

**Cottonwood, Inc.
Policies and Procedures**

SECTION: Personnel

POLICY NO: 03-048

SUBJECT: Kansas Public Employees Retirement System (KPERS)

EFFECTIVE DATE: January 2020

Policy:

KPERS is a mandatory retirement plan provided by Cottonwood, Inc. to eligible, regular full-time and part-time employees.

Procedures:

1. ENROLLMENT

- 1.1 All covered employees will be enrolled in KPERS as of their hire date or transfer date into a KPERS covered position. As of January 1, 2020, eligible employees hired into a Direct Support Professional (DSP) Trainee position will defer KPERS membership for two years. (See Section 2 for further information)
- 1.2 A KPERS covered position is a position:
 - where an employee has at minimum 1,000 hours of paid work per year “scheduled or worked”.
 - that is not temporary or seasonal.
- 1.3 An employee hired into a non-covered position might later be in a covered position due to an increase in hours. At the time of transfer into a covered position, the employee will be enrolled into KPERS.
- 1.4 For employees coming from another KPERS covered employer, membership will transfer upon date of hire.
- 1.5 Each year, Finance and Human Resources will perform a lookback of the prior year to determine if ineligible staff have exceeded the 1,000-hour threshold. If found eligible, HR will notify the employee and will enroll the employee in KPERS, effective January 1 of the current year.

2. DSP TRAINEE DEFERMENT

- 2.1 As of January 1, 2020, Cottonwood, Inc. will implement a two-year deferment of KPERS enrollment for all employees who are employed in DSP Trainee

positions. This deferment includes both retirement and death and disability benefits with KPERS.

- 2.2 Any employee hired into a DSP Trainee position, and whose hire date is on January 1, 2020 or after, will have their enrollment into KPERS deferred for two years. On the first day of the pay period coinciding with or following the completion of their two-year waiting period, employees in a DSP Trainee position will be enrolled into KPERS, given that they are in a KPERS covered position.
- 2.3 Positions that are included in the DSP Trainee deferment are those who work directly with persons served in a support capacity. A complete list of DSP Trainee positions can be found in Human Resources.
- 2.4 Employees whose original hire date is on January 1, 2020 or after, and are active or vested KPERS members at their time of hire with Cottonwood, Inc. will not be eligible to participate in the DSP Trainee deferment. For purposes of this policy, an active KPERS member is someone who is currently contributing to KPERS or has been terminated from their previous KPERS contributing position for less than 31 days.
- 2.5 A previous employee that is rehired into a DSP Trainee position on January 1, 2020 or after, and is not a vested or active KPERS member, will have their eligibility for deferment handled based on the following:
 - Any previous time worked for Cottonwood, Inc. in a DSP Trainee position on January 1, 2020 or after will be deducted from the employee's two-year deferment.
 - Any previous time worked for Cottonwood, Inc. in a DSP Trainee position prior to January 1, 2020 will not be counted towards the employee's two-year deferment.
- 2.6 A KPERS retiree hired into a DSP Trainee position will be eligible for the two-year deferment. At the date of their two-year anniversary, they will be classified as "Working After Retirement" (see 3.2 and section 4). A KPERS retiree that previously worked for Cottonwood, Inc., will be handled like all other re-hires. (see 2.5)
- 2.7 Employees originally eligible for the DSP Trainee deferment at hire, who (prior to their two-year anniversary) transfer to a position that is no longer eligible for deferment and is a KPERS covered position, will be enrolled into KPERS as of the date of their transfer. These employees will waive their ability to defer participation in KPERS. If they return to a DSP Trainee position, they will continue to be enrolled in KPERS.
- 2.8 Employees who were originally hired after January 1, 2020 for a non-DSP Trainee position and transfer into a DSP Trainee position, will not be eligible to participate in the DSP Trainee deferment.

- 2.9 While employees are not able to opt out of the DSP Trainee deferment, they will be eligible to purchase credit for their eligible years of service at Cottonwood, Inc. (See 3.3).
- 2.10 Employees currently working in the two-year deferment period are still eligible to participate in the KPERS 457(b) deferred compensation/retirement plan. See Human Resources for more information.

3. CONDITIONS

- 3.1 Upon enrollment into KPERS, employees will complete a beneficiary form.
- 3.2 Eligible employees are required by state statute to contribute 6% of their gross compensation. Eligible employees who have retired on KPERS, and are still working, are classified as “Working After Retirement” members and do not contribute.
- 3.3 Employees may purchase credit for years of service, forfeited KPERS service, military service, out-of-state teaching, elected official service, in-state or out-of-state non-federal public service, VISTA service, or Peace Corps service. Service credit can be purchased by payroll deduction, lump-sum payment, or by rollover (or trustee-to-trustee transfer) from another retirement plan (including the KPERS 457 plan).
- 3.4 Upon termination, employees may make application to withdraw their contributions plus interest as a direct payment or rollover into an eligible retirement plan. This can be done no sooner than 31 days after the last day of work. In doing so, the employee will give up all retirement system rights and benefits, and the employer’s contributions will remain with KPERS.

4. WORKING AFTER RETIREMENT

- 4.1 KPERS retirees who return to work at Cottonwood, Inc. and are not eligible for the DSP Trainee deferment will be classified as “Working After Retirement” employees. KPERS retirees who are eligible for the DSP Trainee deferment will be considered Working After Retirement employees once their two-year deferment has ended.
- 4.2 Working After Retirement employees do not make employee contributions to KPERS. Employer contributions are made at the regular statutory rate.
- 4.3 The employer contribution rate increases from the regular statutory rate to 30% when a Working After Retirement employee’s wages exceed \$40,000. Therefore, Working After Retirement employees will not be allowed to exceed \$40,000 in wages per calendar year. If a Working After Retirement employee reaches the \$40,000 limit, they will be put into an unpaid leave of absence status until the pay period that coincides with the first pay date of the new calendar year begins. Exceptions to this may be allowed by the CEO.

- 4.4 Law requires that KPERS employers and their employees cannot make prearrangements (any time before retirement or during the waiting period after retirement) to return to work. Written or verbal communication is not allowed during the waiting period (180 days if employee retires before age 62, 60 days if employee retires at age 62 or after). During this waiting period, former employees who retired with KPERS will not be allowed to volunteer for Cottonwood, Inc. Employees and/or employers who do not follow the no-prearrangement rule will be penalized.

5. BENEFITS

- 5.1 All KPERS eligible employees will become vested after five years of service.
- 5.2 In the KPERS plan, there are three benefit structures: KPERS 1, KPERS 2, and KPERS 3. The benefit structure that an employee is enrolled into is based on membership date, vesting, length of breaks in service, and other factors. Employees should contact Human Resources or KPERS to verify their benefit structure.
- 5.3 The following is an overview of the retirement benefits for each benefit structure. Employees interested in learning more about their retirement benefits should contact Human Resources or KPERS.

KPERS 1

- Retirement benefits at age 65 with 1 year of credited service, age 62 with 10 years of credited service, or any age when age and years of credited service equal at least 85.
- Reduced benefits at age 55 with at least 10 years of credited service.

KPERS 2

- Retirement benefits at age 65 with 5 year of credited service or age 60 with 30 years of credited service.
- Reduced benefits at age 55 with at least 10 years of credited service.

KPERS 3

- Retirement benefits at age 65 with 5 year of credited service or age 60 with 30 years of credited service.
- Reduced benefits at age 55 with at least 10 years of credited service.

- 5.4 KPERS provides group term life insurance equal to 150% of a member's annual salary, as long as he/she is actively employed at Cottonwood, Inc. (or another qualified KPERS organization) in a KPERS-covered position.

- 5.5 KPERS provides long-term disability income benefits based on 60 percent of the annual rate of compensation – less the social security benefit. To qualify for a disability benefit, the employee must be totally disabled for 180 continuous days.
- 5.6 According to Kansas law (K.S.A. 12-5040), employees who have been employed with their employer for ten or more years and retire on KPERS, may remain in their current health plan by paying the entire premium (plus an administrative fee) themselves. Premiums must be paid directly to Cottonwood, Inc. on a monthly basis.

Coverage under the group health insurance plan may cease to be made available upon the retired employee:

- reaching age 65.
- failing to make the required premium payments on a timely basis.
- becoming covered or eligible to be covered under the plan of another employer