

Kansas Police and Fire Retirement System



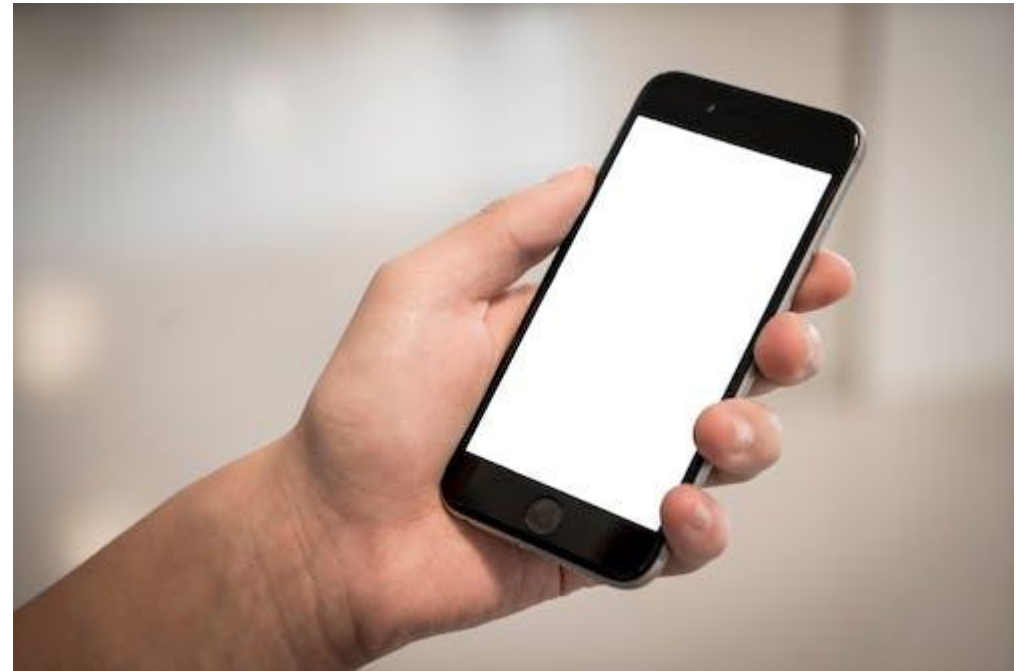
DROP

DEFERRED **R**ETIREMENT **O**PTION **P**ROGRAM

Deferred Retirement Option Program

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Kansas Police and Fire Retirement System



DROP

DEFERRED **R**ETIREMENT **O**PTION **P**ROGRAM

Deferred Retirement Option Program

What Is DROP?

- The 2015 Kansas Legislature created DROP as a pilot program for **Kansas Highway Patrol** to aid in retention of staff.
- The 2019 Legislature extended the pilot program to include **Kansas Bureau of Investigation**.
- The 2023 Legislature expanded the DROP program to **all KP&F members** eligible for **full retirement**.



Deferred Retirement Option Program

What Is DROP?

- Instead of retiring, members can keep working for **3, 4** or **5** years.
- Member **keeps earning** paychecks & paying into KP&F. Monthly retirement benefit is deposited into a **DROP account**, and may earn interest annually*
- When the DROP period and employment ends, member will receive balance of DROP account in a **lump sum** and begin receiving **monthly benefit**.

***Interest is dependent on KPERS 1-year investment return of 7% or higher.**



Deferred Retirement Option Program

What Is Full Retirement?

- **Tier I** = Age **55** with **20** years of service
 Any age with **32** years of service
- **Tier I (Transfer)** = Age **50** with **25** years of service
- **Tier II (All)** = Age **50** with **25** years of service
 Age **55** with **20** years of service
 Age **60** with **15** years of service



Deferred Retirement Option Program

Why Choose DROP?

- To maximize retirement benefits toward end of career when working less overtime, etc.
- To continue building retirement savings even after reaching 36 years of service.
- To replace the PLSO option, resulting in higher monthly benefit.



Deferred Retirement Option Program

Are There Any Other Benefits With DROP?

- Maintain or apply for optional life insurance with premiums paid through payroll deduction.
- Retain employer-provided benefits such as health insurance.



Deferred Retirement Option Program

Things to Know

- **Employer** must agree to member participation.
- Member election is **irrevocable**.
- Member and employer continue to make regular **contributions**.
- No longer earn service credit.



Deferred Retirement Option Program

What Happens if a Member Quits DROP?

- If member hasn't completed **at least 3 years** in DROP, any accrued interest is forfeited.
- DROP deposits stop.
- Member must apply for DROP **lump sum** and **monthly benefit** payments.
- If payouts apply, benefits are recalculated.



Deferred Retirement Option Program

DROP Application

- Member chooses DROP date. Must be **first day** of any month.
- **End date** will be last day of the last full payroll reporting period prior to the DROP date.
- Salary is annualized.
- Use the **highest 12** out of the last 20 quarters to determine Final Average Salary.



Deferred Retirement Option Program

Sick and Vacation Payouts

If membership date is **before July 1, 1993**, KP&F members can use sick and vacation payouts to increase final average salary.

- KPERS will recalculate FAS.
- Increase will be retroactive to the original DROP date (no additional interest will be credited)

***If KP&F membership date is after July 1, 1993, sick and vacation can't be used to increase the Final Average Salary.**



Deferred Retirement Option Program

What Forms Are Needed?

- KPF-15DROP - Application for DROP
- KPF-799DROP - Designation of Beneficiary - DROP
- KPF-15DROPEXT – Application to Extend DROP Period
- KPF-15DROPDM – Application for DROP and Retirement Benefits.



Deferred Retirement Option Program

Employer Responsibilities

- Each KP&F agency will need to designate a person to be the Appointing Authority.
- Complete Retirement Certification when requested.
- Member and Employer will continue to contribute the statutory rate each pay period.



Deferred Retirement Option Program

Handout

DROP BENEFIT

deferred retirement option program

For Kansas Police & Firemen's Retirement System Members

The Legislature created a program to offer a Deferred Retirement Option Program (DROP) for KP&F members. Initially a pilot program, the Legislature expanded availability to all KP&F members in 2023.

Instead of retiring, this optional benefit allows eligible members to keep working while their monthly retirement benefit accumulates in a DROP account. They receive their salary and their DROP account grows each month while they work. Members can choose to work another three, four or five years. When they retire, they receive their DROP account balance and begin receiving their monthly retirement benefit.

Steps to the DROP	Example
Member eligible for full retirement	Joe is eligible for full retirement
Member picks a DROP commitment date	Joe picks January 1, 2023
KPERS calculates retirement benefit as of the DROP commitment date	Joe's monthly benefit = \$2,580
Member picks DROP period (3, 4 or 5 years)	Joe chooses to work 3 more years
Member keeps working and receiving salary	Joe keeps working at his KP&F position
Deferred monthly retirement benefit amounts accumulate in a DROP account and may earn interest annually	\$2,580 is added to Joe's DROP account each month Depending on KPERS' investment returns, he may earn interest, too
Member retires at the end of the DROP period, begins receiving monthly benefit payments and receives DROP account balance in a lump-sum payment	Joe retires January 2026 and begins receiving his \$2,580 monthly benefit He receives a lump-sum for \$92,880 plus any interest, the amount that accumulated in his DROP account over the past three years

Who Can Participate?

- ✓ All KP&F members who are eligible for full retirement.

What You Need to Know

- You and your employer make regular contributions during the DROP period, but you don't earn additional service credit.
- You can't choose a Partial Lump-Sum Option if you participate in the DROP.
- The election to participate in DROP is irrevocable.
- DROP amounts are subject to federal taxes when you receive them. You can continue deferring taxes by rollover to another plan.
- Your employer must agree to your participation in DROP. Participation does not guarantee continued employment.
- Program ends January 1, 2031, unless legislation is passed to extend it.

Questions?

Email: kpers@kpers.org
 Toll Free: 1-888-275-5737
 In Topeka: 785-296-6166
kpers.org

Common Questions

When can I begin DROP?
You can choose the first day of any month, as long as you are eligible for full retirement benefits and your employer agrees to your participation. Submit a DROP application at least 30 days before the date you want to begin. If you don't participate for a minimum of three years, all interest is forfeited. You will still receive the balance in your DROP account.

What happens if I stop working before the end of the DROP period?
If you continue working after five years, no additional interest is credited to your account balance and monthly retirement benefits until you retire.

What if I want to extend the number of years of the DROP period?
You can participate in the DROP program for up to five years. If you chose to participate for three or four years initially, you can extend your participation to the 5-year maximum. Contact the Retirement System for more information.

What if I want to work longer than the DROP period?
If you continue working after five years, no additional interest is credited to your account balance and monthly retirement benefits until you retire.

How are DROP benefits taxed?
In general, Retirement System benefits are subject to federal tax, but not Kansas state tax. Benefits accumulate tax-deferred in your DROP account. The lump sum can be paid directly to you or rolled over into an eligible retirement plan at the end of the DROP period to defer taxes.

Will I be covered by active member Death and Disability benefits while I work during the DROP period?
• Disability: You will have the same disability benefits as an active KP&F member.
• Death: Your designated beneficiary will receive your accumulated DROP benefits in a lump sum. Retirement benefits are payable based on the retirement option you selected when applying for DROP participation.

Do I need to name a separate beneficiary for my DROP account?
It is optional. If you do not name a separate beneficiary, your DROP beneficiary will be the same as your retirement beneficiary.

What happens to my sick and annual leave?
• Leave Payouts: If your membership date is before July 1, 1993, any payouts for unused sick and annual leave will be considered when you fully retire or stop working after DROP.
• Final Average Salary: If your membership date is before July 1, 1993, you include additional compensation such as unused sick and annual leave in your FAS calculation, but not until you fully retire. After your DROP period is, your FAS is recalculated. If higher, your DROP payments will be adjusted actively, with a lump sum credited to your DROP account. There is no interest paid on the lump sum. Your benefit is recalculated with the higher FAS.

Which interest will my DROP savings earn?
Your account will be credited 3% annual interest in years when the System's 1-year investment return is 7% or higher. You won't earn investment returns are below 7% for the year.

Is the DROP right for me?

Deciding whether to participate in DROP is an important decision. To help in your decision, you should request estimates from the Retirement System to help you compare the two scenarios.

- ✓ The benefits you would receive under DROP without earning additional service credit.
- ✓ The benefits you would receive if you continued working and earning service credit for the same time period, then retired without participating in DROP.

Retiring With Full Benefits

KP&F Tier I

- Age 55 w/20 years
- Any age w/32 years

KP&F Tier II

- Age 50 w/25 years
- Age 55 w/20 years
- Age 60 w/15 years

Online Account Access

Sign up to manage your retirement online with your KPERS member account.

You will be able to track your DROP balance through your account.

kpers.org

revised 4/23



Deferred Retirement Option Program

Applications

KPERS
KPF-15DRPEXT Rev. 8/21

APPLICATION TO EXTEND KP&F DEFERRED RETIREMENT OPTION PROGRAM (DROP)

For security reasons, do not submit application by email.

Contact Us – toll free: 1-888-275-5737 • **phone:** 785-296-6166 • **fax:** 785-296-6638
email: kpers@kpers.org • **web site:** kpers.org • **mail:** 611 S. Kansas Ave., Suite 100, Topeka, KS 66603

Part A – Member Information

- Social Security Number: _____
- Name (First, MI, Last): _____
- Telephone Number: _____
- Personal E-mail: _____
- Personal E-mail: _____
- Mailing Address: _____
- City, State, Zip: _____

Part B – DROP Commitment Extension – You can extend your DROP commitment up to _____

- Duration of DROP Commitment Extension: 2 Years 1 Year

Part C – Employer Acknowledgement – This section must be completed and signed by the employer and designated agent.

I am aware the member is extending the DROP option for the duration selected.

- Name/Title of Appointing Authority: _____
- Appointing Authority Signature: _____
- Designated Agent Signature: _____

Part D – Member Statement and Signature

“By signing below, I confirm my election to extend participation in the DROP, and I understand that I understand the DROP provisions, and I am confirming that the information is true and correct to the best of my knowledge.”

Member Signature: _____ County of _____
by (name of person) _____
My appointment expires on (date) _____

Notary Public: State of _____
Signed and attested before me on (date) _____
Notary Public Signature: _____
(SEAL)

KPERS
KPF-15DROPDM Rev. 4/23

APPLICATION FOR KP&F DROP & MONTHLY RETIREMENT BENEFITS

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- Personal E-mail: _____
- Mailing Address: _____
- City, State, Zip: _____

Part B – DROP Termination – Monthly benefit payments begin the later of the month following receipt of your completed application, or the month following your last day on payroll.

Important: Complete the IRS W-4P form (Withholding Certificate for Periodic Pension or Annuity Benefits) for federal tax withholding on your monthly benefit.

- DROP Termination Reason: DROP commitment completed Early termination Disability
- Retirement Date: _____
- Last Day on Payroll: _____

Part C – Payment Information for DROP Accrual Account – Read the included “Important Tax Information” booklet before completing this part of the form.

“I have elected the DROP option and choose to have the DROP Accrual Account paid as follows:”

Taxable Amount – Please choose **one** payment option for the taxable amount of your DROP accrual payment.

Important: Lump-sum payments are taxable income under federal law unless directly rolled over into an eligible retirement plan. If you do not roll over your lump sum, KPERS is required to withhold 20% for federal taxes. You may owe additional federal taxes and possibly a 10% federal penalty if you are under age 59 ½. 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 don’t need to complete the W-4R form if you don’t want more than 20% withheld. If you are rolling over to more than two rollover plans, you may duplicate this page.

- Pay the entire taxable DROP accrual account to me. *Advance to Nontaxable Amounts section.*
- Pay the entire taxable DROP accrual account to a qualified defined contribution plan, traditional IRA or Roth IRA. *Advance to #4.*
- Pay part of the taxable DROP accrual account to a qualified defined contribution plan, traditional IRA or Roth IRA and the remainder to me. Enter the dollar amount to be paid to a rollover plan: \$ _____. The minimum rollover is \$500. *Advance to #4.*
- If you marked #2 or #3, please list the name, address, account number and plan type of each rollover plan. Indicate percentage amounts to be paid to each plan. Total percentage amounts must be in whole numbers and equal 100 percent. Verify with your financial institution or rollover plan exactly how your payment check should be made payable.
 - Rollover #1**
Check payable to: _____ Check mailed to: _____
Mailing Address: _____ Mailing Address: _____
City, State, Zip: _____ City, State, Zip: _____
Account Number: _____ Percentage to Be Rolled Over: _____ %
Select Plan Type: Traditional IRA Roth IRA Qualified defined contribution plan
 - Rollover #2**
Check payable to: _____ Check mailed to: _____
Mailing Address: _____ Mailing Address: _____
City, State, Zip: _____ City, State, Zip: _____
Account Number: _____ Percentage to Be Rolled Over: _____ %
Select Plan Type: Traditional IRA Roth IRA Qualified defined contribution plan

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Check payable to: _____ Check mailed to: _____
Mailing Address: _____ Mailing Address: _____
City, State, Zip: _____ City, State, Zip: _____
Account Number: _____ Percentage to Be Rolled Over: _____ %
Select Plan Type: Traditional IRA Roth IRA Qualified defined contribution plan
 - Rollover #2**
Check payable to: _____ Check mailed to: _____
Mailing Address: _____ Mailing Address: _____
City, State, Zip: _____ City, State, Zip: _____
Account Number: _____ Percentage to Be Rolled Over: _____ %
Select Plan Type: Traditional IRA Roth IRA Qualified defined contribution plan



Deferred Retirement Option Program

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Visit: 611 S. Kansas Avenue
Topeka, KS 66603





Questions?
