

# RETIREMENT *Options*



**Retirement is a major milestone** in the lives of most adults.

Hopefully you've been preparing for years, and you are ready to take the big plunge.

You now have decisions to make that will greatly impact your financial future. Among those is choosing which type of KPERS retirement option is best for you.

As a retired KPERS member, you will receive a monthly retirement benefit for the rest of your life. In addition, KPERS has retirement payment options that add financial flexibility and allow you to provide for loved ones after your death.

Your decision about which option to take is crucial, because once you make a choice, you cannot change it. Consider all of your options carefully so you can make the best decision for you and your loved ones.

It may be helpful to see how different options and scenarios affect your monthly benefit amount. Use our online calculator at [www.kpers.org](http://www.kpers.org) to put dollar amounts with your choices. You can also schedule a personal counseling appointment with a KPERS staff member to discuss your retirement options.

## MAXIMUM MONTHLY BENEFIT *Option*

KPERS will first establish your maximum monthly benefit amount. This amount will provide the basis for the rest of your options. You can choose to stay with this maximum monthly benefit amount without any survivor options. You will then receive a payment each month for this same amount for the rest of your life. After your death, your beneficiary will receive the balance of any remaining money that you contributed to KPERS. **There is no continued benefit after your death.**

## JOINT-SURVIVOR *Options*

You may want to provide a continuing monthly benefit for someone after your death. You can do this by choosing one of three joint-survivor options. Like you, your survivor will receive a monthly benefit for the rest of his or her life. In order to provide the continuing benefit, your regular monthly payments will be reduced. The higher your survivor's benefit payment is, the lower yours will be during retirement. Another factor is the difference in your ages.

Your survivor, also called a *joint annuitant*, cannot be changed once you retire. If he or she dies before you, your survivor benefit is cancelled. Your monthly benefit amount will then increase to your original maximum monthly benefit amount.

### 50 percent benefit to survivor

*Your benefit* About 91 percent of your maximum monthly benefit, then adjusted for age difference.

*Survivor's benefit* 50 percent of your benefit

### 75 percent benefit to survivor

*Your benefit* About 87 percent of your maximum monthly benefit, then adjusted for age difference.

*Survivor's benefit* 75 percent of your benefit

### 100 percent benefit to survivor

*Your benefit* About 83 percent of your maximum monthly benefit, then adjusted for age difference.

*Survivor's benefit* 100 percent of your benefit

### Adjusting for age difference

If your survivor is younger than you, your benefit will be decreased for each year of age difference. If your survivor is older, your benefit will be increased.

	<i>Younger Survivor</i>	<i>Older Survivor</i>
50% benefit	-0.4% per year	+0.4% per year
75% benefit	-0.5% per year	+0.5% per year
100% benefit	-0.6% per year	+0.6% per year



### A joint-survivor benefit example

Dan has a maximum monthly benefit of \$1,000. He chooses the 50 percent joint-survivor benefit and his wife, Sue, as his joint annuitant. Dan is 65 years old at retirement and Sue is age 62.

Dan's monthly maximum	\$ 1,000
Reduced for survivor benefit	<u>x 91%</u>
	\$ 910
Adjusted for age difference (-0.4 x 3 years)	<u>- 1.2%</u>
Dan's adjusted benefit	\$ 899.08
Sue's survivor benefit (50% of Dan's)	\$ 449.54

## LIFE-CERTAIN *Options*

With a life-certain option you will receive a reduced monthly benefit for the rest of your life. If you die before the end of a guaranteed period of time from your *retirement date*, your beneficiary will receive the same monthly benefit for the rest of the guaranteed period.

You can change beneficiaries at any time, and you can have any number of beneficiaries at once. They will equally share the benefit for the remaining time.

*You have three life-certain options.*

- Five-year: Your benefit is reduced to 98 percent.
- Ten-year: Your benefit is reduced to 95 percent.
- 15-year: Your benefit is reduced to 88 percent.

### **A life-certain benefit example**

Mary has a maximum monthly benefit of \$1,000. She chooses the ten-year life-certain option. She receives \$950 monthly for the rest of her life, no matter how long she lives.

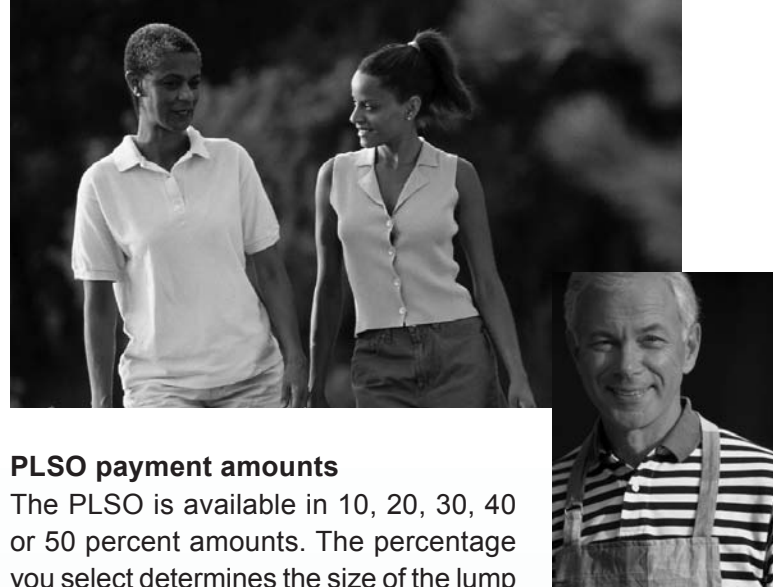
Mary dies seven years after she retires. As her chosen beneficiary, Mary's daughter will receive \$950 monthly for three more years.

Mary's seven years plus her daughter's three years total the ten years Mary was guaranteed.

If Mary had two daughters named as beneficiaries at the same time, they would share the \$950 monthly benefit and each would receive \$475 monthly for three years.

## PARTIAL LUMP-SUM *Option*

You can take part of your retirement benefit in an up-front lump sum at the start of your retirement. This lump sum is then combined with one of the other retirement options to provide reduced, regular monthly payments for the rest of your life. **Choosing the PLSO will reduce your monthly benefits, no matter which other option you choose.**



### **PLSO payment amounts**

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 decrease in your monthly benefit. For example, a 40 percent PLSO payment would result in a single lump-sum payment equal to 40 percent of the actuarial present value of your lifetime benefit, along with a permanent 40 percent reduction in your monthly benefit. KPERS offers a PLSO brochure with further information about this option.

### **Taxes**

PLSO payments are taxable income under federal law unless directly rolled over into an eligible retirement plan. KPERS is required to withhold 20 percent for federal income tax if you receive the money directly. The State of Kansas does not tax KPERS benefits as a general rule. Kansas law also allows PLSO payments and their earnings to keep their state tax-exempt status when rolled over into a qualified retirement account. Other state taxes may apply.

For additional tax information on the PLSO, contact your tax consultant or review the Internal Revenue Service's Publication 575, *Pension and Annuity Income*, available on the IRS web site at [www.irs.gov](http://www.irs.gov) (<http://www.irs.gov/pub/irs-pdf/p575.pdf>).

### **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. Given the longer life span of retirees today, you should consider this factor when deciding whether to select the PLSO.

## Other Information

Your retirement benefits are based on your age, salary and years of service, including both prior and participating service. See the KPERS Membership Guide or visit [www.kpers.org](http://www.kpers.org) for more information on the calculation process. You can calculate your own retirement benefit estimate using the benefit calculator at [www.kpers.org](http://www.kpers.org) or you can request an estimate from KPERS. These are wise steps when considering your options before retirement.

A cost-of-living adjustment (COLA) is an increase in monthly benefits to help keep pace with inflation. Retirees do not receive automatic COLAs. However, the Kansas Legislature periodically designates COLAs on an ad hoc basis.

Regardless of which retirement benefit option you choose, KPERS pays a \$4,000 lump-sum death benefit to your beneficiary. You can choose a person, your estate, a trust or a funeral establishment to receive the death benefit.

Since your employer is an important part of your retirement process, be sure to keep your designated agent informed of your retirement plans. Try to give as much notice as you can before you retire. Find out if you are eligible for any additional benefits or programs from your employer and coordinate health care and life insurance coverage.

If you don't have one already, you can download and print the Application for Retirement Benefits booklet (KPERS-15) at [www.kpers.org](http://www.kpers.org) or contact us and we can mail a copy to you.

## Retirement Checklist

- Determine your retirement eligibility
- Estimate your benefit at [www.kpers.org](http://www.kpers.org) or request a retirement benefit estimate from KPERS
- Evaluate and select a retirement payment option
- Complete an Application for Retirement Benefits form (KPERS-15) 60 to 90 days before the day you want to retire
- Obtain birth and name change documents needed for the retirement application
- Designate a financial institution for retirement benefit direct deposit
- Review your beneficiary designation
- Determine your tax withholding requirements
- Confirm your Social Security benefits
- Continue your group life insurance coverage through a conversion or portability option
- Determine your health insurance needs
- Review your personal retirement savings

## Other Helpful Contacts

- Social Security Administration: 1-800-772-1213  
[www.ssa.gov](http://www.ssa.gov)
- Internal Revenue Service: 1-800-829-1040  
[www.irs.gov](http://www.irs.gov)

## Contact Us

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