

KPERS 1
KPERS 2



Getting Ready to *Retire*

KPERS Pre-Retirement **Planning Guide**

Contacting Us

We're here to answer your questions and help in any way we can. Our offices are open Monday through Friday from 8 a.m. to 5 p.m. The InfoLine is open from 8 a.m. to 4 p.m. Your questions, comments and suggestions are always welcome.

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Countdown to Retirement Checklist

- Learn about the steps to retirement.** KPERS hosts in-person seminars and online webinars designed to help you navigate the last steps to retirement. Each free session covers a variety of topics directly related to your KPERS retirement.
- Find out when you are eligible to retire.** Knowing when you'll meet the age and service requirements to retire can help you decide on the best retirement date.
- Calculate a retirement benefit estimate.** You can calculate an estimate online by logging in to your online account at kpers.org.
- Review the KPERS Retirement Options publication to understand your benefit payment options.** You can use the benefit calculator at kpers.org to see how taking a partial lump-sum option or providing a benefit for someone after your death affect your benefit amount.
- Complete an Application for Retirement Benefits form (KPERS-15).** Submit your application at least 30 days before your retirement date. You need to apply to receive your benefits. They do not begin automatically. You will need to provide birth and name change documents.
- Review your life insurance.** If you would like to continue your basic and optional group life insurance in retirement, you have two options: keep your group coverage and pay an increased premium or convert your coverage to an individual policy. See your employer or our web site for more information on your choices.
- Determine your tax/withholding requirements.** In general, your benefits will be subject to federal income taxes, but not Kansas state income taxes. If you are going to live in another state, check if your retirement benefit is taxable in that state.
- Confirm your Social Security benefits.** Get accurate information about Social Security applications and benefits by calling the Social Security Administration's toll-free number, 1-800-772-1213 or contacting your local SSA office.
- Determine your health insurance needs.** If you have been with your current employer for ten years or more, Kansas law allows you to remain in your current health plan by paying the entire premium. Contact your employer's personnel office for more information. If you're close to age 65, check into your Medicare options at your local Social Security office.
- Review your other retirement income sources.** You'll need a method for turning your retirement savings and investments into income. Different plans have different payout options and requirements. To figure out the best way to supplement your KPERS benefits, you'll need to consider all your options. To learn more, contact your plan administrator.

From the Executive Director

Your Benefits Will Be There



Members sometimes express concern over whether their KPERS benefits will be there when they retire.

When they call in, or ask questions during a KPERS presentation, here is what we tell them: *"Please don't worry. There is certainly reason for all of us to increase our attention on KPERS' funding, but not enough to make you doubt if your benefits will be there for you when it's time."*

KPERS is a prefunded system. That means contributions and investment returns come in during your career to pay for your benefits when you retire. Right now more than \$1 billion in contributions come in each year. This alone would almost cover the cost of current annual benefits. And then there is investment income. Over time, investments account for more than half of annual income to the Trust Fund.

KPERS manages about \$24 billion in assets. Your assets. Over time, the System has continued to earn an annual investment average of over 7.3%, a bit more than our 7% target. The Trust Fund is your money. And no one can take it out except to pay your benefits. Not even the Legislature or Governor.

The Trust Fund has more than tripled over the last 25 years. However, KPERS does have a long-term funding shortfall. And it's been more than two decades in the making. We cannot invest our way out. It will take both time and the right level of employer contributions to fix it.

You are likely to continue to hear about KPERS in the media in the months and years to come. But we are your fiduciary. We are here to watch out for your best financial interest and keep funding needs in front of the Legislature. Rest assured, your benefit will be there.

A handwritten signature in black ink that reads "Alan D. Conway". The signature is written in a cursive, flowing style.

You'll Need More Than Just Your Pension

Most financial experts suggest replacing at least 80% of your income for retirement. Increasing health-care costs and living longer may mean you need to have even more.

KPERS and Social Security won't be enough for a sound retirement. You need to save on your own, too. The easiest way to save is through an eligible employer plan like a 457(b) deferred compensation or a 403(b) annuity plan. Check with your employer about options where you work.

The State of Kansas and many local public employers offer KPERS 457, a deferred compensation savings plan. Contributions are automatically deducted from your pay, and you can get started with as little as \$12 per pay period. Visit kpers457.org for more info.

However you choose to save, the important thing is to start. The sooner you begin, the more time your money has to grow. Socking away even a sliver of your salary could have a big impact on your retirement.



KPERS 1 – When Can You Retire?

- Age 65 with at least one year of service credit
- Age 62 with at least ten years of service credit
- Any age when your age and years of service credit added together equal 85 (see “How to Calculate Your 85 Points”)

Are You a KPERS 1 Member?

- ✓ Hired before July 1, 2009
- ✓ Active member on July 1, 2009

Please note: Two service quarters round to one year. Your age is determined by your last birthday and is not rounded up.

How to Calculate Your “85 Points”

KPERS 1 members can retire anytime with “85 points.” The 85 point rule is when your age and years of service added together equal 85. Every year you work, you gain two points – one for each birthday and one for the year of service. The 85 point rule is only one of the three ways you can qualify for retirement.

Find out when you'll have 85 points

1. Your current age: _____
2. Your current years of service: _____
3. *Your current point total (Line 1 + Line 2): _____
4. Number of points needed (85–Line 3): _____
5. Number of years to reach 85 points (Line 4 ÷ 2): _____
6. Your current age (same as Line 1): _____
7. You will have 85 points at age (Line 5 + Line 6): _____

* If line 3 equals 85 or greater, you can retire now with full benefits.

Example

John is 50 years old.
 He has 25 years of service.
 $50 + 25 = 75$ points now
 $85 - 75 = 10$ points needed
 $10 \div 2 = 5$ years to go
 50 years old
 $50 + 5 = 55$ years old
 John can retire at age 55 with 30 years of service.

Retiring Early

You can receive reduced benefits at age 55 with at least ten years of service, even without the 85 points. Keep in mind your benefits will be permanently reduced.

- Benefits are reduced by 0.6% for each month you are between age 55 and 60.
- Benefits are reduced by 0.2% for each month you are between age 60 and 62.

| If You Retire Early ... KPERS 1 | | |
|---------------------------------|---------------------------------|-----------|
| Age | Example | Reduction |
| 62 | Full benefit = \$1,500/month | 0% |
| 60 | Reduced benefit = \$1,425/month | 5% |
| 55 | Reduced benefit = \$885/month | 41% |

KPERS 2 – When Can You Retire?

- Age 65 with five years of service credit
- Age 60 with 30 years of service credit

Please note: Two service quarters round to one year. Your age is determined by your last birthday and is not rounded up.

Are You a KPERS 2 Member?

- ✓ Hired on or after July 1, 2009
- ✓ Active member on July 1, 2009 and before January 1, 2015

Retiring Early

You can receive reduced benefits beginning at age 55 with ten years of service. The earlier you retire, the more your benefit is reduced. If you retire before age 60 with **at least** 30 years of service, there is less of a reduction to your benefit.

| If You Retire Early ... KPERS 2 | | | | |
|---------------------------------|---------------------------------------|-----------|--------------------------------------|-----------|
| Age | Example—less than 30 years of service | Reduction | Example—at least 30 years of service | Reduction |
| 65 | Full benefit = \$1,500/month | 0% | Full benefit = \$1,500/month | 0% |
| 60 | Reduced benefit = \$930/month | 38% | Full benefit = \$1,500/month | 0% |
| 55 | Reduced benefit = \$600/month | 60% | Reduced benefit = \$1,050/month | 30% |

Disability vs. Retirement

Long-term disability coverage through KPERS is one of your valuable employee benefits. If you are retiring because of health reasons, talk with your employer or a KPERS representative about your options. To qualify for disability benefits for the first 24 months, you must be disabled from performing the duties of your *current* job. After 24 months, you must be disabled from performing the duties of *any* job to continue receiving benefits.

Calculating Your Retirement Benefit

KPERS retirement benefits are calculated using the following formula:

$$\text{Final average salary} \times \text{statutory multiplier} \times \text{years of service} = \text{annual benefit}$$

If you are a KPERS 1 member:

- Service before January 1, 2014, has a statutory multiplier of 1.75%.
- Service after January 1, 2014, has a statutory multiplier of 1.85%.

KPERS 1 Example

| Final average salary | x | statutory multiplier | x | years of service | = | annual benefit |
|-----------------------------|---|----------------------|---|------------------|---|-----------------|
| \$40,000 | x | 1.75% | x | 20 | = | \$14,000 |
| \$40,000 | x | 1.85% | x | 10 | = | \$7,400 |
| total annual benefit | | | | | = | \$21,400 |

If you are a KPERS 2 member:

- All service has a statutory multiplier of 1.85%.

KPERS 2 Example

| Final average salary | x | statutory multiplier | x | years of service | = | annual benefit |
|----------------------|---|----------------------|---|------------------|---|----------------|
| \$40,000 | x | 1.85% | x | 30 | = | \$22,200 |

You can calculate a benefit estimate by logging in to your online account at kpers.org. The benefit calculator uses your personal data to create quick, accurate estimates.

Your Final Average Salary

In addition to your years of service and your statutory multiplier, your final average salary is one of the factors used when calculating retirement benefits.

KPERS 1

If your membership date is on or after July 1, 1993, your final average salary is:

- A three-year salary average **excluding** additional compensation.* This three-year average is based on your three highest years of pay during your career. They do not have to be consecutive years.

If your membership date is before July 1, 1993, or you were in your “year of service” waiting for membership on July 1, 1993, your final average salary is the higher of:

- A three-year salary average **excluding** additional compensation.* This three-year average is based on your three highest years of pay during your career. They do not have to be continuous years.
- A four-year salary average **including** additional compensation.* This four-year average is based on your four highest years of pay during your career. They do not have to be continuous years.

KPERS will calculate both options and use whichever is higher to calculate your retirement benefit. If add-on pay is included in your final average salary, it is spread over all the days that you worked in the calendar year you retired. It is not credited only to the quarter in which you were paid for it.

***Additional Compensation** or “add-on pay” is compensation from your employer for unused sick leave, annual leave, etc. KPERS *cannot* use an early retirement incentive or severance pay as part of add-on pay when calculating your final average salary.

School Employees: School employees under continuing contract have special guidelines. This includes faculty, principals and superintendents. If your position requires a teaching certificate or license, then you are included in this group.

Generally, school employees (with a membership date before July 1, 1993) who remain on the payroll through the end of their contract can include “add-on pay” in their final average salary. Employees who retire before completing their contract cannot use “add-on pay” in their final average salary. The end of the contract may or may not coincide with the end of the school year.

KPERS 2

Your final average salary is an average of your five highest years of salary, excluding additional compensation, such as payments for unused sick and annual leave.

Final Average Salary Cap

If your salary increases substantially from year to year, a cap on compensation may be used to calculate your final average salary. Generally, the cap applies when your salary changes and your position does not. For KPERS 1, the cap is 15%. For KPERS 2, the cap is 7.5%.

Increasing Your Benefit (Purchasing Service Credit)

You may be able to increase your retirement benefit and possibly retire earlier by purchasing service credit for your past public service. If your service is eligible, you can purchase service credit with a lump-sum payment or by making additional contributions to the Retirement System through payroll deduction. The cost is based on actuarial factors and tables. Only active, contributing members may purchase service credit, and all payments must be received on or before your last day on your employer’s payroll.

| Benefit of Purchasing Service Credit | | | | |
|---|---|------------------|----------------------------|------------------|
| | KPERS 1 (1.75% multiplier) | | KPERS 2 (1.85% multiplier) | |
| Your final average salary | For each additional year of service, your benefit increases by ... | | | |
| \$30,000 | \$43.75 per month | \$525 per year | \$46.25 per month | \$555 per year |
| \$50,000 | \$73 per month | \$875 per year | \$77 per month | \$925 per year |
| \$70,000 | \$102 per month | \$1,225 per year | \$108 per month | \$1,295 per year |

Types of Service Credit You Can Purchase

- “Year of Service” (First year worked to become eligible for membership. Only for non-school members who worked in a benefits-eligible position before July 1, 2009, or CDDO employees/members.)
- Forfeited KPERS service (Years you “withdrew” from KPERS if you left the System for a while.)
- Military service
- Elected official service
- Out-of-state teaching
- In-state or out-of-state non-federal public service
- Forfeited TIAA-CREF (Board of Regents) service
- VISTA and Peace Corps
- Waiting period for Regents plan eligibility

Military Service

Members can purchase year for year of **active** military service and one quarter of service credit for each year of military **reserve** service that doesn't overlap with regular service. In certain circumstances, Kansas law allows the Retirement System to grant active military service at no cost to you if the military service interrupts your public service. You must be employed in a benefits-eligible position immediately before and immediately after the active military service. You must be off your employer's payroll during this military service to have service credit granted. Granted service is limited to five years. You can purchase up to six years of military service regardless of how many years are granted.

Payment Options

- Payroll deduction over a period of time, pre-tax
- Rollover or trustee-to-trustee transfer from another retirement plan. Eligible plans include a governmental 457(b) plan such as KPERS 457, the State's deferred compensation plan, a 403(b) annuity or an individual retirement account (IRA), pre-tax
- Lump sum (personal check, money order or Discover Card)

Federal Tax Requirements on Service Purchases

KPERS is a "qualified plan" under federal tax provisions. Under a qualified plan, members make contributions on a pre-tax basis and interest grows tax-deferred. Federal law may limit your lump-sum payment if you are purchasing service with **after-tax** money.

The Purchase Process

1. Contact the Retirement System to see if your past service is eligible.
2. If your service is eligible, complete an Application to Purchase Service Credit (KPERS-67) form.
3. Your employer completes the employer part of the form and sends it to the Retirement System.
4. The Retirement System calculates your purchase cost and sends a letter to you through your employer. Be sure to weigh the cost and benefit before continuing with the purchase.
5. To complete the purchase, you sign the necessary paperwork, arrange for payment and return both to the Retirement System.
6. The Retirement System receives your payment or payroll deduction commitment.
7. The Retirement System adds service to your record after the purchase is completed.

Choosing Your Retirement Date

Your retirement date can be the first day of any month, as long as you are off your employer's payroll. You must end all employment in **any** position (covered or noncovered) with any KPERS employer. School members under the continuing contract law must wait until June 1 or after. When choosing your retirement date, keep in mind that any remainder after your quarters of service are converted to years of service is rounded up or down. Your **rounding quarter** is the point where your service rounds up to the next year. Sometimes working even a few more days can make a difference and could mean an extra year of service used for calculating your retirement benefit.

Rounding Quarters

- You only need to work one day in a quarter to earn credit for the entire quarter.
- Rounding quarters are not the same for everybody. They are based on hire date and how your employer tracks financial quarters.
- Contact KPERS to find out your exact rounding quarter. This can help you decide on your best retirement date.

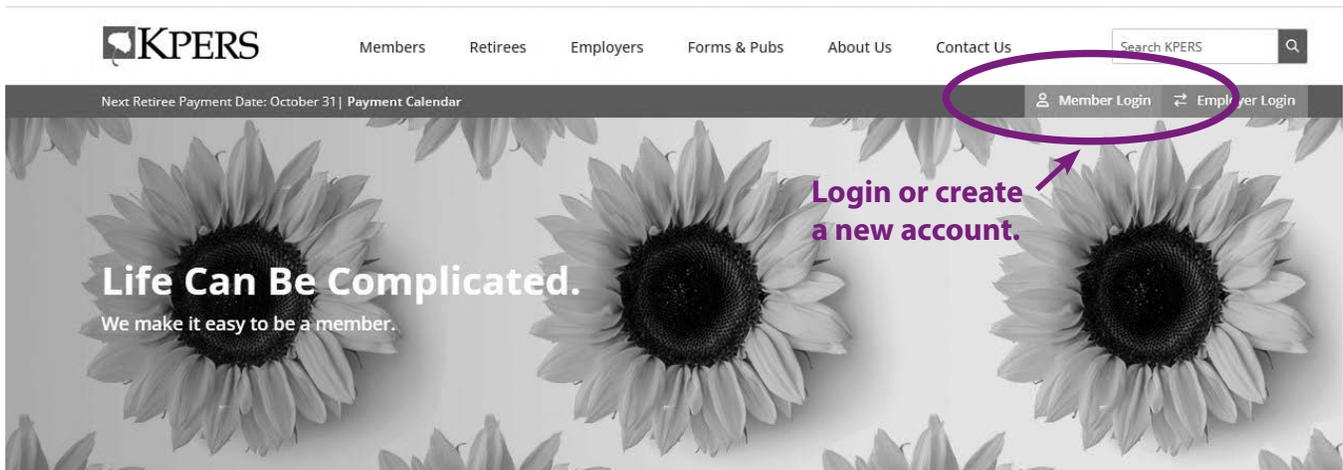
Estimating Your Monthly Retirement Benefit

You can calculate an estimate through your online account or with the generic benefit calculator at kpers.org. You can also submit a Benefit Estimate Request form (KPERS-15E), and we can calculate an estimate for you. Estimates are a wise step when considering your options.

Keep in mind that estimates are just estimates. They can vary from your actual benefit amount because of the accuracy of information. Your actual benefit is calculated when you apply for retirement.

Account Access Calculator

Login to your online KPERS account through kpers.org. When you start a new estimate, the system will automatically add your membership information, including the earliest date you are eligible for full retirement. You can use this pre-populated information or add your own. You can name and save estimates with different scenarios for future reference.



After You Login to Your Account

From Your Homepage, select your account. You'll then see your Account Summary. To start a benefit estimate, click "Benefit Calculator" on the sidebar.

INBOX

1 new Messages

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- ▶ Seminar Registration

KPERS Account

- ▶ Account Summary
- ▶ Insurance/Disability
- ▶ **Benefit Calculator**
- ▶ Annual Statements

Account Summary (as of 12/16/2017)

| Snapshot | | | |
|-----------------|----------------------|-----------------|--------|
| Account Balance | Total Service Credit | Membership Date | Status |
| \$67,156.61 | 24.75 years | 02/18/1994 | Active |

| Employee Contributions | | |
|------------------------|-------------|-------------|
| Taxed | Untaxed | *Interest |
| \$0.00 | \$45,862.76 | \$21,293.85 |

*Includes interest credited to the account on 6/30/2017

| Service Credit | | | |
|----------------|-------------|-----------------|-------------|
| Type | | Multiplier | |
| Earned | 23.75 years | Service @ 1.75% | 20.75 years |
| Purchased | 1.00 years | Service @ 1.85% | 4.00 years |

Enter Your Personal Information

Name your estimate in Step 1 if you wish to save it. You can use the pre-populated information or add your own.

Step 2: What date do you plan to retire?

The earliest date you can receive a full retirement benefit is **02/01/2018**.*

- I will retire on 02/01/2018.
- I will retire on (mm/dd/yyyy). Must be the first day of a month.

*You may actually become eligible sometime in the previous year before this date due to earning additional service credit. Please check with your employer if you are nearing retirement and would like an exact eligibility date.

Step 3: What is your final average salary?

Your current final average salary (FAS) is **\$61,931.45**. [What is FAS?](#)

- Use \$61,931.45 as my FAS.
- Use as my FAS.
- Use as my FAS with annual salary increase of %

Step 4: What is your total service credit?

Your current total service credit is **25.00** years.

Service @ 1.75% : 20.75

Service @ 1.85% : 4.00

Your projected total service credit is **25.00** years, if you continue working until your estimated retirement date shown above.

- Use the projected service based on the selected retirement date in **Step 2**
- Use 25.00, my total years of service as of 12/16/2017
- Use as my total years of service.

Step 5: Do you plan to provide a continuing benefit to a survivor?

- I do not plan to provide for a survivor. I want a benefit for my lifetime only.
- I plan to provide for a survivor. My survivor's date of birth is (mm/dd/yyyy).

Note: Example is a KPERS 1 member. Statutory multiplier is 1.85% for KPERS 1 service earned after January 1, 2014.

View Your Monthly and Lump-Sum Options

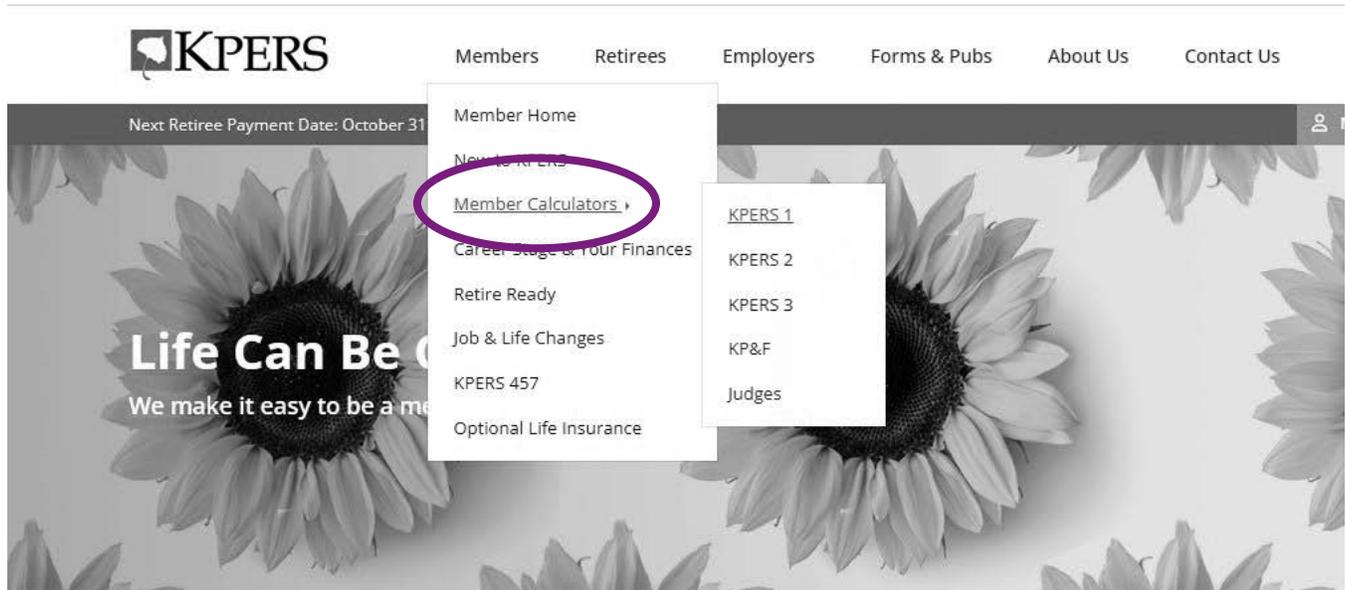
The higher your lump sum at retirement, the lower your monthly benefits will be.

Monthly benefits are also reduced to provide on-going survivor benefits after your death.

| <input type="button" value="Calculate & Save"/> <input type="button" value="Download Estimate"/> <input type="button" value="Back"/> | | | | | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|
| Retirement Date: 07/01/2018 Retirement Age: 68 Final Average Salary: \$61,931.45 Total Service: 25.00 years Service @ 1.75%: 21.00 years Service @ 1.85%: 4.00 years Annual Benefit = \$27,342.73 | | | | | | |
| Monthly Benefit | | | | | | |
| Benefit Option | No Lump Sum | 10% Lump Sum | 20% Lump Sum | 30% Lump Sum | 40% Lump Sum | 50% Lump Sum |
| PLSO | \$0.00 | \$23,148.05 | \$46,296.10 | \$69,444.15 | \$92,592.20 | \$115,740.25 |
| Maximum | \$2,278.56 | \$2,050.70 | \$1,822.85 | \$1,594.99 | \$1,367.14 | \$1,139.28 |
| 50% Joint-Survivor | \$2,119.06 | \$1,907.16 | \$1,695.25 | \$1,483.34 | \$1,271.44 | \$1,059.53 |
| 75% Joint-Survivor | \$2,039.31 | \$1,835.38 | \$1,631.45 | \$1,427.52 | \$1,223.59 | \$1,019.66 |
| 100% Joint-Survivor | \$1,959.56 | \$1,763.61 | \$1,567.65 | \$1,371.69 | \$1,175.74 | \$979.78 |
| 5-Year Life-Certain | \$2,232.99 | \$2,009.69 | \$1,786.39 | \$1,563.09 | \$1,339.79 | \$1,116.49 |
| 10-Year Life-Certain | \$2,164.63 | \$1,948.17 | \$1,731.71 | \$1,515.24 | \$1,298.78 | \$1,082.32 |
| 15-Year Life-Certain | \$2,005.13 | \$1,804.62 | \$1,604.11 | \$1,403.59 | \$1,203.08 | \$1,002.57 |

Generic KPERS 1 Calculator at kpers.org

Access the generic calculator on kpers.org. Links are below the Member Account login. With this calculator, you add your own information. Your last annual statement will be helpful.



Retirement Benefit Payment Options

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. **The decision about which option to take is crucial, because once you make a choice, you cannot change it.**

Scenario for All of Our Examples

Here is the scenario we'll use for all of our payment option examples:

Dan is a KPERS 1 member retiring at age 65. His wife, Sue, is age 62. Dan's final average salary is \$39,216, and he has 26 years of service. His retirement benefit is calculated using the following formula:

| Final average salary | x | statutory multiplier | x | years of service | = | annual benefit |
|-----------------------------|---|----------------------|---|------------------|---|-----------------|
| \$39,216 | x | 1.75% | x | 22 | = | \$15,098 |
| \$39,216 | x | 1.85% | x | 4 | = | <u>\$2,902</u> |
| total annual benefit | | | | | = | \$18,000 |

If Dan were a KPERS 2 member, his benefit is calculated with all service at the 1.85% statutory multiplier.

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.**

Example

Dan's annual benefit is \$18,000.
 $\$18,000 \div 12 = \$1,500$ per month

Joint-Survivor Options

You may want to provide a continuing monthly benefit for someone after your death. You can do this by choosing a joint-survivor option. Your survivor, also called a *joint annuitant*, cannot be changed once you retire. After your death, your survivor will receive a monthly benefit for the rest of his or her life.

The three joint-survivor options:

- 50%
- 75%
- 100%

The percentages show your survivor's benefit amount compared to your benefit amount. Your survivor can receive 50% of your benefit amount or 75%. You can also choose the 100% option, and he or she will receive the same benefit amount that you received before your death.

In order to provide the continuing benefit, your regular monthly benefits will be reduced. The higher your survivor's benefit, the lower yours will be during retirement.

If your named survivor dies first

If your named survivor dies before you, your survivor option is canceled and your benefit increases to your original maximum monthly benefit amount. You cannot name another person to receive a survivor benefit.

Adjusting for age difference

The difference between your ages also affects your benefit amount. If your survivor is younger than you, your benefit will be decreased more than if your survivor is older. Actuarial tables and factors are used to calculate these adjustments.

Example-KPERS 1

Dan's maximum monthly benefit is \$1,500. He chooses the 50% joint-survivor option for his wife, Sue. Dan's benefit is reduced by a factor from an actuarial table to provide the survivor benefit and to adjust for the 3-year age difference.

| | | |
|---|----|--------|
| Dan's monthly maximum | \$ | 1,500 |
| Reduced for survivor benefit and age difference | x | .898 |
| Dan's adjusted monthly benefit | \$ | 1,347 |
| Sue's monthly survivor benefit (50% of Dan's) | \$ | 673.50 |

Example-KPERS 2

Dan's maximum monthly benefit is \$1,500. He chooses the 50% joint-survivor option for his wife, Sue. Dan's benefit is reduced by a factor from an actuarial table to provide the survivor benefit and to adjust for the 3-year age difference.

| | | |
|---|----|---------|
| Dan's monthly maximum | \$ | 1,500 |
| Reduced for survivor benefit and age difference | x | .931764 |
| Dan's adjusted monthly benefit | \$ | 1398 |
| Sue's monthly survivor benefit (50% of Dan's) | \$ | 699 |

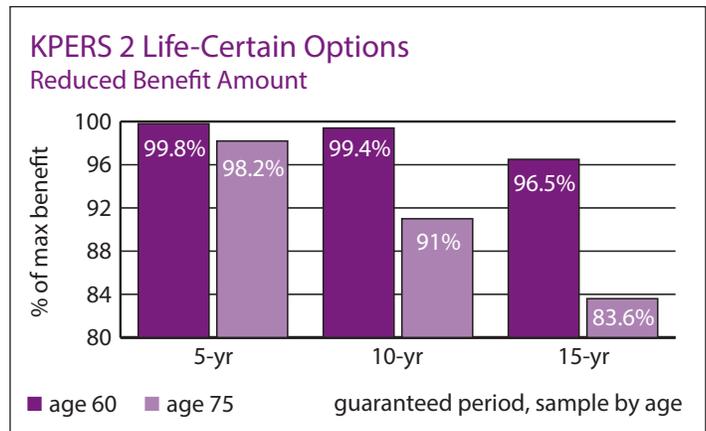
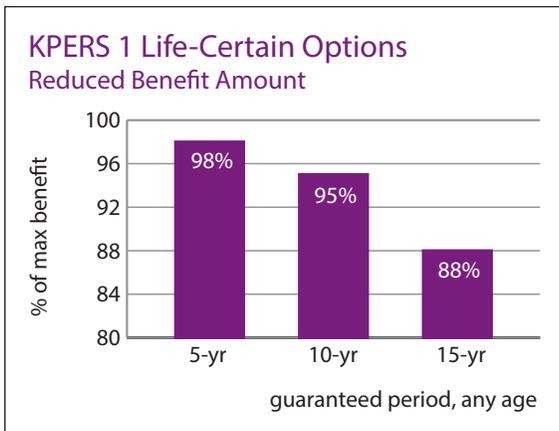
Life-Certain Options

With a life-certain option, you'll receive a monthly benefit for the rest of your life. But, if you die within the chosen period of time from your retirement date, your beneficiary will receive the same monthly benefit you have been receiving for the rest of the guaranteed payment period. You can change beneficiaries at any time, and you can have any number of beneficiaries at once. They will share the benefit equally.

The three life-certain options:

- 5-year guaranteed payment period
- 10-year guaranteed payment period
- 15-year guaranteed payment period

In order to provide the continuing benefit, your regular monthly benefits will be reduced. The longer the guaranteed period, the more your benefit is reduced. The KPERS 2 benefit option is also affected by your age at retirement. The older you are, the more your benefit is reduced. The KPERS 1 option uses fixed percentages to calculate adjustments. KPERS 2 uses actuarial tables and factors.



Example

Dan’s maximum monthly benefit is \$1,500. He chooses the ten-year life certain option for his wife, Sue. Dan’s benefit is reduced to 95% to provide the survivor benefit. He receives \$1,425 a month for the rest of his life, no matter how long he lives.

Dan dies seven years after he retires. As his chosen beneficiary, Sue will receive \$1,425 a month for three more years. Dan’s seven years plus Sue’s three total the ten years Dan was guaranteed. If Dan had named his two daughters as beneficiaries instead of Sue, the daughters would share the \$1,425 monthly benefit and each would receive \$712.50 a month for three years.

If Dan were a KPERS 2 member, his benefit would be reduced by the reduction factor for age 65 from an actuarial table (0.97398 or about 97.4%) for a monthly benefit of \$1,460.97.

Partial Lump-Sum Option (PLSO)

You can take part of your retirement benefit in an up-front lump sum at 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.* A PLSO payment is taxable income unless directly rolled over into an eligible retirement account.

KPERS 1 members have the PLSO available in 10, 20, 30, 40 or 50% amounts. KPERS 2 members can choose a 10, 20 or 30% option. The percentage you select determines the size of the lump sum and the decrease in your monthly benefit.

Example

A 30% PLSO payment would result in a single lump-sum payment equal to 30% of the actuarial present value of your lifetime benefit, along with a permanent 30% reduction in your monthly benefit.

Dan’s maximum monthly benefit is \$1,500. He chooses a 30% lump sum with the maximum monthly benefit. Dan receives a lump sum of \$49,659 at retirement, and his monthly benefit is reduced by 30% to \$1,050.

Note: If you select a partial lump-sum option or a payment option where your spouse would receive less than one-half of your monthly retirement benefit when you die, your spouse’s notarized signature must be on your retirement application, signifying he or she knows the retirement benefit option you chose.

Things to Consider Before Taking a PLSO

- Choosing a PLSO creates a lifetime reduction in your benefit. Can you make up the reduction in monthly benefits with potential gains in investments?
- A PLSO payment is eligible for rollover into a qualified retirement account. KPERS is required to withhold at least 20% federal withholding if a payment is made directly to you. You may choose to withhold more on the W-4R tax form in the retirement application. You may also be subject to a 10% IRS penalty if you are under age 59 ½.

Steps in the Retirement Process

1. Calculate a benefit estimate by logging in to your online account through kpers.org. Or use the generic calculators on our website.
2. Review the KPERS Retirement Options publication to consider your payment options.
3. Submit your Application for Retirement form (KPERS-15) at least 30 days before the day you want to retire. **You need to apply to receive your benefits. They do not begin automatically.**
4. Documents you will need to provide with your application:
 - Proof of birth to establish age
 - Proof of any name change
 - Birth document and any name change document for your joint annuitant, if you choose that benefit payment option.See list of acceptable birth and name change documents in the Retirement Application.

KPERS accepts photocopied documents of birth and name change as long as they are not altered. If you are unable to locate the necessary documents, please contact your employer or the KPERS office for alternatives. Our office will accept faxed documents. Death certificates and court documents must be certified. Please don't email any documents with your Social Security number.

5. The Retirement System will process your application. We will notify you if we need more information.
6. The Retirement System will mail a letter to your home address including information about your benefit amount.
7. Your monthly benefit payments will be directly deposited at your financial institution on the last working day of each month. You will receive your first benefit payment at the end of the month *after* your retirement date.

Life Insurance

As an Active Member

As an active member, you are currently covered by basic life insurance equal to 150% of your annual salary at no cost to you. You can purchase additional optional group life insurance if your employer offers it. Contact your employer for information.

As a Retiree

Life insurance through your employer ends when you retire. If you want to continue coverage, you have two options: keep your term coverage and pay an increased premium or convert your coverage to a whole life plan of insurance. A whole life plan of insurance is considerably more expensive, but it does build cash value. With either option, you can continue up to the full amount of your current insurance coverage without proof of good health, but you cannot add to your coverage.

Your employer has the life insurance conversion and portability forms, or you can download them at kpers.org. You have 60 days from your last day of employment to submit a form. Each form has coverage details and premium information. After you complete your portion of the form, your employer completes the employer portion. Send the completed form directly to the insurance company for processing within 60 days. The insurance company will contact you directly with any questions.

Health Insurance

KPERS does not provide health care coverage for retirees. For more information on continuing your health care coverage, please contact your employer.

Divorce and Your KPERS Benefits

KPERS contributions that you have accumulated during marriage are considered marital assets. If you divorce before or after retiring, a former spouse may be able to receive part of your benefit or contributions. A former spouse can receive payment from the Retirement System under a Qualified Domestic Relations Order (QDRO) when you withdraw, retire or die. Please seek legal counsel if this situation applies to you.

Receiving Your Monthly Retirement Benefit Payments

Your retirement application booklet will include a direct deposit form (KPERS-15B) for depositing your monthly benefit into your checking or savings account. You can only name one account at one financial institution to receive the payment. Your name must appear on the account. Direct deposits are generally made on the last working day of each month. Please keep in mind that there is always a chance, however rare, that something beyond our control may happen that could affect the timeliness of benefit payments. Other businesses and State agencies are also involved with the payment process. For this reason, the actual payment date may vary slightly.

You will receive a notice of any changes, but you will not receive a payment notice in the mail each month. Check with your financial institution to verify deposits. If at any time during retirement you need to change the account designated for benefit deposit, complete another direct deposit form (KPERS-15B). The Retirement System will not deposit into a bank account that is a group account for money market, managed fund or brokerage accounts.

State and Federal Income Taxes

In general, Retirement System benefits, including the \$4,000 retiree death benefit, are subject to federal income tax, but not Kansas state income tax. This is because you already paid state taxes on your contributions while you were working. If you move to another state, check if your retirement benefit is taxable in that state.

If you do not rollover a lump-sum payment, KPERS will withhold 20% for federal income tax. If you want to withhold more, enter the rate on line 2 of the IRS W-4R form (Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions). You cannot withhold less than 20%. You may also be subject to an additional 10% tax if you are under age 59 ½.

Withholding Information

You can control how much tax is withheld from your monthly benefit by submitting an IRS W-4P form (Withholding Certificate for Periodic Pension or Annuity Payments) to KPERS. The form is provided in the retirement application booklet. You can also download one from our website or contact us for a paper form. You can change your tax withholding anytime.

The IRS sets the benefit amount for when KPERS must automatically withhold federal taxes, even if you haven't sent us a withholding form.

Nontaxable Amounts

Part of your monthly benefit or a PLSO payment will be considered nontaxable if you made any contributions on an after-tax basis.

You made contributions on an after-tax basis if either of these fit your situation:

- Were a member before July 1984.
- Purchased service with a lump-sum payment other than a rollover or trustee-to-trustee transfer.

Federal law allows you to “recover” these amounts gradually without paying income tax on them again. A portion will be included in your PLSO payment (if you choose that option) and the rest will be paid to you gradually in your regular monthly benefit payment according to IRS regulations.

Change in Tax Treatment Resulting From a Direct Rollover

If you roll over a PLSO payment, the funds adopt the federal tax characteristics of the plan that receives them. The tax treatment of later payments from the eligible employer plan or traditional IRA receiving your *direct rollover* might be different than if you received your benefit directly from KPERS.

KPERS lump-sum benefits generally keep their Kansas state tax-exempt status, even when rolled over into another qualified retirement account

If you choose a PLSO when you retire, you will receive two 1099-R forms in January - one for your regular monthly benefits and one for your PLSO payment. If you roll over your PLSO, you'll receive a 1099-R form for each plan you send money to.

Keeping Your Personal Information Up-to-Date

Even though your retirement benefits will be deposited directly into your account after you retire, be sure to let us know if your contact information changes. Always include the following information:

- Name
- Last four digits of your Social Security number
- Daytime phone number
- Monthly retirement benefit amount
- Previous address
- New address
- Your signature (if mailing)

We cannot accept changes from anyone other than a member or a person who has Power of Attorney for you. KPERS must have a certified copy of the Power of Attorney authorization before he or she can make changes to your account.

Your Beneficiary

It is important to keep your beneficiary designation up-to-date. Review your designation whenever you have a significant life event.

- Marriage
- Divorce
- Retirement
- A birth or adoption in your family
- A death in your family

Who Can You Name as Beneficiary?

- A person
- A trust
- Your estate
- Any combination of these options

You cannot name a church or other charitable organization as a beneficiary.

If you choose more than one beneficiary, each will share your benefits equally. A beneficiary does not have to be the same person as your joint-annuitant, who receives a monthly benefit after you die if you chose a survivor benefit.

You can add or change beneficiaries at any time through your online account at kpers.org or by completing a Designation of Beneficiary – Retired form (KPERS-7/99R). You can download a form at kpers.org or call the InfoLine, 1-888-275-5737 or 785-296-6166, to receive one by mail. Only members can complete the form. Even conservators, guardians and those with power of attorney cannot select or change a Retirement System beneficiary.

Each time you complete a beneficiary form or make a change online, it cancels all those you have previously completed. Every time you complete the form, please be sure to fill in *both* the primary and contingent beneficiary sections if you intend to have both a primary and contingent beneficiary. If you complete only the contingent section and leave the primary blank, you will have no primary beneficiary, even if a past form names one.

Designating a Funeral Establishment

You can directly designate a funeral establishment to receive the \$4,000 death benefit. If you name another beneficiary instead, the beneficiary can assign the benefit to a funeral establishment after your death. How a funeral establishment receives the benefit determines who is responsible for the taxes.

- If you directly designate a funeral establishment, the establishment receives \$4,000 and pays the taxes.
- If your beneficiary *assigns* the benefit to a funeral establishment, your beneficiary is responsible for the taxes. KPERS will send the beneficiary a 1099-R form the following January for his or her federal tax return.

If you designate a funeral establishment, **you also need to name a primary beneficiary to receive any of your remaining contributions and interest.** Only the \$4,000 death benefit can be paid to the funeral establishment.

Beneficiary Definitions

| | |
|---------------------------|--|
| Primary: | The person(s) who you want to receive death benefits and returned contributions from KPERS after your death. |
| Contingent: | The person(s) to be paid if there is no primary beneficiary living after your death. |
| Joint Beneficiary: | When you name more than one person as a primary or contingent beneficiary, benefits are shared equally. |
| Estate: | Your assets and liabilities at death. |
| Trust: | A trust is a legal document in which you name someone (a trustee) to receive any payments from KPERS upon your death and use them solely for the benefit of your intended beneficiary, whom you name in the trust document. To name a trust as your KPERS beneficiary, you write the name of your trust (for example, “the Jane Doe Trust”) in the box on the Designation of Beneficiary – Retired form (KPERS-7/99R). The trust document itself is filed with KPERS after your death. Seek legal counsel to create a trust. |

If You Don’t Name a Beneficiary

If you do not have a living beneficiary when you die, the Retirement System must follow a line of descendants by Kansas law:

- Spouse
- Dependent children
- Dependent parents
- Non-dependent children
- Non-dependent parents
- Estate of the deceased member

A dependent is a parent or child who relies on you for at least half of his or her support.

Working After You Retire

Many retirees decide to return to work. But, there are a few things you need to know if you plan to go back to work for any KPERS employer, even if it’s different than the one you retired from. Working in positions at Kansas Board of Regents institutions or working for a third-party entity that contracts with a KPERS employer means these rules will apply to you, even in non-covered positions.

These rules don’t apply if you work for a non-KPERS employer.

No Prearrangements

While you're working, any time before retirement and during your waiting period, you can't plan to return to work for any KPERS employer. This is very important to KPERS. It helps keep our eligible plan status with the IRS.

A "prearrangement" is a situation where you or an employer might anticipate employment after retirement. You cannot consider returning to work before you retire, all the way through to the end of your waiting period. Interviews, applications, and even written and verbal communication about further employment are prearrangements.

Waiting Period

You'll have a waiting period before you can go back to work for any KPERS employer.

Your waiting period depends on the age you retire.

- 60 days if you retire at age 62 or later
- 180 days if you retire before age 62

To calculate the waiting period, count the day after your retirement date as day one.

For example: If your retirement date is July 1, July 2 is day one and you cannot begin employment with any Retirement System employer until September 1. If your waiting period is 180 days, the first day you could begin employment would be December 30.

Penalties

KPERS will suspend your benefit going forward and for six months after you leave all KPERS employment. You'll also need to repay any monthly benefits we've paid to you while you were working.

