

Things to Consider

- Spending any portion of your funds today reduces your retirement assets for the future, with potentially no opportunity to replenish or save the lost dollars.
- Investing a PLSO with the objective of “out-earning” your guaranteed benefit may involve riskier investments without a guaranteed outcome. Riskier investments also carry the possibility of permanent principal loss.
- Any future cost-of-living increases will be based on your reduced benefit amount.
- The decision to take a partial lump-sum payment is irrevocable. You cannot “buy back” your PLSO and increase your monthly benefit.
- Consider all your options. Think about how each one will affect your monthly benefit and how your choice could affect your family or personal situation.
For example, if you want to name a person to receive monthly benefits after you die, you should consider the fact that taking a PLSO will lower his or her monthly payments.
- If you choose a PLSO and do not roll it over to an eligible plan, you will owe taxes on the lump sum. If you are under age 59 1/2, you may be required to pay additional tax equal to 10 percent of the taxable portion of the payment. Monthly benefits are taxable only as you receive them over your lifetime.

Payment Details

You can use the calculator at www.kpers.org to estimate all your retirement options, including the PLSO. If you decided to take a partial lump-sum, you have two options on how you can receive your payment.

Option 1

You can have your payment rolled over into an eligible retirement account like a 457(b) deferred compensation plan, a 403(b) annuity or an individual retirement account (IRA). This option allows you to defer paying taxes until you take money out of the account.

Option 2

We can make your payment directly to you. You will owe federal income taxes and possibly a 10 percent federal penalty if you are retiring before age 59 1/2.

Receiving Your Payment

To select a PLSO, mark the appropriate place on your Application for Retirement form (KPERS-15). If you want your PLSO paid as a direct rollover, follow the rollover directions on your retirement application. If you choose a direct payment to you, your partial lump sum will be sent as a check to your home address around the same time as your first monthly retirement benefit is deposited at your financial institution.

Estimate your PLSO at www.kpers.org/benefitestimate.htm with KPERS online calculator.

PLSO Benefit Example

Age at retirement: 62
Years of participating service: 10
Final average salary: \$30,000

1. Multiply the final average salary by 1.75%.	\$30,000.00 $\times 1.75\%$ \$525.00
2. Multiply the answer from line 1 by the years of service (provided in the example).	\$525.00 $\times 10$ \$5,250.00
<i>This is the total annual benefit.</i>	\$5,250.00
3. Divide the answer from line 2 (total annual benefit) by 12.	\$5,250.00 $\div 12$ \$437.50
<i>This total is the estimated maximum monthly benefit.</i>	\$437.50
4. In the example the member's retirement age is 62. The *multiplying factor for age 62 is 117. Multiply the answer from line 3 with this factor.	\$437.50 $\times 117$ \$51,187.50
5. <i>This member's present actuarial value is:</i>	\$51,187.50

*Age/factor table is shown in next column.

This chart shows the example's partial lump-sum and reduced monthly benefits.

Partial Lump-Sum Benefit		Reduced Monthly Benefit	
Multiply % by line 5		Multiply % by line 3	
50%	\$25,593.75	50%	\$218.75
40%	\$20,475.00	60%	\$262.50
30%	\$15,356.25	70%	\$306.25
20%	\$10,237.50	80%	\$350.00
10%	\$5,118.75	90%	\$393.75

Use the table below to identify your age factor when calculating PLSO benefit. To estimate your lump sum and monthly benefit, make sure that the percentages you choose total 100 percent. You should confirm all information with KPERS before actually choosing an option.

Age/Factor Conversion Table			
Age	Factor	Age	Factor
50	136	63	114
51	135	64	112
52	134	65	110
53	132	66	107
54	131	67	105
55	129	68	102
56	128	69	100
57	126	70	97
58	124	71	94
59	123	72	92
60	121	73	89
61	119	74	86
62	117	75	83

Retirement Options

The Partial Lump-Sum



611 S. Kansas Ave., Suite 100 • Topeka, KS 66603
e-mail: kpers@kpers.org • www.kpers.org
(888) 275-5737 • (785) 296-6166

Kansas Public Employees Retirement System

What Is the Partial Lump-Sum Option?

When retiring, you can receive part of your lifetime benefit in an up-front, lump-sum payment. You will then receive the rest of your retirement benefit in reduced regular monthly payments for the rest of your life.

The PLSO is available in 10, 20, 30, 40 or 50 percent amounts. The percentage you select determines the size of the lump sum and the resulting reduction in your monthly benefit amount.

For example, a 40 percent PLSO would result in a single lump-sum payment equal to 40 percent of the present actuarial value of your lifetime benefit, along with a permanent 40 percent reduction in your regular monthly payments.

Frequently Asked Questions

How will selecting a PLSO affect my monthly benefit?

Your monthly benefit payments will be reduced. There may be a further reduction if you choose a joint-survivor or life-certain payment option.

Is the PLSO right for me?

How are you going to use the lump sum? Generally, a use that relieves a long-term financial obligation in retirement may have some merit, like paying off your mortgage. However, spending it on depreciable assets or for leisure should be given careful

consideration, as they may compromise your long-term retirement income.

How is the amount of the PLSO calculated?

It is based on the actuarial present value of your lifetime benefit. The total amount will vary, depending on your age at retirement and your monthly retirement benefit.

How will a PLSO payment be taxed?

Your PLSO payment is taxable income unless directly rolled over into an eligible retirement account. KPERS must withhold 20 percent for federal income tax unless the taxable portion is directly rolled over into an eligible plan. State taxes may also apply.

To defer paying taxes, you can roll over all or part of the entire “eligible rollover distribution” amount to another eligible retirement account. For additional information on this topic, please contact a tax consultant or review Internal Revenue Service Publication 575, “Pension and Annuity Income,” available at www.irs.gov.

What is the largest possible PLSO payment available to me?

The largest amount possible is 50 percent of the present actuarial value of your lifetime benefit. Your monthly benefit will be permanently reduced by 50 percent.

How will choosing a PLSO impact any future benefit increases?

Cost-of-living increases are based on the amount of your monthly benefit. Any future increases would be based on your reduced monthly benefit at the time of the increase.