

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	<p>\$2,580 is added to Joe's DROP account each month</p> <p>Depending on KPERS' investment returns, he may earn interest, too</p>
Member retires at the end of the DROP period, begins receiving monthly benefit payments and receives DROP account balance in a lump-sum payment	<p>Joe retires January 2026 and begins receiving his \$2,580 monthly benefit</p> <p>He receives a lump-sum for \$92,880 plus any interest, the amount that accumulated in his DROP account over the past three years</p>

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?

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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.

What happens if I stop working before the end of the DROP period?

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 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 DROP account and your KP&F contributions stop. You may not receive your DROP 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 can include additional compensation such as unused sick and annual leave in your FAS calculation, but not until you fully retire. After your DROP period ends, your FAS is recalculated. If higher, your DROP payments will be adjusted retroactively, 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.

How much interest will my DROP savings earn?

Your DROP account will be credited 3% annual interest in years when the Retirement System's 1-year investment return is 7% or higher. You won't earn interest if 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.

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