

# Leaving Employment and Your Retirement System Benefits

If you're leaving Retirement System-covered employment, you probably have questions about what will happen to your benefits.

If you don't withdraw your contributions, you will become an inactive member. Inactive members don't make contributions or earn service credit, but we'll continue to send you an annual statement for your financial planning.

## Life Insurance

Generally, your basic life insurance and any optional coverage ends when you leave or move to a position not covered by KPERS.\* However, you can continue some or all of your current coverage on your own. You have until 31 days after you end employment to decide and submit your form.

You have two options.

1. Individual whole life insurance
2. Portable group term life insurance

The Minnesota Life Conversion and Portability Election forms explain the benefits and costs for each option. You can get the Minnesota Life forms from your designated agent or download them at [www.kpers.org](http://www.kpers.org).

*\*Note: KP&F members do not have basic life insurance coverage. KPERS members moving to a Board of Regents position keep their life insurance coverage.*

## Guaranteeing Your Benefit

When you are "vested," it means you have earned enough service credit to guarantee a retirement benefit, even if you leave covered employment.

- KPERS members vest their benefit with five years of service.
- KP&F members vest their benefit with 15 years (Tier II members) or 20 years (Tier I members).

Your vested status is an important consideration when deciding whether to withdraw your contributions.

## If You Are Vested

You are **guaranteed** a monthly retirement benefit for the rest of your life if you leave your contributions in your account. Often, if you have a significant amount of service, your vested benefit is more valuable than the amount of your actual contributions. You can apply for retirement benefits when you become eligible. Your contributions will continue to earn interest and you can withdraw them at any time if you change your mind.



## Important Points to Consider Now

- Life insurance coverage can be continued within 31 days of ending employment.
- If you're vested, you are guaranteed a retirement benefit.
- If you're not vested, you need to withdraw within five years.
- You can withdraw after 31 days.
- If you withdraw, a direct roll-over is the best way to avoid federal taxes and penalties.
- In certain situations, you are still considered employed and withdrawing may not be an option.
- The Retirement System does not have member contact information. Please complete and return the address form on page 2.
- If you are over age 70, you may have minimum distribution requirements.



### If You Are Not Vested

You are **not guaranteed** a retirement benefit. You need to withdraw your account balance within five years of the date you end employment. After five years, your contributions stop earning interest and you forfeit your service credit. If you are a KPERS 1 member and reach age 65 within the five-year period, you may apply for retirement benefits.

If you don't withdraw or retire and you return to employment within five years, you'll keep the credit for your past public service. You will return as a KPERS 2 member if you come back in 2014 or a KPERS 3 member in 2015 and after.

### Keep Your Address Up-to-Date

While you are working, the Retirement System sends important information to you through your employer. When you leave employment, we need to send information directly to you. Please complete the address form.

### Keep Your Beneficiary Current

It's important to keep your beneficiary designation up-to-date, even though you're inactive. Your beneficiary will receive your accumulated contributions and interest, or your spouse can receive a monthly benefit if you meet the criteria.

### Withdrawing Your Contributions

You can apply to withdraw your contributions anytime 31 days after you end employment. If you withdraw, you will give up all Retirement System rights, benefits and service credit. Employer contributions made on your behalf stay with the Retirement System.

You can receive your contributions as a direct payment to you or roll over the amount into an eligible retirement plan. The decision to withdraw could affect your financial future, especially if you have many years of public service and accumulated contributions. Seek professional tax advice before withdrawing.

### Special Situations

Under certain situations, you are still considered employed and cannot withdraw. If any of these situations apply to you, your designated agent can best explain your options.

- Leave of absence
- Military service
- Move to a position not covered by KPERS with same employer

### The Withdrawal Process

1. Download an Application for Withdrawal of Contributions form (KPERS-13) at [www.kpers.org](http://www.kpers.org) or get one from your designated agent.
2. Your designated agent completes the employer part of the form if you recently left employment.
3. Once we receive your completed application, please allow four weeks for payment.
4. KPERS will send you a 1099-R tax form the following January for your income tax return.

### Options for Withdrawing

#### Option 1

Roll your contributions over into an eligible retirement plan. This allows you to defer paying taxes until later.

### Plans That Can Accept Rollovers

- 457(b) deferred comp plan
- 403(b) tax-sheltered annuity
- 401(k) plan
- Traditional or Roth IRA

#### Option 2

Have your contributions paid directly to you. You will owe federal taxes and possibly a 10 percent federal penalty.

### Reasons to Roll Over

- Avoid paying taxes right away so your money can grow tax-deferred.
- Avoid paying costly penalties for early distribution.
- Resist the temptation to use the money for something other than your retirement savings.

## KPERS Address Notification Form

■ **Contact Us** – toll free: 1-888-275-5737 • phone: 785-296-6166 • fax: 785-296-6638 • e-mail: [kpers@kpers.org](mailto:kpers@kpers.org) • web site: [www.kpers.org](http://www.kpers.org) • mail: 611 S. Kansas Ave., Suite 100, Topeka, KS 66603

■ **Important** – Please return this form to the Retirement System when you leave employment and let us know anytime your address changes.

1. Name (First, MI, Last): \_\_\_\_\_
2. Social Security Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_
3. Telephone Number: (\_\_\_\_) \_\_\_\_\_
4. New Mailing Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_
5. Old Mailing Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_