

DROP BENEFIT

deferred retirement option program

The Legislature created a pilot program to offer a Deferred Retirement Option Program (DROP) for eligible KP&F members with the **Kansas Highway Patrol** and the **Kansas Bureau of Investigation**.

Instead of retiring, this new 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.

Who Can Participate?

- ✓ Kansas Highway Patrol troopers, examiners and officers who are eligible for full retirement.
- ✓ Kansas Bureau of Investigation agents 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. And participation does not guarantee continued employment.
- Program ends December 31, 2025 unless legislation is passed to extend it.

Questions?

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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, 2020
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	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 2023 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



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. KBI agents can participate July 1, 2019, or after.

Submit a completed DROP application 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 work longer than the DROP period?

If you continue working, 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. KPERS will withhold 20% for federal income tax unless your payment is rolled over into an eligible plan.

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 automatically be the same as your retirement beneficiary.

What happens to my sick and annual leave?

- Leave Payout: If you choose a DROP option, you are not eligible to receive a payout of unused leave until you fully retire or stop working after DROP.
- Final Average Salary: If you joined KP&F 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 will be recalculated with this additional compensation. 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 retirement benefit is recalculated with the higher final average salary.

What if I change employers during the DROP period?

DROP is only available to KHP and KBI. If you change employers, your DROP is cancelled.

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 7.75% or higher.

Your account will not earn interest if the System's investment returns are below 7.75% 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

Other Retirement Options

Retirement System's 1-Year Investment Return

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