



# Deferred Retirement Option Program

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# Covering Today

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# What is a Deferred Retirement Option Program

- A Deferred Retirement Option Plan (DROP) is a plan design feature where a member initiates the calculation of a retirement benefit, but opts to defer actual receipt of the benefit for a specified period.
- During this DROP period, the member continues working
- The member's benefit is credited to a notional account during the DROP period.
- At the end of the DROP period, the member receives a lump sum payment of the DROP account balance.



# History of the Deferred Retirement Option Program

- The 2015 Legislature passed a pilot deferred retirement option program (DROP) for KP&F members starting January 1, 2016.
  - The DROP only applied to troopers, examiners or officers of the Kansas Highway Patrol.
  - The DROP was given a sunset date of January 1, 2020.
- The 2019 Legislature amended the law to extend the sunset to January 1, 2025.
  - The DROP was expanded to include agents of the Kansas Bureau of Investigation as eligible participants.



# Deferred Retirement Option Program Provisions

- Entering the DROP means a member's retirement benefit is established and begins accumulating and earning interest in a DROP account while the member continues to work.
- A member can enter the DROP plan when eligible for normal (unreduced) retirement.
  - Tier 1 members: 55 years old with 20 years of service
  - Tier 2 members: 50 years old with 25 years of service  
55 years old with 20 years of service  
60 years old with 15 years of service
- The member elects to continue working for 3-5 year DROP period



# Deferred Retirement Option Program Provisions

- Member and employer continue making contributions to KPERS during the DROP period but those contributions are not added to the DROP account.
- No additional benefits are earned by the member upon entering DROP.
- At the end of the DROP period, the member receives a lump sum of the accumulated balance in the DROP account, which includes the accrued benefit payment and interest.



# Deferred Retirement Option Program Experience

- Participation in the DROP is limited to less than 600 of the 7,700 KP&F member.
  - Kansas Highway Patrol has about 500 KP&F members.
  - Kansas Bureau of Investigation has about 80 KP&F members.
- Only a small percentage (approximately 9%) of active KP&F members are eligible for DROP.
- Participation was slow in the early years of the new DROP.
- Today, there are 25 members enrolled in the DROP.
  - 22 Kansas Highway Patrol members.
  - 3 Kansas Bureau of Investigation members.
- 2 members have completed their DROP period and received their lump sum payment.



# Deferred Retirement Option Program Experience

- DROP participation has been increasing.
  - In September 2018, there were only 13 DROP members.
- The current window (sunset on January 1, 2025) will provide much more insight into how many members we would expect to enter DROP.
- If the DROP is ever extended to additional employers, KPERS would need to make information technology updates and hire additional staff to effectively administer the DROP.

