



## FAQs about Your Retirement System

### **What are the advantages of being a member of KC Public School Retirement System?**

As a member of the KC Public School Retirement System (KCPSRS), you enjoy knowing that once you have earned five years of service with KCPSRS, you are vested and can receive lifetime retirement benefits when eligible. In most cases, the retirement benefits paid to KCPSRS retirees greatly exceed the funds they contribute to the System while working.

### **I've heard this retirement plan is a "pretax savings plan". How does that benefit me?**

Your 9% contribution comes out of your paycheck before taxes are taken out. Therefore, your taxable income is reduced in the years in which you contribute to the plan.

### **What does "vesting" mean?**

Vesting relates to entitlement of benefits. Once you acquire 5 years of creditable service, you will be "vested" in the retirement plan. That means you have a right to a monthly benefit under this plan when all other qualifying retirement requirements (age and service credits) are met.

### **How do I find out my total contributions and accumulated interest?**

You can look at [MY ACCOUNT](#) on the [KCPSRS website \(www.kcpsrs.org\)](http://www.kcpsrs.org) or contact the Retirement Office (816-472-5800).

### **I've heard my employer contributes to the retirement system. Why don't I see that money in my account?**

The employer does make contributions to the retirement system as required by Missouri Statutes. The employer's contributions are not part of an individual members' accounts. Employer contributions go into a general fund at the retirement system used to help fund lifetime benefits for members who retire from the retirement system.

### **How is a defined benefit or retirement plan like KCPSRS different than a 401(k) or 403(b) or IRA?**

KCPSRS is a defined benefit plan. By Missouri law, participation is a condition of employment for all regular full-time employees of the Kansas City School District (KCMSD), the charter schools within the boundaries of KCMSD, the Kansas City Public Library and your benefits are calculated using a formula set by law. The amount of money in your individual KCPSRS account when you retire does not impact the amount of benefit you receive for the rest of your lifetime. Unlike defined contribution (DC), or retirement plans such as 401(k), 403(b), or Individual Retirement Account (IRA) plans, you don't have to

make investment decisions regarding your funds. Investment decisions are handled by KCPSRS board and their professional investment consultants.

A defined benefit (DB) plan uses a definite formula by which individual benefits are calculated. In other words, the "benefit" formula is "defined". As a member of a KCPSRS (a DB plan) you will be entitled to a lifetime monthly retirement benefit once you meet the eligibility requirements for retirement. The benefit does not change or drop when the stock market falters. A DB plan sponsor assumes responsibility for investment risk. Generally, DB Plans have a wider range of investment options than are available to individual DC plan investors and are professionally managed at a much lower cost than an individual may pay for an investment account.

In contrast, in a defined contribution (DC) Plan, the benefit is determined by how well the individual invests the account and the financial market conditions at and during retirement. The individual bears the investment risk and poor investment choices can result in inadequate retirement savings. With a DC plan, individuals may outlive the funds available to them during retirement.

Many people believe that a good retirement plan is having both a DB plan and a DC plan to provide a guaranteed lifetime benefit (the DB plan) and a supplemental income when needed or for a limited time-period (the DC plan).

### **Can I withdraw money from my retirement account while I am still employed by an employer covered by the retirement system?**

Since membership in the Plan is a condition of employment, a withdrawal is only available if your employment has ended and you have had a 60 consecutive calendar day and a 15 consecutive work day "break in service" since your employment ended. You may then request a refund of contributions and earned interest. Loans and hardship distributions are not available with this type of retirement plan.

### **I'm an active employee contributing to the retirement system. What happens to my account if I die?**

If you die before retiring, your designated KCPSRS beneficiary is due to receive funds from the Retirement System. At a minimum, your beneficiary (or beneficiaries) is (are) entitled to receive your contribution amount and any interest accumulated as a lump sum payout at your death. If your primary beneficiary for the plan is a surviving spouse, a dependent child under age 19, or a dependent parent, the primary beneficiary is entitled to receive a monthly retirement allowance.

YOU are responsible for keeping your beneficiary information up-to-date and on file with the Retirement System. You can update your beneficiary via [MY ACCOUNT](#) on the [KCPSRS website \(www.kcpsrs.org\)](#) or your employer will have KCPSRS beneficiary forms for you to complete and submit to the Retirement Office or contact the Retirement Office at 816-472-5800 for assistance.

### **If I terminate employment and satisfy the 60 consecutive calendar day and the 15 consecutive work day "break in service" rule, what are my options for withdrawing the funds from my retirement account?**

A member can opt for:

- a lump sum payout
- a rollover of the funds from their KCPSRS account to another "qualified" retirement account
- a combination lump sum and rollover

Lump sum payouts are considered taxable income and are subject to an immediate 20% deduction for federal withholding tax. In addition, if you are under the age of 59 ½ the IRS will generally assess an additional 10% early withdrawal penalty when you file your year-end tax return. This penalty may not apply if you are 55 years old or older in the year in which your employment ends with the employer covered by this retirement system. Please contact a tax advisor to see if the 10% early withdrawal penalty will apply to you.

A rollover to a pre-tax "qualified" retirement account is generally not subject to the 20% federal income tax withholding or the 10% early withdrawal penalty. By rolling over the money to a pre-tax "qualified" retirement account you are deferring the payment of taxes and penalty (if applicable) on this money until it is distributed to you.

### **I just turned in my paperwork for a withdrawal/refund of my contributions account but I haven't received the payment yet. Where is it?**

Your refund check will be processed and mailed on the 15<sup>th</sup> of the month. Please allow your postal carrier time to deliver it to you. We cannot reissue a check unless seven (7) days have passed from the original mailing date. A stop-payment fee may apply.

### **How are my retirement benefits calculated?**

The various types of benefit calculations can be found on [KCPSRS website \(www.kcpsrs.org\)](http://www.kcpsrs.org) in the ACTIVE MEMBERS tab. The standard retirement benefit calculation is equal to

- your average annual compensation (your four highest consecutive years of service) multiplied by
- a benefit factor (2% if you were hired prior to 1/1/14, Plan B members, OR 1.75% if hired on or after 1/1/14, Plan C members.) multiplied by
- your number years of creditable service years.

This calculation provides the annual standard retirement benefit amount. Divide it by 12 to determine your monthly benefit. At retirement you may choose from one of four payment options. Choosing a survivor option will result in a decreased amount, however guarantees a continued lifetime benefit to your survivor should you pass away.

### **I want to retire at the end of the school year, but I'm planning to work summer school. How does that work?**

You must have at least a 15-working day break between your employment termination date and the beginning of your part-time or summer school assignment. Summer school work counts toward the 600 hour and salary limits. You must include summer school hours in your tracking of hours worked.

### **I just retired and am anticipating my first benefit check but I haven't received it in my checking account or my mailbox. Where is it?**

Your first benefit check will be mailed to you at the end of the month in which you retired. For example: if you retired June 1, your first check will be mailed at the end of June. We cannot reissue paper checks unless seven (7) days have passed from the original mailing date. A stop-payment fee may apply.

After the first benefit check, your benefit will be direct deposited to the account you provided to us on the last business day of every month. If you are not signed up for direct deposit, let us help you sign up. The direct deposit form can be found on the website.

### **What if I want to work after I retire?**

If you wish to work anywhere other than the KCMO School District, the Charter Schools, the Public Library or the Retirement Office, you may work as much as you desire and it will NOT affect your retirement benefits.

#### **Returning to Work in any of the KCPSRS-covered employers (listed above):**

##### **Full-time, Reemployment**

If you work in a full-time equivalent job for a KCPSRS-covered employer, you are required to notify the Retirement Office prior to the month reemployment begins so your monthly retirement benefit can be discontinued to avoid having you owe KCPSRS for overpayments.

##### **Part-time, Temporary or Long-term Substitute**

You may work part-time, temporary or long-term substitute and continue to receive your monthly benefits, if you have at least a 15-working day break between your employment termination date and the beginning of your part-time work assignment AND stay within limits on hours and salary.

##### **Yearly Limitations on Hours and Salary**

- You cannot work more than 600 hours part-time, temporary-substitute each school year. *School year is considered a 12-month period (July 1 – June 30). Hours worked during summer school count toward this limit.*
- You cannot earn more than 50% of the annual salary you were last paid by the employer before your retirement.