

**Partial Lump-sum Option Payment (PLOP)**  
**Description of PLOP-60 day Notification**  
**Civilian Employees' Retirement System of the Police Department of**  
**Kansas City, Missouri**

The Partial Lump-sum Option Payment (PLOP) provides eligible KCPERS members with the flexibility to take a portion of their benefit as a lump-sum cash payment at the time of retirement. If you choose to receive the lump-sum distribution, your monthly retirement benefit will be reduced on an actuarially equivalent basis to reflect the PLOP distribution. PLOP changes the way your benefit is paid to you, not the value of your benefit over your life expectancy.

Active members eligible to retire and immediately begin receiving pension payments under section 86.1540 RSMo are eligible to participate in PLOP. The amount of the PLOP distribution you are eligible for depends on the retirement option selected from those options for which you qualify. For example, a member may be eligible for early retirement at age 55 with 10 or more years of service and also be eligible under the Rule of 80. The member must choose a specific retirement option and their PLOP eligibility will be determined under that option.

A member with at least one or more years of creditable service beyond their eligible retirement date may elect a lump-sum amount equal to twelve times the initial monthly base pension amount they would have received without making a PLOP election.

A member with at least two or more years of creditable service beyond their eligible retirement date may elect a lump-sum amount equal to twenty-four times the initial monthly base pension amount they would have received without making a PLOP election.

A member with at least three or more years of creditable service beyond their eligible retirement date may elect a lump-sum amount equal to thirty-six times the initial monthly base pension amount they would have received without making a PLOP election.

When a member makes an election to receive a lump-sum distribution under the PLOP option, the member's base pension calculated at the time of retirement will be actuarially reduced to reflect the PLOP payment. If a member is electing an early retirement option under subsection 2 of 86.1540 RSMo and/or an optional 100% Joint and Survivor under subsection 3 of 86.1540 RSMo, the member's base pension will be calculated as follows:

1. The member's pension will first be reduced by any applicable early retirement reductions as required under subsection 2 of 86.1540 RSMo.
2. The member's pension will then be reduced by any applicable reductions as required under the election of the 100% Joint and Survivor option.
3. The member's pension will then be reduced by the actuarial reduction required under the election of the PLOP.

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The reduced base pension in step 3 will then become the member's base pension for all purposes related to base pension amounts including the calculation of cost-of-living increases. Future benefits payable to your eligible surviving spouse, if applicable, will also be reduced if you elect a PLOP payment. **Monthly benefit reductions due to PLOP payments are permanent.**

The taxable portion of your lump-sum distribution is subject to mandatory 20% federal withholding. KCPERS is not required to withhold Missouri income tax from your lump-sum distribution, however, you may elect to have a specified amount of Missouri income tax withheld by completing section 5 of the "**Partial Lump-sum Option Payment (PLOP) Distribution Election**" Form. The portion of your lump-sum distribution that represents a return of your member contributions on which you have already paid taxes will not be taxed again. If you are under age 55 and will not turn 55 before the end of the calendar year in which you *separate from service*, the taxable portion of your lump-sum distribution may be subject to an additional 10% federal tax penalty for early distribution from a retirement plan. You may defer paying taxes, and possibly eliminate the additional 10% tax penalty, on your lump-sum distribution by rolling the taxable portion into a traditional Individual Retirement Arrangement (IRA) or another qualified retirement plan.

***IMPORTANT NOTE***

You have been provided with a copy of our "**Special Tax Notice Regarding Plan Payments**" as required by Section 402(f) of the Internal Revenue Code. We strongly encourage you to review this information before you decide how to receive a distribution of your KCPERS benefits. The rules regarding distributions from qualified retirement plans are very complex, and therefore we recommend you consult with your tax or financial advisor before making an election to receive your KCPERS distribution.

**Payment Methods**

If you elect a PLOP distribution, you must complete and submit a "**Partial Lump-sum Option Payment (PLOP) Distribution Election**" Form. You may receive your PLOP distribution one of three ways:

- **Cash Option** – If you elect the cash option, the distribution will normally be paid directly to you at the same time you receive your first monthly benefit payment. KCPERS will withhold the mandatory 20% federal withholding tax on the taxable portion. The taxable portion of the PLOP distribution is considered taxable income for the year in which you receive the payment unless you roll it over. You may be able to use special tax rules that could reduce the tax you owe.

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- **Rollover Option** – If you elect the rollover option, your payment will be made directly to a traditional Individual Retirement Arrangement or another qualified retirement plan that agrees to accept your rollover. The taxable portion of your PLOP distribution will not be taxed in the year of the rollover and no income tax will be withheld. The payment will be taxed when you take it out of the traditional IRA or other qualified retirement plan.
  
- **Combination Cash and Rollover Option** – If you elect this option, you may specify the amount of your PLOP distribution to be made directly to a traditional IRA or other qualified retirement plan. The balance will be paid to you (less the required 20% income tax withholding). The cash portion may also be subject to the additional 10% federal tax penalty for early distribution from a retirement plan.

If you have questions or need additional information after reviewing the information in this notification and other information provided in the packet sent to you, please contact the KCPERS office at 816.482.8138.