

# Retirement Options

Retirement is a major milestone. As a KP&F retiree, you'll receive a *monthly retirement benefit for the rest of your life*. And you get to choose a benefit option that works best for you.

When you retire you can choose from a maximum monthly, joint-survivor or life-certain option. You can also choose to take a partial lump sum or Deferred Retirement Option Program (DROP).

Your decision is important, **because once you make a choice, you cannot change it**. Please consider your options carefully.

## Calculating Your Benefit

KP&F uses a formula to calculate your annual benefit. This number is then used to calculate your monthly payment options.

$$\begin{array}{ccccc} \text{Final Average Salary} & & \text{Statutory Multiplier} & & \text{Years of Service} \\ \text{Icon: Dollar Sign in Circle} & \times & \text{Icon: X in Circle} & \times & \text{Icon: Calendar with 30} \\ & & & & = \text{Annual Benefit} \end{array}$$

You can estimate your options in your Retirement System account at [kspers.gov](https://kspers.gov). This will help you put dollar amounts with your choices. You can also schedule an appointment with a Retirement System staff member to discuss your retirement options.

Your KP&F benefit does not include any future cost-of-living adjustments. For this reason, personal savings becomes even more important to protect against inflation.

## Deferred Retirement Option Program (DROP)

If you're eligible for full retirement, DROP allows you to keep working at regular pay while your monthly retirement benefit accumulates with interest in a DROP account. You can work for three, four or five years while your DROP account grows. At the end of your DROP period, you receive your DROP balance in a lump sum and begin receiving your regular retirement benefit. Your employer must agree to your participation. You cannot choose a Partial Lump-Sum Option if you choose the DROP. See DROP flyer at [kspers.gov](https://kspers.gov) for more details.

## Ready, Set, Go

- ☐ Find out when you can go
- ☐ Estimate your benefit at [kspers.gov](https://kspers.gov) or request an estimate from KPERS
- ☐ Choose a payment option
- ☐ Get the documents needed for the retirement application
- ☐ Determine your tax withholding requirements
- ☐ Check your beneficiaries
- ☐ Submit your Retirement Application (KPERS-15 form) at least 30 days before the day you want to retire
- ☐ Decide if you want to continue your KPERS life insurance

## Retiree Death Benefit

All retired members are eligible for a \$6,000 lump-sum death benefit. You can choose a person, your estate, a trust or a funeral establishment to receive the death benefit.

# Example for Scenarios

Joe is 55 years old and ready to retire. Joe's wife, Mary, is age 52. He has 20 years of service and his final average salary is \$50,000. Using the formula, we know his annual benefit is \$25,000. Let's look at Joe's retirement options in the blue column below.

## Maximum Monthly Option

Your maximum monthly benefit is the basis for your other options. This option does not provide any survivor options. After your death, if you have any remaining contributions, your beneficiary will receive that balance. The monthly benefit payments will end.

## Joint-Survivor Options: 50%, 75% or 100%

Your joint survivor will receive a monthly benefit for the rest of their life, equal to 50%, 75%, or 100% of your benefit amount, after your death. Your survivor cannot be changed once you retire. If your joint survivor dies before you, your survivor option is canceled. Your benefit increases to your maximum monthly benefit amount.

Your survivor's percentage and their age determine your benefit reduction. Actuarial tables and factors are used to calculate these adjustments.

## Life-Certain Options: 5-year, 10-year or 15-year

Like the other options, you will receive a benefit for the rest of your life. If you die within your life-certain choice, your beneficiary will receive your full monthly benefit for the rest of that 5-, 10- or 15-year period. You can change beneficiaries at any time, and you can have any number of beneficiaries. They will share the benefit equally.

With the Life-Certain option, your monthly benefit will be reduced. For the 5-year period, your benefit is reduced to 99%. For the 10-year period, your benefit is reduced to 98%. For the 15-year period, your benefit is reduced to 92%.

## Partial Lump-Sum Option (PLSO)

You can take part of your retirement benefit in an up-front lump sum. *Choosing this will reduce your lifetime monthly benefits.*

**Your options are: 10%, 20%, 30%, 40% or 50%.** The percentage you select determines the size of the lump sum and the decrease in your monthly benefit. A PLSO payment is *taxable income* unless directly rolled over into an eligible retirement account.

*Certain generalizations have been made in this publication. Kansas law and the rules adopted by the Board of Trustees will control specific situations.*

## Maximum Monthly Example

Joe's annual benefit is \$17,020.

His **monthly** maximum:  
 $\$25,000 \div 12 = \mathbf{\$2,083}$

## Joint-Survivor Example

Joe chooses the **50% joint-survivor option** for his wife, Mary.

Joe's adjusted monthly benefit is **\$1,956**.

Mary's monthly survivor benefit is **\$978** (50% of Dan's).

## Life-Certain Example

Joe chooses the **10-year life certain option** for his wife, Mary.

Joe's adjusted monthly benefit is **\$2,041**.

Joe dies seven years after he retires. Mary will receive **\$2,041** a month for three more years. This totals the 10 years Joe was guaranteed.

## PLSO Example

Joe chooses a **30% lump sum with the maximum monthly benefit**.

Joe receives a lump sum of **\$81,127** at retirement, and his monthly benefit is reduced by 30% to **\$1458**.