

Partial Lump Sum Option Payment (PLOP)

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. PLOP changes the way your benefit is paid to you, not the value of your benefit over your life expectancy.

Only members electing a normal retirement under subsection 1 of section 86.1150 RSMo are eligible to participate in PLOP. The amount of the PLOP distribution you are eligible for depends on your number of years of creditable service. Members must have one or more years of creditable service, past their earlier eligible retirement date, to be eligible to elect a PLOP.

When a member makes an election to receive a lump-sum distribution under the PLOP option, the member's normal 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.

The reduced base pension will then become the member's base pension for all purposes related to base pension amounts including the calculation of cost-of-living increases and spousal benefits.

Important: Electing a PLOP Reduces Your Monthly Benefit Permanently

If you choose a Partial Lump Sum Option Payment, your monthly retirement benefit will be permanently reduced. This reduction cannot be changed or reversed later.

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:

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- **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. The cash payment may also be subject to the additional 10% federal tax penalty for early distribution from a retirement plan. 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.
- **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. 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, less tax withholdings, will be paid directly to you.

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.

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.

