



CHAPTER: Separation

SUBJECT: Retirement – Kansas Public Employees Retirement System

POLICY NUMBER: 4.604

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RELATED POLICIES:
4.605 4.605A

ENABLING RESOLUTION:
320-1988 267-2007 269-2007
138-09 139-09

REVISION DATE(S):
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DEPARTMENT OF PRIMARY RESPONSIBILITY: HUMAN RESOURCES

SPECIAL NOTES: This Policy/Procedures Manual does not in any way constitute an employment contract. Sedgwick County reserves the right to amend this Manual at any time subject only to approval by the Board of County Commissioners and the Governing Body of Sedgwick County Fire District Number One.

I. Purpose

The purpose of this policy is to provide information to employees who are covered by the Kansas Public Employees Retirement System (KPERS).

II. Policy

- A. Kansas law requires that all employees in a covered position with participating employers become members of the Kansas Public Employees Retirement System (KPERS). A covered position is one that is covered by Social Security, is not seasonal or temporary, and requires at least 1,000 hours of work per year.
- B. An Elected Official may choose whether or not to become a member of KPERS.

III. Procedure

A. KPERS 1 Members

Membership:

Active members hired before July 1, 2009 who are:

- Contributing members on July 1, 2009
- On military leave and return to work
- On leave of absence and return to work
- Employees who have been in their “year of service” between July 1, 2008 and June 30, 2009 and are still employed on July 1, 2009.
- Inactive, *vested* members
- Members who are inactive because they moved to a non-covered position with the same employer with no break in service (within three days)

Vesting:

Vesting for KPERS 1 members is five years.

Contributions:

KPERS 1 members contribute six (6) percent of gross earnings and contributions earn interest annually.

Kansas law does not allow a member to borrow from these contributions. Contributions are made on a pre-tax basis and deferred from federal income taxes until withdrawal or retirement. Contributions need to be added back into gross income for state income tax purposes when employees file the Kansas state income taxes each year.

Account Balance Interest is credited annually each June 30 on previous December's account balance. Interest is credited at 8% for membership dates before July 1, 1993 and at 4% for membership dates on or after July 1, 1993.

The amount of interest credited to the member's account has no bearing on retirement benefits. Account balances are only important if a member withdraws or dies before retirement. Employer contributions are not credited to a member's account and stay with the Retirement System.

Full Retirement Eligibility:

- Age 65 with 1 year of service
- Age 62 with 10 years of service
- Any age when age + service = 85

Early Retirement Eligibility:

- Age 55 with 10 years of service

Final Average Salary:

- Membership date before July 1, 1993, or if a member was in a "year of service" waiting for membership.
 - A three-year salary average based on the highest 12 annualized quarters of pay excluding additional pay such as payments for unused sick or annual leave.
 - A four-year salary average based on the highest 16 annualized quarters of pay including additional pay such as payments for unused accumulated sick or annual leave.
- Membership date on or after July 1, 1993
 - A three-year salary average based on the highest 12 annualized quarters of pay excluding additional pay such as payments for accumulated sick or annual leave.

Salary/Compensation Cap Used for Final Average Salary:

- If compensation is more than 15% higher than the year before, the amount over 15% will not be included. Member contributions on the amount over 15% will be returned.

- Examples – Subject to cap
 - Pay raise over 15%
 - Bonuses over 15%
- Exceptions – Not subject to cap
 - Compensation for accumulated sick/annual leave
 - Increases due to reclassification to a higher range or level
 - Increases from any contract entered into before July 1, 1991, and still in force on July 1, 1991, because of an early retirement incentive program

B. KPERS 2 Members

Membership:

- All members first employed in covered positions on or after July 1, 2009
- Inactive members who are not vested on July 1, 2009, and return to employment
- Active members who leave employment before vesting in KPERS 1 and return to employment on or after July 1, 2009
- Former members who withdrew their accounts and begin a new membership on or after July 1, 2009

Vesting:

Vesting for KPERS 2 members is five years.

Contributions:

KPERS 2 members contribute six (6) percent of gross earnings and contributions earn interest annually.

Kansas law does not allow a member to borrow from these contributions. Contributions are made on a pre-tax basis and deferred from federal income taxes until withdrawal or retirement. Contributions need to be added back into gross income for state income tax purposes when employees file the Kansas state income taxes each year.

Account Balance Interest is credited annually each June 30 on previous December's account balance. Interest is credited at 4% since the membership date is on or after July 1, 1993.

The amount of interest credited to the member's account has no bearing on retirement benefits. Account balances are only important if a member withdraws or dies before retirement. Employer contributions are not credited to a member's account and stay with the Retirement System.

Full Retirement Eligibility:

- Age 65 with 5 years of service
- Age 60 with 30 years of service

Early Retirement Eligibility:

- Age 55 with 10 years of service

- Less of a reduction with 30 years

Final Average Salary:

- A five-year salary average based on the highest 20 annualized quarters of pay excluding additional pay such as payments for unused sick or annual leave.

Salary/Compensation Cap Used for Final Average Salary:

- If compensation is more than 7.5% higher than the year before, the amount over 7.5% will not be included. Member contributions on the amount over 7.5% will be returned.
 - Examples – Subject to cap:
 - Pay raises over 7.5%
 - Bonuses over 7.5%
 - Exceptions – Not subject to cap:
 - Compensation for accumulated sick/annual leave
 - Increases due to reclassification to a higher range or level

C. KPERS 3 Members

Membership:

- All members first employed in covered positions on or after January 1, 2015.
- Inactive members who are not vested on January 1, 2015, and return to employment
- Active members who leave employment before vesting in KPERS 1 or KPERS 2 and return to employment on or after January 1, 2015
- Former members who withdrew their accounts and begin a new membership on or after January 1, 2015

Vesting:

Vesting for KPERS 3 members is five years.

Contributions:

KPERS 3 members contribute six (6) percent of gross earnings and contributions earn interest annually.

Kansas law does not allow a member to borrow from these contributions. Contributions are made on a pre-tax basis and deferred from federal income taxes until withdrawal or retirement. Contributions need to be added back into gross income for state income tax purposes when employees file the Kansas state income taxes each year.

Account Balance Interest is credited annually each June 30 on previous December's account balance. Interest is credited at 4% since the membership date is on or after July 1, 1993.

Account balances are only important if a member withdraws or dies before retirement. Employer contributions are not credited to a member's account and stay with the Retirement System.

Full Retirement Eligibility:

- Age 65 with 5 years of service

- Age 60 with 30 years of service

Early Retirement Eligibility:

- Age 55 with 10 years of service

- D. Members receive an annual statement to use as a tool for retirement planning. The annual statement shows contributions, earned interest and beneficiary information.
- E. Members who have five years of service credit are vested. This means the member has earned enough service credit to guarantee a retirement benefit, even if they leave Sedgwick County employment and do not withdraw contributions. If the member has participated in any other plan that is administered by the Kansas Public Employee Retirement System, it may be possible to combine those years of service credit toward vesting requirements.
- F. If vested, upon separation of employment, a member may choose to withdraw contributions plus interest, giving up all Retirement System rights and benefits or keep contributions with the Retirement System, and apply for retirement benefits when eligible. Members choosing to keep the contributions with the Retirement System, become an “inactive member.” Contributions will continue to earn interest. Inactive members who do not withdraw contributions and again return to covered employment immediately become a contributing active member and keep previous service credits. If a member has less than five years of service (not vested) he or she is not guaranteed a retirement benefit and has up to five years to withdraw contributions, plus interest.
- G. Members may apply to withdraw contributions anytime 31 days after the end of employment. A member may elect between two options when withdrawing contributions.
 - a. Option 1: Contributions may be rolled over into an eligible retirement plan like a 457 (b) deferred compensation plan, 403 (b) annuity, individual retirement account (IRA), or a qualified retirement plan. This option allows the member to defer paying taxes until a later date.
 - b. Option 2: Contributions can be paid directly to the member. Federal law requires a mandatory 20 percent federal tax withholding on taxable amounts paid to the recipient.
- H. Active KPERS members have basic life insurance equal to 150 percent of the member’s annual salary. Sedgwick County pays for the cost of this benefit. Members may also purchase optional life insurance which is coverage beyond the basic life insurance.

- I. Upon becoming disabled, a member may qualify for a disability benefit based on 60 percent of the member's annual salary. KPERS members must be totally disabled for 180 days and no longer receive compensation from Sedgwick County. A member must first apply for Social Security benefits and complete any appeal process. Members will continue receiving service credit, basic life insurance coverage for approved disability periods and any optional group life coverage the member may be purchasing.
- J. Members may choose to name a living person, trust, estate or any combination as a beneficiary. If more than one beneficiary is chosen, each will share benefits equally. Members may also name a contingent beneficiary to receive benefits when the primary beneficiary is not living. Only members can complete the designation form. Conservators, guardians and those with power of attorney cannot select or change a KPERS beneficiary. Each time a member completes a beneficiary form, it cancels all that have previously been completed. Upon death, if a member does not have a living beneficiary the Retirement System must follow a line of descendants by Kansas law. Active members can name a separate beneficiary for KPERS retirement benefits and optional group life benefits. If a member does not choose to name a separate beneficiary, the beneficiary for retirement benefits will receive all benefits payable, including group life insurance.
- K. If a member dies before retirement, the spouse may be able to choose a monthly benefit for the rest of his or her life, instead of receiving returned contributions and interest. The spouse must have been designated as the sole primary beneficiary for retirement benefits. Situation #1: If the employee was eligible to retire, the spouse begins receiving a monthly benefit immediately. Situation #2: If the employee was not yet eligible to retire but had ten years of service, the spouse begins receiving a monthly benefit when the employee would have reached age 55.
- L. A member needs to apply to receive retirement benefits. Retirement benefits do not automatically begin. An Application for Retirement form (KPERS-15) must be submitted to the Division of Human Resources 30 days prior to the retirement date. Documents that need to be provided with the retirement application are the proof of birth to establish age, proof of any name change, and birth document and any name change document for the member's joint annuitant, if he or she has one. KPERS accepts photocopied documents of birth and name change as long as they are not altered. If a member is unable to locate the necessary documents, he or she should contact the KPERS office for alternatives. KPERS will accept faxed documents. Death certificates and court documents must be certified.
- M. KPERS retirement benefit calculations:

KPERS 1

Retirement benefits are calculated using the following formula:

Final average salary x statutory multiplier x years of service = annual benefit

For Example: $\$30,000 \times 1.75\% \times 30 = \$15,750$ annual benefit

Statutory Multiplier

- 1.75 percent for participating years of service (years you work for an employer in a covered position prior to January 1, 2014).
- 1.85 percent for participating years of service earned January 1, 2014, and after, with an increase in member contributions.

KPERS 2

Retirement benefits are calculated using the following formula:

Final average salary x statutory multiplier x years of service = annual benefit

For Example: $\$30,000 \times 1.85\% \times 30 = \$15,750$ annual benefit

Statutory Multiplier

- 1.85 percent for participating years of service (years you work for an employer in a covered position)

KPERS 3

There are two parts to the KPERS 3 cash balance plan - your contribution account and your retirement credits. While you make contributions, you also earn retirement credits quarterly based on how many years of service you have and a percent of your pay. Retirement credits are only available at retirement.

How you earn retirement credit:

Each quarter you earn retirement credits based on your pay.

Years You've Worked	Annual Credit Rate
< 5 years	3% of your pay
5 – 11 years	4% of your pay
12 – 23 years	5% of your pay
24 + years	6% of your pay

Example:

Joe has worked for the city for three years and makes \$32,000. This year and next year, he'll receive retirement credits from KPERS worth 3% of his pay. Once he has worked for the city for five years, his percentage will increase to 4%.

$\$32,000 \times 3\% = \960 annually

Quarter 1: \$240

Quarter 2: \$240

Quarter 3: \$240

Quarter 4: \$240

Total retirement credits for the year: \$960

Credits show as dollars. But that amount is not literally deposited into your account. Although, they do earn interest quarterly like your contributions.

- N. Members who are retired will receive a monthly retirement benefit for the rest of his or her life. In addition, KPERS has retirement payment options that add financial flexibility.
- O. A member must wait 60 days after his or her retirement date to go back to work for any Retirement System employer. The retirement date is not the last day he or she worked, it is the first day of the month following the last day at work. Returning to work after retirement may affect the member's retirement benefits. If the retiree works for a non-Retirement System employer, there are no restrictions. If the retiree chooses to work for a KPERS affiliated employer, some rules apply and the retiree should contact KPERS to understand if his or her benefits will be impacted.
- P. Employees must contact the Sedgwick County Division of Human Resources to complete KPERS forms. For information, employees may contact KPERS. KPERS Offices are open Monday through Friday, 8:00 a.m. – 5:00 p.m. and may be contacted by calling 1-785-296-6166, or by calling KPERS "InfoLine" a toll-free customer service call center from 8:00 am. – 4:00 p.m. at 1-888-275-5737. KPERS may also be contacted by the website: www.kpers.org, e-mail: kpers@kpers.org, mail: 611 S. Kansas Ave, Suite 100, Topeka, Ks 66603
- Q. Employees who meet eligibility requirements under Kansas Public Employees Retirement System (KPERS) or Kansas Police & Firemen's Retirement System (KP&F) and start receiving a monthly benefit the month following their separation date from Sedgwick County.