

Civilian Employees'
Retirement System
of the Police
Department of
Kansas City
Missouri

KCPERS

Pre-Retirement Planning

www.kcpers.org

Overview and Disclaimer

The basic information offered today will apply to Tier 1 members of the Civilian Employees' Retirement System who became members of the System prior to August 28, 2013.

The purpose of this seminar is to give you a basic understanding of KCPERS benefits, allowing you to make an informed decision about your retirement.

However, for specific questions, please contact Lisa in the Retirement Systems Office.

Many different rules and laws apply, and there may be exceptions. So please consider the information received today as reliable, but not necessarily applicable in every situation.

If there is any difference between the information provided in this handout and the law and policies that govern the Retirement System, the law and policies will prevail.

Contents

Defined Benefit Plan	Page 2
Retirement Funding	Page 2
Retirement Eligibility	Page 3
Benefit Formula	Page 3
Benefit Options (PLOP)	Page 4-5
Benefit Payment and Deductions	Page 6
Retirement Timeline	Page 7-8
Sign-Out Process and Documents	Page 8-9

Defined Benefit Plan

- Five years of creditable service are required for you to become “vested” and eligible for a retirement benefit once you meet the age requirements.
- Your benefit is calculated using a three part formula (average annual compensation, multiplier and creditable service).
- Benefits are payable for your lifetime.

Retirement Funding

The staff, under the direction of the Retirement Board, administers your retirement, according to the Missouri Revised Statutes, as a defined benefit plan.

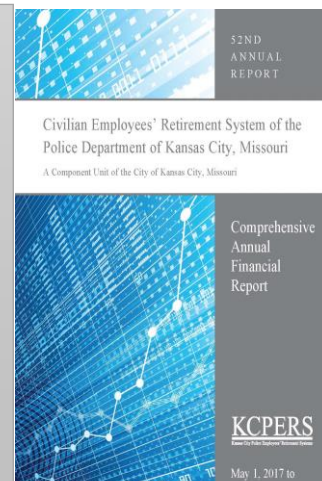
The members of the Civilian Employees’ Retirement System of the Police Department of Kansas City, MO currently contribute at a rate of 5.00% of their base salary.

Annually, an actuarial valuation is performed that establishes a contribution rate for the next fiscal year. The contribution rate is set as a percentage of payroll and calculated to cover the system’s financial obligations. The employer contribution rate is based on a number of factors including the current level of benefits; how many members are in the plan; current and expected future pay levels; the age, service and life expectancy of the members; expected earnings on investments; and the plan’s unfunded liability. The employer contribution rate for fiscal year ending April 30, 2026 is 25.21% of projected payroll.

To find out more about how your retirement system is funded, consult the Civilian Employees’ Retirement System Annual report. It Includes:

- Financial Statements
- Investment Information
- Actuarial Information
- Statistical Information

It is published annually and can be found at www.kcpers.org in the Publications section. Financial and Actuarial reports can also be accessed there.



Eligibility

A tier 1 member is eligible for:

A regular retirement at:

- The later of the date the member turns 65 or at 10 years of creditable service.

An early unreduced retirement at:

- Age 60, with 10 or more years of creditable service.
- Their rule of 80 date (when age plus years of creditable service total 80).

An early reduced retirement at:

- Age 55, with 10 or more years of creditable service.
 - The reduction for early retirement is ½ of 1 percent for each month the retirement effective date is prior to the month the member reaches 60.
- Age 60, with at least 5 but less than 10 years of creditable service
 - The reduction for early retirement is ½ of 1 percent for each month the retirement effective date is prior to the month the member reaches 65.

Benefit Formula

The formula for calculating your pension benefit is:

(Average Annual Compensation x Multiplier x Years of Creditable Service) = Annual Benefit.

- **Average Annual Compensation (AAC)** - the average of a Tier 1 member's highest 24 months of base salary history. (Does not include overtime, education or other types of pay).
- **Multiplier** – The multiplier established by legislation, currently 2.0%.
- **Creditable Service** – Years, months and days of service earned or purchased.

<i>AAC</i>		<i>Multiplier</i>		<i>Creditable Service</i>		<i>Annual Benefit</i>
<i>\$58,650</i>	<i>x</i>	<i>2.0%</i>	<i>x</i>	<i>25 Year</i>	<i>=</i>	<i>\$29,325 or</i> <i>\$2,443.75 monthly</i>

Supplemental Benefit – Retired Tier 1 members who have 15 or more years of creditable service at their effective retirement date will receive a supplemental benefit in addition to their monthly pension, currently in the amount of \$160.00.

Cost of Living Increase – All retired Tier 1 members, who were retired by December 31st of the previous calendar year, are eligible for any cost of living increase (up to 3%) that is granted by the Retirement Board in the current calendar year. These cost of living increases are not guaranteed annually and amounts will vary. Cost of living increases are calculated off the base pension, as a simple COLA and are not compounded.

Benefit Payment Options – 100% Joint and Survivor Annuity

Members who are married have the option to elect a 100% joint and survivor annuity at the time of retirement. The 100% Joint and Survivor Annuity allows a member’s eligible surviving spouse to continue to receive the same benefit that the member was receiving at the time of their passing. If a member elects the 100% Joint and Survivor Annuity, their monthly base pension will be reduced for the life time of the pension. The reduction is actuarially calculated, based on the age of the member and the age of the member’s eligible spouse at the retirement election date.

Example of 100% Joint and Survivor Benefit

This example is based on a married retiree, at age 61, whose eligible spouse is 63 at the time of retirement. With an initial monthly base benefit of \$2,443.75.

	<i>No Joint & Survivor Election</i>	<i>100% Joint & Survivor Election</i>
Initial Base Pension	\$2,443.75	\$2,443.75
Joint & Survivor Reduction (5.75%)	<u>(\$0.00)</u>	<u>(\$140.52)</u>
Member Base Pension	\$2,443.75	\$2,303.23
Spouse Base Pension	\$1,221.88	\$2,303.23

Please note that a member is only able to elect the 100% joint and survivor annuity at the time of retirement, they cannot elect this option at a later date.

The joint and survivor reduction is a life time reduction and will not be eliminated due to divorce or if the eligible spouse passes prior to the member.

It only applies to the member’s spouse at the time of retirement.

Benefit Payment Options – Partial Lump Sum Option Payment (PLOP)

Tier 1 members who work one or more years past their eligible retirement date have the option to elect to take a portion of their retirement in a lump sum payment.

Members with:

- 1 or more years past their eligible retirement date may elect a lump sum equal to twelve times their initial monthly benefit.
- 2 or more years past their eligible retirement date may elect a lump sum equal to twenty-four times their initial monthly benefit.
- 3 or more years past their eligible retirement date may elect a lump sum equal to thirty-six times their initial monthly benefit.

When a member elects this partial lump sum option, their normal monthly pension benefit will be actuarially reduced to reflect the PLOP payment. The monthly reduction due to the PLOP payment is a **lifetime reduction**.

There are three options that a member can elect for the distribution of a PLOP payment:

- **Cash Option** – The distribution will be paid directly to the member at the same time as their first monthly benefit payment. A mandatory 20% will be withheld for federal taxes. The retirement system is not required to withhold Missouri income tax, however you may elect to have Missouri taxes withheld from the lump sum distribution, as it will likely be taxable as Missouri income. If the member is under the age of 55, in the year that they separate from service, then the distribution may also be subject to an additional 10% federal tax penalty for early distribution from a qualified retirement plan.
- **Rollover Option** – If the member elects a rollover, the payment will be made directly to a traditional Individual Retirement Account (IRA) or another qualified retirement plan (i.e. Deferred Compensation, 403(b), 401(k), etc.) that agrees to accept the rollover. The taxable portion of the distribution will not be taxed in the year of the rollover and no income tax will be withheld. The payment will be taxed when it is taken out of the IRA or other qualified plan. A rollover may possibly eliminate the additional 10% tax penalty on the lump sum distribution.
- **Combination Cash and Rollover Option** – The member may specify the amount of the distribution that will be rolled over into an IRA or qualified plan. The balance will be paid directly to the member and will be subject to the 20% tax withholding and may also be subject to the 10% federal tax penalty for early distribution from a qualified retirement plan.

Example of a PLOP Calculation

The PLOP examples used in this presentation will be based on a married member, who is age 61 and has 25 years of creditable service. Average annual compensation is \$58,650.00 and did not elect the 100% Joint & Survivor Annuity.

Using the benefit calculation formula, the member would have an unreduced monthly base pension of \$2,443.75.

Gross PLOP Formula – *(Monthly Base Pension x Months of PLOP Election) = Gross PLOP Amount*

12 Month Gross PLOP Calculation - (\$2,443.75 x 12 months) = \$29,325.00

24 Month Gross PLOP Calculation - (\$2,443.75 x 24 months) = \$58,650.00

36 Month Gross PLOP Calculation - (\$2,443.75 x 36 months) = \$87,975.00

The lifetime PLOP reduction to a member’s monthly pension is calculated based on a variety of factors, including age at the benefit calculation date and marital status at the time of retirement. The Retirement System’s actuaries provide the factors that are applied to a member’s initial base pension to determine what the reduction will be. It is not a flat calculation and varies by individual.

Monthly Lifetime PLOP Reduction Example

	No PLOP	12 Month PLOP	24 Month PLOP	36 Month PLOP
Base Pension	\$2,443.75	\$2,443.75	\$2,443.75	\$2,443.75
PLOP Reduction	<u>0.00</u>	<u>(\$162.75)</u>	<u>(\$325.50)</u>	<u>(\$488.26)</u>
Reduced Base Pension	\$2,443.75	\$2,281.00	\$2,118.25	\$1,955.49

If a member is eligible for a PLOP and is interested in considering this option, they should contact the retirement office at least 90 days prior to their intended retirement date to request a personal PLOP estimate.

Benefit Deductions

A member may have the following items deducted directly from their pension payment:

- Federal Tax Withholdings
- State Tax Withholdings
- Insurance Elections (only for department sponsored insurance plans –Health, Dental, Life and Vision)
- Greater KC Public Safety Credit Union Deductions (set up through the Credit Union)
- Court Ordered Family Support Payments
- Tax Levy Payments

A member's pension is taxable at the Federal and State levels. It is not subject to the Kansas City Earnings Tax, Social Security or Medicare. While the Retirement System staff are able to review estimated tax withholdings with members, based on standard withholding elections, we are not able to give personal tax advice. We encourage our members to discuss their tax situation with a tax professional in order to determine the level of withholding that is best for them.

Retirement Timeline

Guidelines for the Retirement Process:

When applying for retirement, members should allow themselves ample time to work their way through the retirement process, as they will receive a great deal of information during this time.

It is recommended that a member contact the retirement office approximately 90 days prior to their desired retirement. This allows the Retirement System to assist members with electing the most beneficial retirement date for the member’s situation. It also allows for the member to get information regarding their pension and review potential tax and insurance deductions.

Effective Retirement Date* The effective retirement date is always the day following a member’s Last Day on Payroll	Pension Effective Date The date that a member becomes entitled to a pension	First Monthly Pension Payment Payments are always the first business day of the month (on or after the first calendar day)**
January 1-31	February 1	March 1
February 1-28	March 1	April 1
March 1-31	April 1	May 1
April 1-30	May 1	June 1
May 1-31	June 1	July 1
June 1-30	July 1	August 1
July 1-31	August 1	September 1
August 1-31	September 1	October 1
September 1-30	October 1	November 1
October 1-31	November 1	December 1
November 1-30	December 1	January 1
December 1-31	January 1	February 1

*Effective retirement dates towards the end of a month may cause a member’s first payment to be delayed an additional month, depending on when payroll is processed and when the pension processing deadline is for that month. It is best to contact the Retirement System to discuss dates, to ensure the date chosen allows for the pension to be processed in the effective month.

**The first business day will not always fall on the first calendar day.

Retirement Timeline Continued

Once a member decides on an effective retirement date, they would need to schedule an appointment with Personnel Records to officially begin the retirement process. It is recommended that a member contact Personnel Records 30-60 days prior to their chosen effective retirement date.

Retirement System Sign-out Process and Documentation

After a member has met with Personnel Records and obtained their separation clearance form, they will want to call and schedule an appointment with the Retirement System to complete their pension paperwork. Promptly scheduling an appointment is encouraged to ensure that staff will be available to assist the member at a convenient time for the member. A retirement check-out appointment generally lasts between 30 minutes to an hour. During this appointment we will fill out:

- **Retiree Information Form** – This form provides the Retirement System with a member's current contact information, spousal information and additional beneficiary information.
- **Tax Withholding Forms** – These are the forms that direct the Retirement System on how a member wants to have Federal and State taxes withheld from their monthly pension payment.
- **Electronic Deposit Authorization** – This form authorizes the Retirement System to direct deposit pension funds to an account specified by the member. A voided check or ACH letter from the member's bank is required to complete this form.
- **Early Retirement Election** – This form is an acknowledgement that the member has elected to retire under one of the unreduced or reduced early retirement options.
- **100% Joint and Survivor Election** – This form is for married members. It allows a member to elect the standard 50% eligible surviving spouse benefit or the 100% benefit at a lifetime reduction to their monthly pension. The spouse is required to sign this election form along with the member.
- **PLOP Election Paperwork** – These forms are required for any member who is eligible and has chosen to elect a PLOP. They include the Distribution Election Form, where a member elects a cash or rollover option. If cash is elected, the member must fill out an additional Electronic Deposit Authorization form and provide a check or ACH letter for that account. If a rollover is elected, the member will have the accepting financial institution fill out an acceptance of fiduciary responsibility form or provide an appropriate letter of acceptance for the roll over funds and return that to the retirement office.

Documents to Bring to your Retirement System Appointment

Every Member:

- A voided check or ACH letter from your bank for your direct deposit.
- A completed Federal W4-P form.

Married Members:

- A copy of your spouse's photo ID (typically a driver's license)
- A copy of your spouse's Social Security card
- A copy of your Marriage Certificate.

The Retirement System requests that all spousal documentation be provided at this appointment, so that an eligible surviving spouse may be set up for future spousal benefits.

Death after Retirement

Upon a member's death:

- If the member has an eligible surviving spouse (someone they were married to at the time of retirement and continuously married to until the time of death), and
 - Did not elect the optional annuity at the time of retirement, the surviving spouse will receive a lifetime benefit equal to 50% of the member's normal retirement benefit as of the member's actual retirement date, plus cost of living increases.
 - Did elect the optional annuity at the time of retirement, the surviving spouse will receive a lifetime benefit, in the same amount as the annuity being paid to the member at the time of death.
- In addition to the spousal pension, if the member was eligible for the supplemental benefit, then an eligible spouse will also receive any supplemental benefit that is being paid at that time.
- If the member does not have an eligible surviving spouse, any remaining amount due will be paid to the beneficiary that is named on the most recent retiree information form the Retirement System has on file. Please remember to keep beneficiary information up to date. If there is not a beneficiary named, payment will be paid to the member's estate.

Contact Information

Lisa Colclasure: lisa.colclasure@kcpd.org or 816-949-1589

Personnel Records: 816-234-5426

Benefits: 816-234-5419 or 816-234-5389