

Deferred Retirement Option Program

Joint Committee on Pensions, Investments and Benefits

Jarod Waltner,
Planning and Research Officer

Phone: 785-296-5949

jwaltner@kpers.org

November 20, 2024



Covering Today

DROP Overview

DROP Eligibility

DROP Example

Entering DROP

Leaving DROP

DROP Today

DROP Trends



DROP Overview

Allows Kansas Police & Fire members to accumulate retirement benefits while actively employed.

- Intended to be cost-neutral to the System

Created by 2015 Legislature

- Initially Kansas Highway Patrol only
- Kansas Bureau of Investigation added in 2019
- All KP&F members in 2023

Duration of 3, 4 or 5 years

- If initially less than 5 years, may extend

Sunsets January 1, 2031



DROP Eligibility

Eligible at *normal* retirement age

Normal retirement for KP&F Tier II members:

- Age 50 with 25 years of service
- Age 55 with 20 years of service
- Age 60 with 15 years of service

Employer approves participation and term (3, 4 or 5 years)

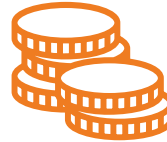
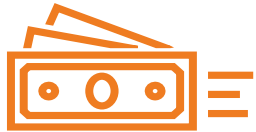


DROP Example

Age 50 with 25 years of service
 Final Average Salary = \$100,000
 Annual Retirement Benefit = \$62,500

Career Year 23 Salary = \$ 90,000
 Career Year 24 Salary = \$100,000
 Career Year 25 Salary = \$110,000

A
N
N
U
A
L
L
Y



\$62,500
 Notional DROP Account

\$1,875
 Notional Interest

\$110,000
 Salary Amount

5
Y
E
A
R
D
R
O
P



\$312,500
 Notional DROP Account

\$15,283
 Notional Interest ^(a)

\$550,000
 Salary Amount

NOTE: For illustration purposes, assumes DROP (1) began January 1, and (2) 3% interest credited for 3 of 5 years only. Assumes salary remains static at \$110,000 annually.



Entering DROP

Retirement benefits calculated at DROP date

- Survivor payment options available
- Partial lump-sum options *not* available

Monthly accruals in notional DROP account

- Annual interest of 3% added when System's actual rate of return is 7% or higher

Continue to work and receive salary and benefits

- DROP participation does not guarantee continued employment
- Do not earn service credit

KP&F contributions continue

- Members = 7.15%
- Local employers = 23.10% for calendar year 2024
- State agencies = 23.18% for fiscal year 2025



Leaving DROP

Benefits re-calculated if eligible to include leave payouts in final average salary

- Membership dates before July 1, 1993

Notional accounts distributed when leaving employment

- Paid directly to member
- Roll over to another qualified plan

Begin receiving monthly retirement payments

Special situations

- No interest payable if leaving before completion of 3 years
- If employment continues beyond DROP, no additional interest credited, DROP account not distributed, and retirement benefits do not start




DROP Today (as of September 30, 2024)

139
DROp Members



DROp Duration

3 Years	30%
4 Years	4%
5 Years	66%

 **\$848,000**
Monthly Deferrals to Notional Accounts

\$2,000 to \$11,000
Range of Monthly Deferrals



25
Employers



51
DROp accounts paid out

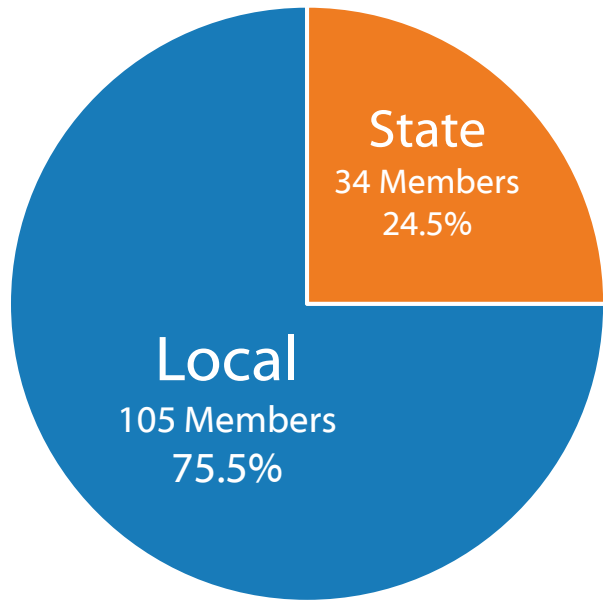
\$9 million
distributed

\$7,000 to \$460,000
Range of distributions

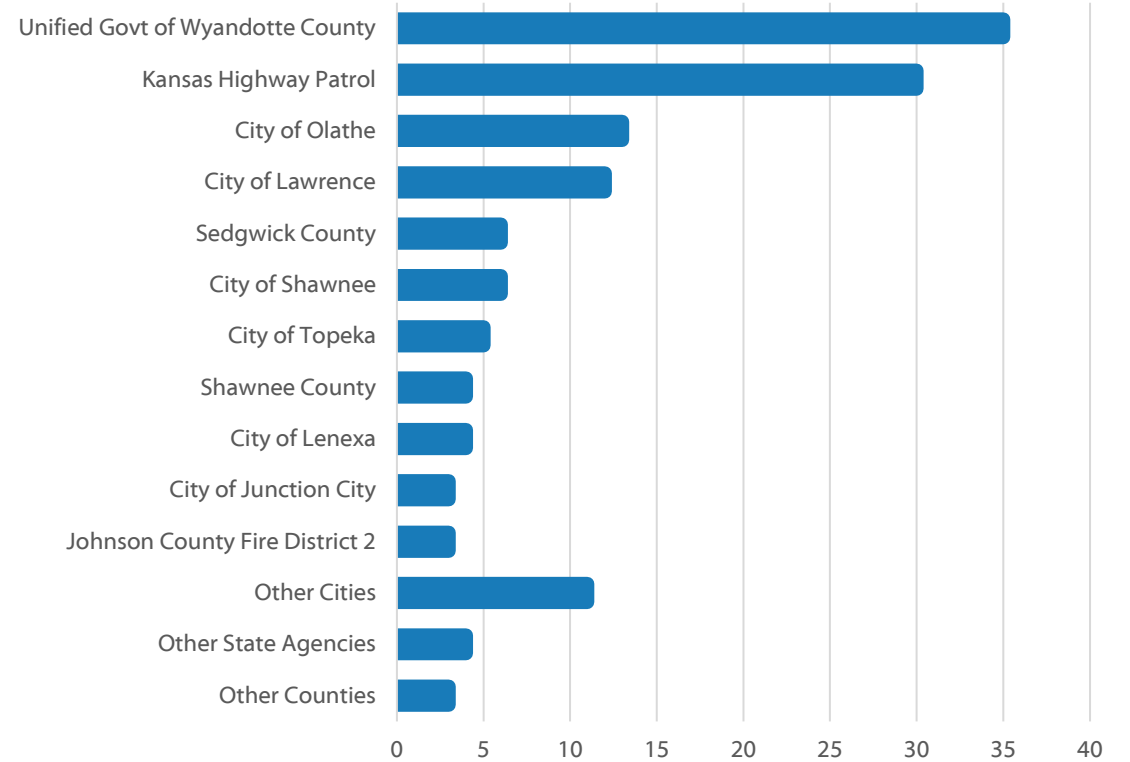


DROP Members

Current DROP Members
Deferrals as of September 30, 2024



DROP Members by Employer



DROP Members as of 9-30-2024



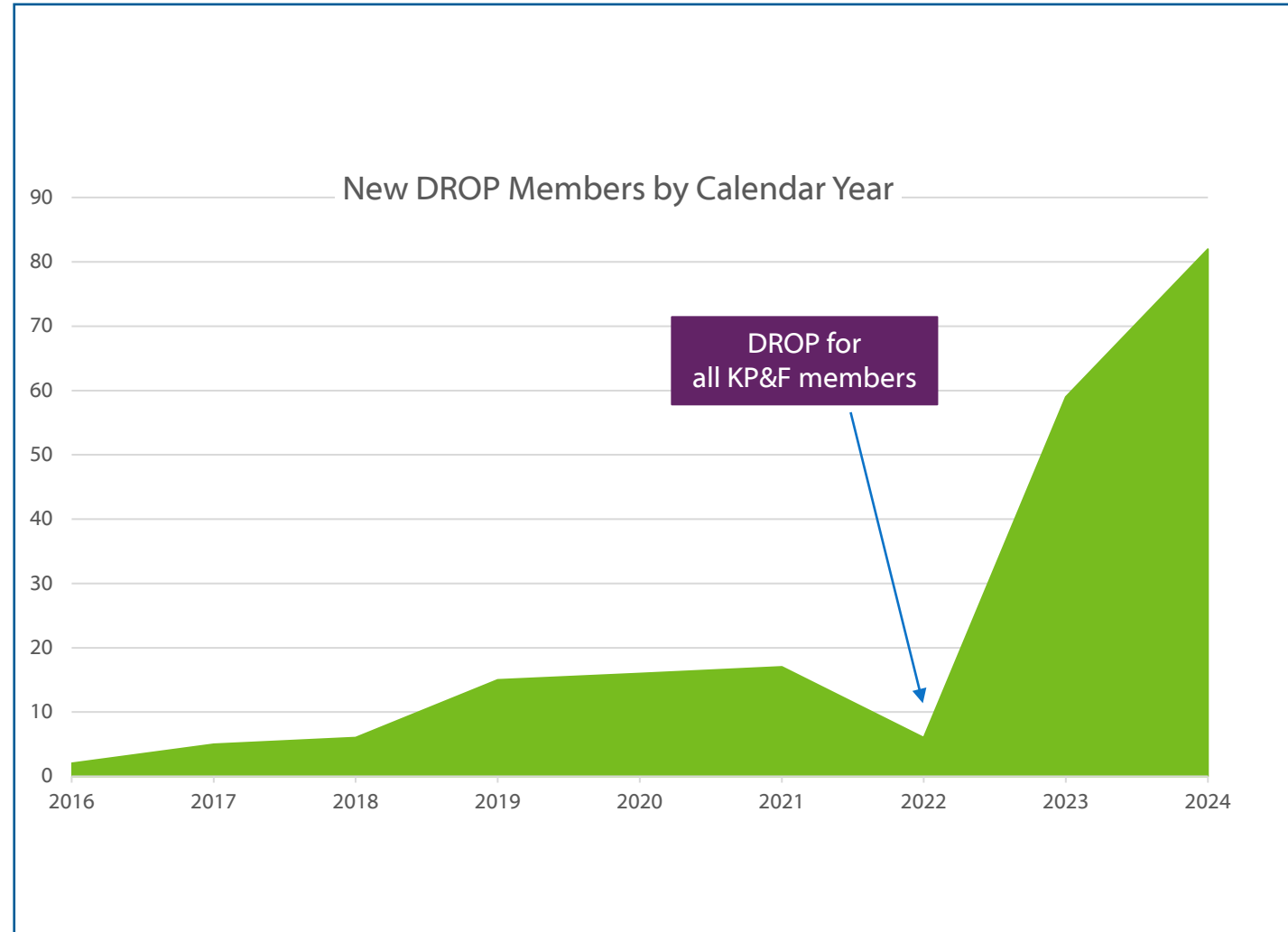
New DROP Members

Participation nearly doubled when all KP&F members became eligible in 2023:

- 67 applications before expansion (all years)
- 59 applications in calendar year 2023 after expansion

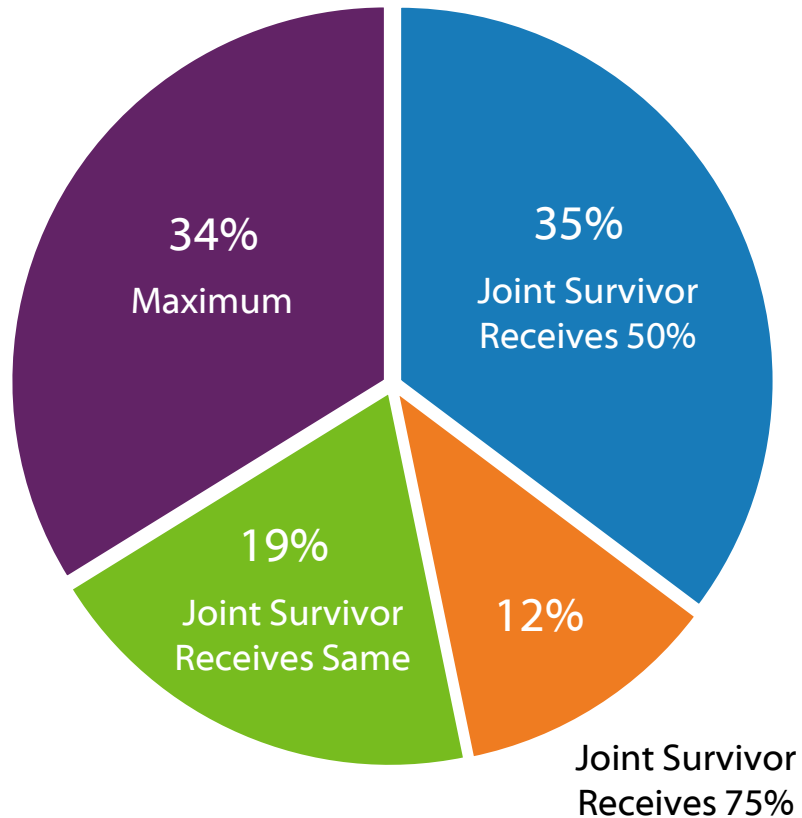
For calendar year 2024:

- 65 applications through September 30
- 12 applications in October



DROP Retirement Options

Active DROP Accounts by Retirement Option



As of September 30, 2024

Retirement option selection when entering DROP is irrevocable.

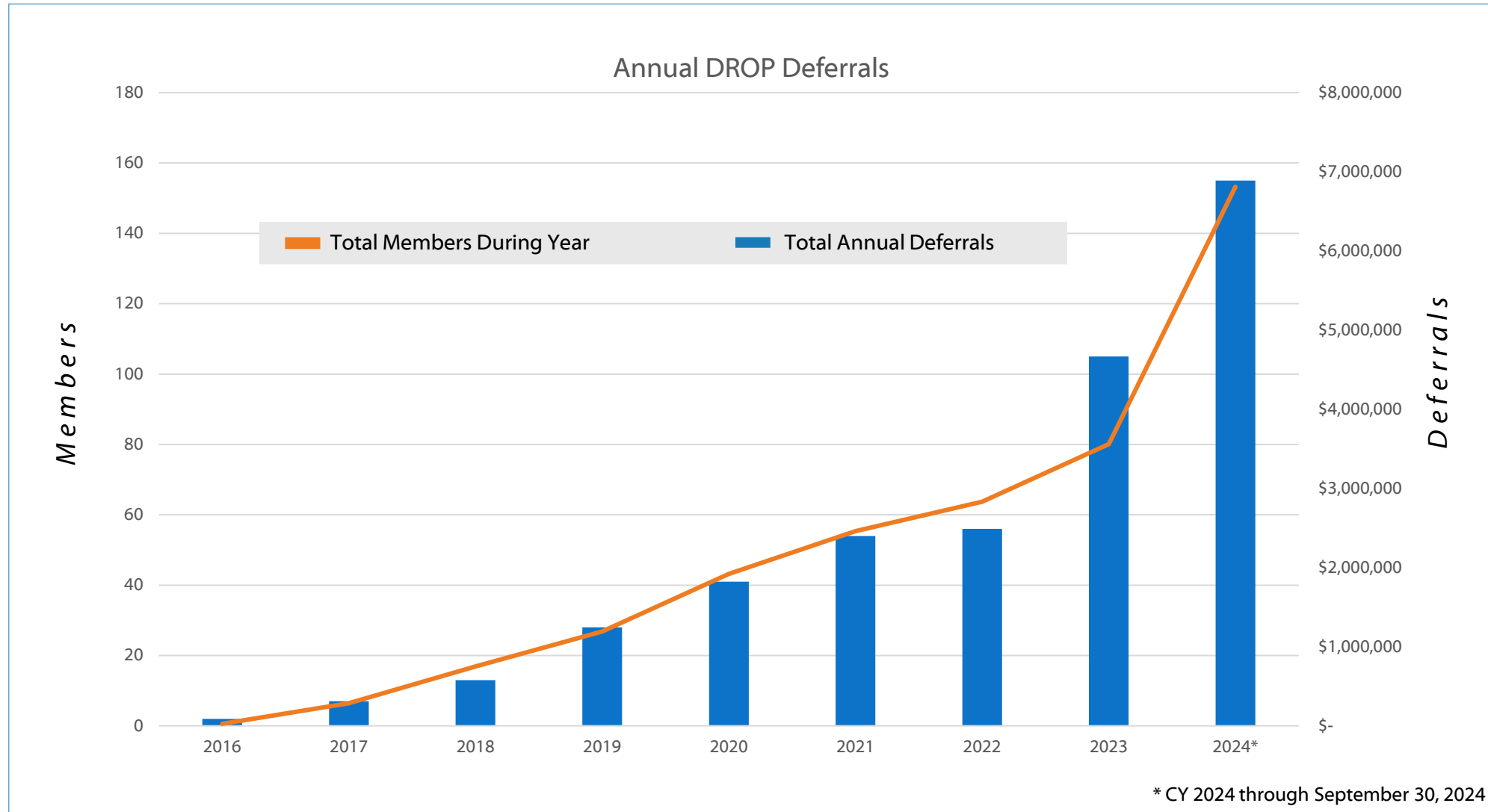
Nearly two-thirds of active DROP members select a survivor payment option:

- 19% leave 100% of their benefit amount to survivor
- 12% leave 75% of their benefit amount to survivor
- 35% leave 50% of their benefit amount to survivor

Remaining 34% of DROP members elect to receive the maximum monthly amount (no survivor benefits).



DROP Deferrals



Key Takeaways

DROP allows KP&F members to continue to work and earn salary while building a lump-sum account for retirement.

Retirement option selection at beginning of DROP is irrevocable.

Participation has increased significantly since DROP was extended to all eligible KP&F members and employers in 2023.

