

# Understanding the Partial Lump Sum Option (PLSO)

Effective January 1, 2024

## About the Partial Lump Sum Option

House Bill 506 (2023 Regular Session) established a PLSO, with and without survivor rights, as a payment option. Effective January 1, 2024, members may choose this payment option which includes a one-time lump-sum payment and a monthly payment.

## Tax Notice

The one-time lump-sum payment is an eligible rollover distribution subject to special federal tax rules. Members may wish to contact a qualified tax advisor prior to selecting this payment option, which may be subject to additional tax penalties. Please see the [Special Tax Notice](#) for additional information.

## Partial Lump Sum Option without Survivor Rights

This option provides a one-time payment equal to 12, 24, 36, 48, or 60 times the monthly benefit under the Basic or Annuity payment option, plus a monthly payment to the retired member until death. The monthly payment is actuarially reduced to reflect the lump-sum payment amount. This lump-sum is paid separately by check and mailed; however, the monthly benefit payment is direct deposit.\*

**Survivor Benefits:** This option does not provide any benefits to the beneficiary after the member's death. If the member dies before receiving an amount equal to their accumulated account balance, the beneficiary will receive the remaining balance in one payment.

**Insurance Coverage:** The beneficiary is not eligible for monthly benefits and cannot participate in the insurance program.

## Partial Lump Sum Option with Survivor Rights

This option provides a one-time payment equal to 12, 24, 36, 48, or 60 times the monthly benefit under the Survivorship 100% Option, plus a monthly payment to the retired member until death. The monthly payment is actuarially reduced to reflect the lump-sum payment amount. This lump-sum is paid separately by check and mailed; however, the monthly benefit payment is direct deposit.\*

**Survivor Benefits:** If the member dies before the beneficiary, the beneficiary is eligible for the same monthly benefit.

**Insurance Coverage:** The beneficiary is eligible for monthly benefits and may participate in the insurance program if eligible.

\*In most cases the initial monthly benefit will be direct deposit; however, depending on when your direct deposit information is submitted to KPPA, it may be paid by check. If this happens, direct deposit will begin the following month. This applies regardless of what payment option you select at retirement. [Learn more](#)

## Frequently Asked Questions

**Q** I'm not sure if I want to choose the PLSO, how can I obtain a benefit estimate so I can make a decision?

**A** The most convenient way to get benefit estimates for various retirement dates is using Member Self Service at [MyRetirement.ky.gov](https://myretirement.ky.gov). You may also call our office to request estimates. KPPA offers virtual, phone and in-office appointments with priority given to members who are within two years of retirement eligibility.

**Q** When will I receive my lump-sum payment?

**A** The lump-sum payment will be processed two to three weeks after your effective retirement date if you submit the following valid forms to KPPA:

- Form 6010, [Payment Option Selection](#)
- Form 6025, [Direct Rollover/Direct Payment Election Form for an Eligible Rollover Distribution](#)

**Q** How will I receive my lump-sum payment?

**A** If you choose to receive a direct payment, the lump-sum is paid separately by check and mailed; however, the monthly benefit payment is direct deposit. Due to deadlines required to establish a direct deposit, your initial monthly payment may be paid by check and mailed.

If you elect a direct rollover, a check will be issued in accordance with the information you provide on Form 6025.

**Q** What type of plan may be used if I elect a direct rollover?

- A**
- Traditional Individual Retirement Account/Annuity
  - Roth Individual Retirement Account/Annuity
  - 401(a) Qualified Plan, 403(a) Qualified Annuity, 403(b) Annuity Contract, or 457(b) Governmental Plan
  - SIMPLE IRA that has been established for at least two years

**Q** Will my payment be taxed?

**A** Your payment will be taxed if you elect a direct payment. KPPA automatically withholds 20%. If you want to increase the withholding rate, submit a valid Form 6028 [Withholding Certificate for Nonperiodic Payments and Eligible Rollover Distributions](#). Please note you cannot withhold less than the default rate of 20%.

Your payment will not be taxed by KPPA if you elect a direct rollover.

**Q** If I have access to Kentucky Deferred Comp through my employer, can the lump-sum payment be rolled over to that account?

**A** Yes. You may utilize your Kentucky Deferred Comp (KDC) account. Rollover must be made by trustee-to-trustee direct rollover to your KDC account. KDC will not accept 60-day indirect rollovers or any after-tax portion of your PLSO. For rollover to KDC, use [KDC's PLSO form](#). Please [contact KDC directly](#) with any questions.



This guide is intended to provide general information. The one-time payment included with this option is an eligible rollover distribution subject to special federal tax rules. Members may wish to contact a qualified tax advisor prior to selecting this payment option, which may be subject to additional tax penalties. Please see the [Special Tax Notice](#) for additional information.

**Q** Can I use the lump-sum payment to buy service credit with KPPA?

**A** No. You cannot purchase service credit with the lump sum payment.

**Q** If I elect a direct rollover (i.e. Kentucky Deferred Comp), may I then use that money to pay for a service purchase?

**A** No. Service purchases must be made prior to retiring. Since the PLSO is a retirement benefit, and the lump-sum is paid after retirement, it cannot be used to purchase service credit.

**Q** What does actuarially reduced mean?

**A** A reduction applied to your retirement benefit to offset any extra costs resulting from the payment option selected.

**Q** How is the actuarial reduction calculated?

**A** The amount of the reduction is determined using factors which account for:

- Service type (hazardous or nonhazardous),
- The member's age when electing this payment option, and
- The beneficiary's age if the member elects the PLSO with survivor rights.

**Q** How long will it take to recoup the amount of the actuarial reduction under the PLSO?

**A** Please refer to information provided with your benefit estimate. Your estimate:

- Includes a comparison of the PLSO monthly benefit to the Basic/Annuity monthly benefit.
- Shows how much longer you would have to work in order to select the PLSO and receive a monthly benefit that is comparable to the Basic or Annuity monthly benefit.



## Retirement Resources



Participation Date  
Prior to 9/1/2008



Participation Date  
9/1/2008 - 12/31/2013



Participation Date  
1/1/2014 and after

KPPA offers extensive online resources through our website at [kyret.ky.gov](http://kyret.ky.gov) and Self Service at [MyRetirement.ky.gov](http://MyRetirement.ky.gov). All members are encouraged to take advantage of Self Service which provides 24/7 access to your retirement account.

- Visit the [Ready to Retire](#) section of our website to learn more about planning for retirement.
- [Register for a webinar or watch recorded webinars](#) on a variety of topics.
- Our [Summary Plan Description](#) provides comprehensive information about retirement and insurance benefits.
- The [Retiree Handbook](#) highlights important retirement deadlines and explains what you can expect after you retire from CERS, KERS or SPRS.
- The [Reemployment after Retirement Handbook](#) details the legal requirements for reemploying after you retire.

If you have any questions about the material in this publication please contact KPPA at 1-800-928-4646. This publication is intended merely as a general information reference for members of CERS, KERS and SPRS. If you have any specific questions about the subjects covered above, you should contact the retirement office. This publication is not intended as a substitute for applicable Federal or state law, nor will its interpretation prevail should a conflict arise between its contents and applicable Federal or state law. Before making decisions about your retirement, you should contact KPPA. Any person who knowingly makes a false record or statement to KPPA may be required to pay civil penalties, and legal costs and fees, in addition to repaying all benefits received.