Kansas Public Employees Retirement System. This member would be allowed to withdraw his or her contributions and interest because the member changed employers and changed retirement systems.

### **Withdrawal Procedures**

Members who want to withdraw from KP&F should complete and submit an Application for Withdrawal of Contributions—KPERS/KP&F (KPERS-13 form). An application for withdrawal cannot be filed until a full 30 days after the member's termination from employment. Members who want to withdraw should use the following timeline:

- The last day on payroll with a participating employer is the termination date;
- The first day after the termination day becomes day 1, the second day becomes day 2, etc.;
- On day 31, the member may apply to withdraw as long as
  - the member is not now in covered employment under the same plan, and
  - the member is not in any position with the same employer.

**Once KP&F receives the application for withdrawal in our office, the processing time is approximately 6 weeks.** In addition, if the withdrawing member is vested, spousal consent is required before withdrawal or the withdrawal will not be paid for 90 days.

### **Tax Rules for Withdrawals**

The Economic Growth and Tax Relief Reconciliation Act of 2001 expanded choices relating to the distribution of the “eligible rollover” portion of a withdrawal payment.

Before January 1, 2002 rollovers could be made to the following:

- An Individual Retirement Account under a 408(a)
- An Individual Retirement Annuity under a 408(b)
- A qualified trust under 401(a)
- A qualified trust under 403(a)

Eligible rollover distributions after January 1, 2002 may also be made to section 457 governmental deferred compensation plans and to section 403(b) tax sheltered annuities.

Another change contained in the Tax Act pertains to payment of the nontaxable portion of the refund. The nontaxable portion, if any, of the refund, relates to contributions you made to KP&F before July 1, 1984 or in connection with any cash lump-sum purchase of service credit. Previously, this portion could only be paid directly to the member. Effective January 1, 2002, the nontaxable portion of the refund, if any, may be rolled over to a traditional IRA or a qualified trust that is part of a defined contribution plan (that is, a 401(k) plan), but only if the IRA or qualified trust agrees to provide separate accounting for the nontaxable portion of the rollover.

- When a member has the contributions and interest paid directly to the member, KP&F is required to withhold 20% of the taxable contributions and interest. This amount will be credited against the member’s income tax liability for the year.
- When a member rolls the taxable contributions and interest over directly to another tax-deferred account, KP&F is not required to withhold the 20%.
- If the member is under age 59 ½ and does not rollover the total amount of contributions and interest within 60 days of receiving the payment, the IRS may assess an additional 10% penalty plus taxes for current year.

## **DEATH BENEFITS**

KP&F administers several types of benefits that may become payable in the event of the death of a member prior to retirement. (Please submit upon the death of an active KP&F member a KP&F-560).

### **Active Tier I or Tier II regular member**

#### **Service-connected death benefits**

- The surviving spouse will receive a lifetime annual benefit of 50% of member's final average salary paid in a monthly benefit.
- Eligible children (age 18 or 23 if a full-time student) will receive an annual benefit of 10% of member's final average salary paid in a monthly benefit. All benefits payable on behalf of minor children must be paid to a legally-appointed conservator.
- There is a family maximum annual benefit of 75% of member's final average salary.
- The benefits are paid in monthly payments.
- Benefits are not taxable by Federal Income Taxes.
- If there are no surviving spouse or eligible children, the member's beneficiary(ies) will receive in a lump sum the return of the member's accumulated contributions plus the difference between the member's current annual rate of pay and the member's accumulated contributions.

#### **Non service-connected death benefits**

- Surviving spouse will receive a lump-sum benefit in the amount of 100% of the member's final average salary.
- Surviving spouse will receive a lifetime annual benefit of 2.5% times final average salary times years of service credit with a maximum of 50% of member's final average salary. The benefit is paid monthly.
- If there is no surviving spouse, the benefits will be paid to eligible children (age 18 or 23 if a full-time student). All benefits payable on behalf of minor children must be paid to a legally-appointed conservator.
- Benefits are taxable by federal income taxes.
- If there is no surviving spouse or eligible children, the member's beneficiary(ies) will receive in a lump-sum the return of the member's accumulated contributions plus the difference between the current annual rate of pay and the member's accumulated contributions.

**Active** "Transfer Member" benefits are the same as regular members

### **“Special Member” Death Benefits**

The Kansas Police & Firemen’s Retirement System administers “Special Member” benefits. This class of member chose to stay under provisions of their local plan when their employer affiliated with the Kansas Police & Firemen’s Retirement System. Special members retain all rights and privileges of their local plan as it existed on the day before affiliation, except that benefits will be payable to a surviving spouse if the member and spouse had been married at least 3 years at time of death. Please check employer’s local plan for additional information.



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**Kansas Public Employees Retirement System**  
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**Employer's Report of a Death, Disability or On-The-Job Accident**

Please type or print using black ink.

**Part A – General Information**

1. Member's Social Security Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_
2. Member's Name (Please Print): \_\_\_\_\_
3. Address: \_\_\_\_\_
4. Last Day on Payroll (Mo/Day/Yr): \_\_\_\_\_
5. Last Day Actively at Work (Mo/Day/Yr): \_\_\_\_\_

**Part B – On-the-Job Accident – Complete this section if not reported to Workers' Compensation.**

If additional space is needed, please attach extra sheets.

1. Place of Accident: \_\_\_\_\_
2. What was the employee doing when the accident occurred? \_\_\_\_\_
3. Give the date and hour of the accident: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_, \_\_\_\_\_ a.m. \_\_\_\_\_ p.m.
4. How did the accident happen? \_\_\_\_\_
5. Did the member receive treatment?  Yes  No  
If yes, give date and name of practitioner and/or hospital/clinic: \_\_\_\_\_
6. Has the member returned to employment?  Yes  No If yes, what date? \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

**Part C – Disability from any Cause**

1. Date disability commenced: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_
2. Describe disability: \_\_\_\_\_
3. Was it due to an accident as a result of performance of duties as a police officer, firefighter, or emergency medical technician under employment?  Yes  No
4. Was it reported to Workers' Compensation?  Yes  No If yes, please attach a copy.
5. Did the member have other employment?  Yes  No
6. Was the disability incurred in the course of employment for compensation with another employer?  Yes  No  
If yes, give name and address of employer: \_\_\_\_\_

**Part D – Death from any Cause**

1. Date of Death: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_
2. Cause of Death: \_\_\_\_\_
3. Was the death service-connected as defined in K.S.A. 74-4952(10)?  Yes  No
4. Name and age of member's surviving spouse: \_\_\_\_\_
5. Name and age of any dependent, minor children: \_\_\_\_\_

**Part E – Employer's Certification**

Agency ID #: \_\_\_\_\_ Name of Employer: \_\_\_\_\_

Signature of Designated Agent: \_\_\_\_\_ Date: \_\_\_\_\_

Department of Administration Authorized Signature (State Agencies Only): \_\_\_\_\_  
(required for deaths only)

## Disability Benefits

KP&F disability is defined as occupational rather than total disability as required for KPERS disability.

### **To apply for KP&F disability, we must have the following documents:**

- KP&F-523 (Application for Disability)-This form is completed by the employee applying for KP&F disability.
- KP&F-560 (Employer's Report of a Death, Disability or On-The-Job Accident)- This form is completed by the KP&F employer of the employee.
- KP&F-538 (Physician's Report of Member's Condition)-This form is completed by the doctor of the employee applying for KP&F disability. Additional forms may be needed if the employee has more than one doctor for the disability.
- Medical records to support the information provided by the member's physician; such as hospital discharge summaries, x-ray reports, progress notes, test results, therapy reports, or any other information that deals with the member's present condition.
- Job Description
- Written notice from the member that the member has submitted all the documentation he/she wishes to have considered when reviewing the claim for disability.

The employer will submit a KP&F-560, Employer's Report of a Death, Disability or On-the-Job Accident and any Workers Compensation paperwork if the disability was related to an on the job accident.

Upon receipt of all the above-mentioned documents, we will begin processing the member's disability claim. It may take up to six weeks to make a decision on the member's disability claim. If needed, we may request additional information from the member.

Once a decision is made, we will send a letter to the member regarding our decision. At this time, we will also send a copy of the letter to the employer.

If the member's claim is approved, we will send a letter along with a direct deposit form. We will send to the employer a verification of income form for the current year. If at this time the member is still on the payroll, you will need to make a determination when the last day on the payroll will be.

When KPERS receives all the necessary documentation, the disability benefit will be calculated.

Benefits are always paid at the end of the month.

Proof of continuing disability is required annually for the first five years of disability. This form will be sent from the KPERS office to be completed and returned.

No disability coverage is provided if the disability arises from employment other than with the participating employer.

### **Tier I Disability**

Tier I members must distinguish whether their disability is service-connected or non service-connected.

Under the Retirement Act, a “service-connected” disability includes any disability resulting from heart disease or a disease of the lung or respiratory tract, as well as cancer resulting from exposure to heat, radiation, or a known carcinogen, if the member has at least five years of credited service.

**Tier I service-connected (with children), the following benefits are payable to member:**

- Annual benefit of 50% of member’s final average salary
- Annual benefit of 10% of final average salary for each eligible child (up to age 18 or 23 if a full-time student). Children’s benefits are payable to a court appointed conservator. Total annual benefit cannot exceed 75% of member’s final average salary
- All benefits accrue from member’s last day on payroll
- Member will remain on disability for the member’s lifetime or until no longer disabled
- Member’s annual benefit of 50% of final average salary is not included in gross income for federal income tax purposes. The children’s benefit is not included in gross income for federal income tax purposes

**Tier I service-connected (without children), the following benefits are payable to the member:**

- Member will receive an annual benefit of 50% of final average salary or
- 2.5% times final average salary times years of service credit, up to a maximum annual benefit of 80% of member’s final average salary for member’s lifetime.
- All benefits accrue from member’s last day on payroll.
- Member will remain on disability for lifetime or until the member is no longer disabled.
- All disability benefits are included in gross income for federal income tax purposes, with the exception of 50% of the member’s final average salary.

**Tier I non service-connected disability (with or without children), the following benefits are payable to the member:**

- There is a 180 day waiting period from member's last day at work before member may apply for disability.
- Annual benefit of 2.5% times final average salary times years of service credit.
- Minimum annual benefit of 25% of final average salary.
- Maximum annual benefit of 80% of final average salary.
- The member will remain on disability for his/her lifetime or until the member is no longer disabled.
- All benefits accrue from member's last day on payroll.
- Benefits are included in gross income for federal income tax purposes.

### **Tier I Disability Death Benefits**

If the member is a Tier I service-connected disability recipient and dies from any cause within two years following the disability or if the member dies after two years following the disability of the same cause as the disability, the following benefits are payable:

- The surviving spouse will receive a lifetime annual benefit of 50% of member's final average salary paid in a monthly benefit.
- Eligible children (age 18 or 23 if a full-time student) will receive an annual benefit of 10% of member's final average salary. All benefits payable on behalf of minor children must be paid to a legally-appointed conservator.
- There is a family maximum annual benefit of 75% of member's final average salary.
- Benefits are not taxable for federal income tax purposes.

If the member is a Tier I service-connected disability recipient and dies after two years, from a cause different than the member's disability, the following benefits are payable:

- The surviving spouse will receive a lump-sum payment of 50% of the member's final average salary.
- The surviving spouse will receive a lifetime annual benefit of 50% of the member's monthly benefit.
- If there is no surviving spouse the monthly benefit will be payable in equal shares to eligible children (age 18 or 23 if a full-time student). All benefits payable on behalf of minor children must be paid to a legally-appointed conservator.
- Benefits are taxable for federal income tax purposes.

### **TIER II DISABILITY**

- If the member meets requirements for normal retirement, the member may not apply for disability.
- There is no distinction between service-connected and non service-connected disability benefits.
- There is no waiting period from the member's last day actively at work to apply.
- There are no children's benefits with Tier II disability.
- The member will receive an annual benefit of 50% of final average salary.

- Service credit will continue to accrue until the member is no longer disabled, or until the earliest time the member would be eligible for full age and service retirement.
- The final average salary used for calculation of retirement benefits will be adjusted if the member has been on disability for more than 5 years.
- Benefits are taxable for federal income tax purposes.

### **Tier II Disability Death Benefits**

If the member is a Tier II disability recipient and dies, the following is payable:

- The surviving spouse will receive a lump-sum benefit of 50% of the member's final average salary.
- The surviving spouse will receive an annual benefit of 50% of the member's benefit.
- If there is no surviving spouse, the monthly benefit will be payable in equal shares to eligible children (age 18 or 23 if a full-time student). All benefits payable on behalf of minor children must be paid to a legally-appointed conservator.
- Benefits are taxable by federal income tax purposes.

### **Working while on disability**

#### **Tier I Disability**

- If the member returns to work with any KP&F participating employer, the disability benefits will automatically cease.
- If the member returns to work in a KPERS covered position, the member will become a contributing member immediately.
- The member will not have an earnings limitation.

#### **Tier II Disability**

- If the member returns to works with any KP&F participating employer, the disability benefits will automatically cease.
- If the member returns to work in a KPERS covered position, the member can not become a contributing member of KPERS as the member is continuing to accrue service credit while on disability with KP&F.
- The member's disability benefits will be reduced \$1.00 for every \$2.00 of earned income subject to social security over \$10,000 the member earns in a calendar year.

Please note: Withdrawing contributions from KP&F forfeits all the member's rights to all benefits—including disability benefits under the KP&F disability program.

## Annual Statements

Each year KP&F will provide the member with an **Annual Statement of Member Account**. This statement will advise the member of which Tier group the member is as well as the following personal information.

- A. Prior service months. This is credited service before the member's original employer's entry date into the System, which the employer must verify.
- B. Participating (calendar quarters). This is service credited by calendar quarter for employment after the employer's entry date.
- C. The member's previous year's balance as of December 31.
- D. Current Year Contributions. The amount of the member's contributions credited to the member's account for the current year.
- E. Interest. The member will receive on June 30 interest applied to the balance of account on previous December 31. If membership date is June 30 or before, the member will receive 8% interest. If membership date is July 1, 1993 and after the interest is 4%.
- F. Total accumulated contributions. The total of C, D and E as of December 31 of previous year.
- G. Beneficiary-When the member names a beneficiary, this person will receive any and all benefits payable, including any optional insurance the member may have, the return of the member's contributions, and/or if the member is retired, the lump-sum death benefit, unless the Retirement Act specifically provides otherwise. Any beneficiaries named will share equally in the benefits payable.

Annual statements are distributed by the Retirement System to the designated agents. The designated agents are required to distribute annual statements to members in a confidential manner. Each member should carefully review the information on their annual statement and bring any discrepancies to the attention of their designated agent.

**If you continue to receive an annual statement for an employee who no longer works for you, please do the following:**

- Complete a KPERS-17 OPT form giving us the last day on payroll of the employee, and
- If available, send KP&F a current address for employee

## **Retirement Eligibility and Procedures**

No member is permitted to retire for age and service and receive retirement benefits before having contributed to the Kansas Police & Firemen's Retirement System for 12 months.

Age and service retirement benefits can not exceed 80% (32 years of KP&F service) of the final average salary.

One quarter of service credit is granted for any time worked in a quarter. When total years of service credit are added up, a remainder of two quarters will be rounded up to one year.

### **AGE AND SERVICE RETIREMENT**

#### **Tier I**

Normal:           55 years old with 20 years of service credit

**Senate Bill 520** passed by the 2004 Session of the Legislature provides unreduced retirement benefits for **Tier I** members at any age with the completion of 32 years of service credit. A total of 31 years and two quarters of service credit will round to 32 years for eligibility and benefit calculation purposes.

#### **Tier II**

Normal:           50 years old with 25 years of service credit  
                      55 years old with 20 years of service credit  
                      60 years old with 15 years of service credit

#### **Early Retirement**

Tier I and Tier II members may retire early at age 50 with 20 years of service credit.

<b><u>Age</u></b>	<b><u>reduce normal benefit by</u></b>
54	4.8%
53	9.6%
52	14.4%
51	19.2%
50	24.0%

The actual reduced benefit amount will be computed according to the member's actual age at time of retirement. The rate factor is .4 percent for each month the member is under age 55.

## CALCULATION OF RETIREMENT BENEFITS

The member's retirement benefits are based on the following:

- Final average salary
- May use a maximum of 32 years (80%) of KP&F service credit in calculation of monthly benefit
- The K&F statutory multiplier is 2.5%

### Calculating Final Average Salary

Retirement benefits for members of KPERS, KP&F, and the Retirement System for Judges are calculated using formulas that are set by State Law. When a member retires, the formulas take into account the member's final average salary, the member's years of service, and a statutory multiplier. When a member retires, employers sometimes pay the member for additional compensation such as; accumulated sick leave, annual leave, etc. State law limits the degree of influence these payments can have on retirement benefits and requires that employers pay the actuarial cost of these increases in certain circumstances.

### Guidelines calculating the final average salary

**If the employee's membership date was prior to July 1, 1993**, the final average salary is the average of the highest three of the last five years of service, including additional compensation.

**If the employee's membership date was July 1, 1993 and after**, the final average salary is the average of the highest three of the last five years of service, excluding additional compensation.

- The employer reports to our office the total contributions deducted for the reporting year. KPERS annualize the contributions reported to our office.

Employees working for a KP&F employer on affiliation date will have a membership date as the affiliation date.

### **FINAL AVERAGE SALARY “SPIKE” LAW**

The “Spike” law places the actuarial liability for certain payments on the participating employer. According to K.S.A. 74-49,126, employers are responsible when add-on payments for accumulated sick leave, vacation or annual leave, severance pay, etc. increase the member’s final average salary by more than 15 percent. In those cases, the employer must pay the Retirement System a lump sum amount equal to the actuarial liability for benefits attributable to and payable on account of the excess payments over the 15 percent. The employer may elect to amortize the actuarial payments over a maximum 15 years.

### **FINAL AVERAGE SALARY “CAP” LAW**

K.S.A. 74-4902(9) states that if a member’s compensation used in calculating his or her final average salary is more than 15 percent higher than the preceding year, the amount which exceeds the 15 percent will not be included in compensation. Certain compensation is not subject to this “cap,” as follows:

- Any amount of compensation for accumulated sick leave, or annual leave paid to the member.
- Any increase in compensation for any member due to reclassification or reallocation to a higher range or level.

Examples of compensation we will “cap” are as follows:

- We will cap part-time members who stay in the same position and whose salary is over the 15% because they work more hours (not overtime hours).
- We do cap for raises over the 15%.
- We do cap bonuses over the 15%.

Examples of compensation we will not “cap” are as follows:

- We do not cap 15% increases for overtime.

Any contributions by a member on the amount of such increase that exceeds the 15 percent will be returned to the member.

## Retirement Options

When the member reaches the age and service requirements, the member may choose one of the retirement benefit options detailed below.

### Maximum Option

- The member will receive the maximum monthly benefit for his/her lifetime. If the member dies before receiving benefits equal to his/her contributions and interest, any remaining amount not paid out in benefits will be paid to the member's beneficiary and the monthly benefit will cease.

In lieu of the maximum benefit, the member may elect to provide a survivor benefit by selecting a retirement benefit with a survivor option. Survivor options are available to all member classes.

### Joint Survivor Options

**Joint & ½ to Survivor:** The member will receive a reduced monthly benefit for his/her lifetime. Upon the death of the member, the joint annuitant will receive ½ of the member's monthly benefit for his/her lifetime. The reduction factor is:

- 94.5 percent minus (-) 0.2 percent for each year the member's joint annuitant is younger than the member, or
- 94.5 percent plus (+) 0.2 percent for each year the member's joint annuitant is older than the member.

**Joint & ¾ to Survivor:** The member will receive a reduced monthly benefit for his/her lifetime. Upon the death of the member, the joint annuitant will receive ¾ of the member's monthly benefit for his/her lifetime. The reduction factor is:

- 91 percent minus (-) 0.3 percent for each year the member's joint annuitant is younger than the member, or
- 91 percent plus (+) 0.3 percent for each year the member's joint annuitant is older than the member.

**Joint & Same to Survivor:** The member will receive a reduced monthly benefit for his/her lifetime. Upon the death of the member, the joint annuitant will receive the same monthly benefit for his/her lifetime. The reduction factor is:

- 88 percent minus (-) 0.4 percent for each year the member's joint annuitant is younger than the member, or
- 88 percent plus (+) 0.4 percent for each year the member's joint annuitant is older than the member.

**Pop-Up Feature:** If the member's joint annuitant precedes the member in death under any of the joint/survivor options, the option the member has chosen is canceled and the member's benefit will be increased to the maximum monthly benefit. The member can not choose someone else to be the joint annuitant.

### **Life Certain Options**

These options provide a reduced monthly benefit to the member for the member's lifetime. If the member should die with 5, 10, or 15 years of the member's **retirement date**, the same monthly benefit will be payable to the member's beneficiary for the balance of the 5, 10, or 15 year period. The reduction factors are:

- 99 percent for 5 years.
- 98 percent for 10 years.
- 92 percent for 15 years.

### **Partial Lump Sum Option**

The member may elect to receive a partial lump sum (PLSO) distribution equal to ten, twenty, thirty, forty, or fifty percent of the present actuarial value of the member's monthly benefit. Upon selecting this option, the member's lifetime retirement benefit will be actuarially reduced to reflect the value of the PLSO distribution. The combination of both the PLSO and the reduced benefit are the equivalent of the member's maximum monthly retirement benefit. If the member chooses a partial lump-sum option and a joint survivor option, the joint survivor option reduction will be based on the member's actuarially reduced partial lump-sum monthly benefit. (Please refer to example on page 36)

**The member cannot change the retirement option once the member is retired.**

### **SPOUSAL CONSENT LAW**

If the member selects a retirement benefit option which the member's spouse would receive less than one-half of the member's monthly retirement benefit upon the member's death, the Retirement System must have on file the notarized signature of the spouse. This will signify the spouse's acknowledgment of the retirement benefit option the member has chosen. If the member chooses the Partial Lump Sum Option, the signature of the spouse will be required.

## AFTER RETIREMENT

### Working after retirement

#### **30 day wait**

- There is a 30 day waiting period following any member's KP&F retirement date (not termination date), during which a member cannot accept any employment with **any** affiliated employer, for example:
- A member's retirement date is July 1, this member cannot begin employment with any affiliated employer under the Kansas Police & Firemen's Retirement System, the Kansas Public Employees Retirement or the Judges Retirement System until August 1.

#### **Earnings Limitation**

- A member may return to work with any employer. However, if a retired member returns to employment with any employer for whom the member was a contributing member during the two years prior to termination, the member will need to make a decision after earning \$15,000. The member will need to stop working or have their retirement benefit suspended for the remaining portion of the calendar year. The earnings limitation is based on a calendar year, for example:
  - Member retires July 1.
  - The member can earn \$15,000 for the time period of August 1 through December 31.
  - The member will start the new year with a limit of \$15,000 for the period of January 1 through December 31.
  - The member's retirement benefits are suspended for the remainder of the year in which the \$15,000 is reached or until termination of employment prior to December 31 of the calendar year.
  - Benefits resume with the January payment for the following year.

If a KP&F member returns to work for the same employer, but in a KPERS position, the member does not have an earnings limitation and the member will begin contributing to KPERS immediately. The reason is because the member has switched Retirement Systems.

#### **Taxability of Benefit**

**Kansas Income Tax:** By law, KP&F retirement benefits are not subject to Kansas income tax.

**Federal Income Tax:** Most retirement benefits will be subject to federal taxes. If the member made payroll-withholding contributions to the Retirement System prior to **July 1, 1984**, or has paid for a buyback with post-tax (lump sum) dollars, part of the member's pension will not be taxable under federal law. Federal law allows the member to

“recover” tax-free, those contributions the member made on a post-tax basis, and regulates the rate at which the member makes this recovery.

The Retirement System uses the following IRS guidelines for determining withholding taxes from benefit checks:

- When the member’s monthly retirement benefit exceeds \$1,480 per month, the following guidelines apply:
- The KPERS office will administer an automatic withholding based on, “married with 3 dependents,” unless the member elects otherwise.
- When the member’s monthly retirement benefit is under \$1,480 per month, the following guidelines apply:
- The KPERS office will not withhold deductions for federal taxes, unless the member requests deductions. The member must submit a W4-P form for deductions to begin.

If a retiree elects not to have taxes withheld or not enough is withheld, the retiree may have to pay estimated taxes during the year. If estimated taxes are due but not paid, the retiree will have penalties to pay at the end of the year. The retiree’s decision on withholding is an important one. The Retirement System advises members to consult a qualified tax consultant.

### **Direct Deposit**

Direct deposit of member’s monthly retirement benefit is mandatory. The direct deposit will be made on the last working day of each month.

### **Death Benefit**

There is a **\$4,000** death benefit payable to the member’s beneficiary regardless of other benefits selected.

Retirees may name a funeral establishment (instead of a person, estate, or trust) as the beneficiary for their \$4,000 KPERS retiree death benefit. A retiree may want to do this because, under federal tax law, the \$4,000 KP&F death benefit is counted as taxable income to the beneficiary. Under this new provision, if the retiree chooses to name a funeral establishment instead of an individual as beneficiary, the \$4,000 will go directly to the establishment and no individual will be taxed.

An **original Death Certificate** is required. KP&F cannot accept photocopies of death certificates.