RETIREMENT *options*

For KP&F Members

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 KP&F retirement option is best for you.

As a retired KP&F member, you will receive a monthly retirement benefit for the rest of your life. In addition, KP&F has retirement payment options that add financial flexibility and allow you to provide for loved ones after your death. KP&F also has a Deferred Retirement Option Program (DROP) if you want to work a few years longer.

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 yourself and your loved ones.

It may be helpful to see how different options and scenarios affect your monthly benefit amount. Login to your Retirement System account through kpers.org to create a personalized benefit estimate. This will help you put dollar amounts with your choices. You can also schedule a personal counseling appointment with a Retirement System staff member to discuss your retirement options.

KPERS

Ready, Set, Go

- ❒ Find out when you're eligible for retirement benefits
- ❒ Estimate your benefit at kpers.org or ask for an estimate from KPERS
- ❒ Evaluate payment options and whether to participate in DROP
- ❒ Obtain birth and name change documents needed for the retirement application
- ❒ Submit an Application for Retirement Benefits form (KPERS-15) at least 30 days before the day you want to retire
- ❒ Review your beneficiary designation
- ❒ Determine your tax withholding requirements
- ❒ Confirm your Social Security benefits, if you are eligible
- ❒ Decide if you want to continue KPERS life insurance coverage
- ❒ Finalize any health and long-term care insurance
- ❒ Review your personal retirement savings and investments

Scenario for All Examples

Here is the scenario we'll use for all of the payment option examples:
Joe is retiring at age 55. His wife, Mary, is age 52. Joe's final average salary is $50,000, and he has 20 years of service. His retirement benefit is calculated using the following formula:

Final avg. salary	x	statutory multiplier	x	years of service	=	annual benefit
$50,000	x	2.5%	x	20	=	$25,000

Maximum Monthly Option

The Retirement System will first establish your maximum monthly benefit amount. This amount provides 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 receive a payment each month for the rest of your life. After your death, your beneficiary will receive the balance of any remaining money that you contributed to KP&F. There is no continued monthly benefit after your death.

Example

Joe's annual benefit is $25,000. $25,000 ÷ 12 = $2,083 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-percent 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 he or she dies before you, your survivor option is canceled and your benefit increases to your original maximum monthly benefit amount.

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

Joe's maximum monthly benefit is $2,083. He chooses the 50-percent joint-survivor option for his wife, Mary. Joe's benefit is reduced by a factor from an actuarial table to provide the survivor benefit.

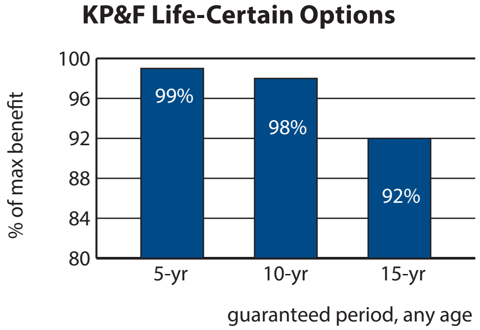
Joe's monthly maximum	$2,083
Adjustment factor for Joe's and Mary's ages	x .939
Joe's adjusted monthly benefit	$1,956
Mary's monthly survivor benefit (50% of Joe's)	$978

Life-Certain Options

With a life-certain option, you'll receive a monthly benefit for the rest of your life. If you die within a guaranteed 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 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:

- Five-year period: Your benefit is reduced to 99%.
- Ten-year period: Your benefit is reduced to 98%.
- 15-year period: Your benefit is reduced to 92%.



In order to provide the continuing benefit, your regular monthly benefits will be reduced by a fixed percentage. The longer the guaranteed period, the more your benefit is reduced.

Example

Joe's maximum monthly benefit is $2,083. He chooses the ten-year life certain option for his wife, Mary. Joe's benefit is reduced to 98% to provide the survivor benefit. He receives $2,041 a month for the rest of his life, no matter how long he lives.

Joe dies seven years after he retires. As his chosen beneficiary, Mary will receive $2,041 a month for three more years. Joe's seven years plus Mary's three total the ten years Joe was guaranteed. If Joe had named his two daughters as beneficiaries instead of Mary, the daughters would share the $2,041 monthly benefit and each would receive $1,020.50 a month for three years.

Deferred Retirement Option Program (DROP)

If you are eligible for full retirement, this optional benefit allows you to keep working at regular pay while your monthly retirement benefit accumulates and earns interest in a DROP account. You can work another three, four or five years while your DROP account grows. At the end of your chosen DROP period, you receive your DROP account 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 participate in the DROP. See DROP flyer at kpers.org for more details.

Retiree Death Benefit

With all benefit options, KPERS pays a $4,000 lump-sum death benefit. You can choose a person, your estate, a trust or a funeral establishment to receive the death benefit.

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.

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

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.

A PLSO payment is *taxable income* unless directly rolled over into an eligible retirement account.

Example

Joe's maximum monthly benefit is $2,083. He 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 $1,458.

COLAs

Cost-of-living adjustments are increases in your benefit amount after you retire. You do not receive an automatic COLA. For this reason, personal savings becomes even more important to provide protection against inflation.

Other Information

Your retirement benefits are based on your age, salary and years of service, including both prior and participating service. See the KP&F Membership Guide or visit kpers.org for more information on the calculation process. You can calculate a personalized retirement benefit estimate through your personal account at kpers.org or you can request an estimate from the Retirement System. These are wise steps when considering your options before retirement.

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 kpers.org or contact us and we can mail a copy to you.

Other Helpful Contacts

- Social Security Administration: 1-800-772-1213
  ssa.gov
- Internal Revenue Service: 1-800-829-1040
  irs.gov

Contact Us

Toll Free: 1-888-275-5737

In Topeka: 785-296-6166

Email: kpers@kpers.org

Web Site: kpers.org

Mail: 611 S. Kansas Ave., Suite 100, Topeka, KS 66603

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