



## **Non-Certificated Staff**

# RETIREMENT HANDBOOK

2021-22 School Year

# INTRODUCTION

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This information is intended for non-certificated Millard Public Schools employees who are considering retirement. This document is intended to walk you through some of the major considerations such as the Nebraska Employees Retirement System (“NPERS”) and continuation of benefits.

## The Nebraska Public Employees Retirement System:

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### I. On-Line Information:

The Nebraska Public Employees Retirement System (often referred to as “NPERS”), is a State Agency that covers regular employees in Nebraska Public Schools. NPERS has a variety of resources on their web site at <http://npers.ne.gov>. If you click on “School” under “Plan Info” on the left side of the screen, it will access several documents that will be helpful to you.

This document will briefly cover the basics of NPERS as it applies to school employees, but we strongly encourage you to read the more detailed information available at:

<http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf>

The handbook at this link provides much detailed and valuable information that every retiree should know before finalizing a decision to retire.

### II. Qualifying for NPERS benefits:

The first question is how do I qualify for retirement? The answers are covered in the NPERS handbook listed above.

It is important that staff understand what Benefit Tier applies to the retirement benefit. There are four different tiers for benefit purposes.

- Tier 1: Anyone who entered NPERS for the first time before July 1, 2013
- Tier 2: Anyone who entered NPERS on or after July 1, 2013 and prior to July 1, 2017
- Tier 3: Anyone who entered NPERS or after July 1, 2017 and prior to July 1, 2018
- Tier 4: Anyone who entered NPERS for the first time on or after July 1, 2018

Are you vested? When can you begin benefits? NPERS School Terminating member [link](#).

In short, there are three ways persons typically qualify.

- (1) Rule of 85. Persons who have years of service + age equal to or greater than 85 qualify. For

example, if an employee is 57 years old with 28 years of service ( $57 + 28 = 85$ ), she qualifies.

- Tier 1, Tier 2 and Tier 3: You may be eligible for the Rule of 85 if your attained age is at least 55 and your creditable years of service equals 85 or greater.
  - Tier 4: You may be eligible for the Rule of 85 if your attained age is at least 60 and your creditable years of services equals 85 or greater.
- (2) Retirement Age of 65. Persons over age 65 may qualify for the formula even if they do not meet the rule of 85.
- (3) Early Retirement. Persons over age 60, but younger than age 65 may qualify for a reduced retirement amount as follows:
- (a) Age 60 – reduced 15%
  - (b) Age 61 – reduced 12%
  - (c) Age 62 – reduced 9%
  - (d) Age 63 – reduced 6%
  - (e) Age 64 – reduced 3%.

For purposes of the reduced retirement, the person's attained age is used to determine the benefit reduction. For example, at age 60 years and 11 months, the person is considered to be age 60 for purposes of calculating a 15% reduction because that person has not yet attained her or his 61<sup>st</sup> birthday.

For purposes of the Rule of 85, NPERS uses fractions of a year. For example, if a person is age 56.4358 with 28.5642 years of service, that person may meet the Rule of 85.

Counting years of service to qualify can be tricky if you had part time years. Since July 1, 2002, NPERS has based years of service on a 1,000 hour rule. Therefore, if an employee worked 100 days at 8 hours a day, that employee would get 0.8 of a year under a 1,000 rule. Prior to July 1, 2002 hours were counted differently.

The above is a quick sketch of the rules for qualifying for NPERS formula benefits and does not include all of the details. For details, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

<http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf>.

### **III. Defined Benefit Plan vs. Defined Contribution Plan:**

NPERS is a system that is referred to as a "defined benefit" plan. Upon qualifying for retirement, a defined benefit plan pays benefits based on a set formula instead of based on what you put into the plan. This may be best understood by comparing NPERS to an individual retirement plan (an IRA, 403(b) or 401(k) for example).

To contrast a defined contribution plan, let's assume a fictitious example. In an individual retirement plan (a "defined contribution plan"), if I put \$5,000 per year into my plan starting at age 25 through age 65, that is 40 years or about \$200,000 in contributions. Assume some interest/earnings on that money

and maybe I have \$300,000 sitting in that plan. When I retire, I have \$300,000 to spend for the rest of my life. That dollar amount is based on what I put in plus interest/earnings.

Now, consider a defined benefit plan like NPERS. Let's assume my payroll deduction from age 25 through age 65 averaged \$5,000 per year. That means I put in \$200,000 which earned some interest. The District also matched 101% of that amount for another \$202,000. When you qualify for retirement, that money is irrelevant for purposes of your benefit calculation. Instead, your benefit is calculated based on a formula of (1) Final average salary over a designated time multiplied by (2) Years of credited service multiplied by .02.

$$\text{Formula} = \text{Average Salary} * \text{Years of Credited Service} * .02$$

#### **IV. Estimating Your NPERS Benefit Part 1 – Average Salary:**

The first thing you need to do is to determine your average salary based on the Benefit Tier you are under.

- Tier 1: Anyone who entered NPERS for the first time before July 1, 2013, the average is based on the three (3) highest 12-month periods.
- Tiers 2, 3 and 4: Anyone who entered NPERS for the first time on or after July 1, 2013, the average is based on the five (5) highest 12-month periods.

For examples throughout this document it will be assumed the person was Tier 1 for benefit purposes and began participating in NPERS prior to July 1, 2013 and an average of three years will be used.

Most forms of compensation provided to you qualify for purposes of determining your NPERS salary. It includes wages and overtime. It does not include buyback for unused leave or cash-in-lieu of insurance payments.

For example, let's assume Employee A had made \$30,000, \$33,500, and \$35,000 in her last three years. The average for the NPERS calculation would be \$32,833.33.

Please note, this is a brief summary for illustrative purposes. There are other factors that may be considered including, but not limited to, caps on increases on compensation and age factors. For more details on those limitations, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

<http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf> .

#### **V. Estimating Your NPERS Benefit Part 2 – Years of Service:**

Years of service are credited as described above under determining eligibility, including how to count part time years of service. Generally, the years must be in a public K-12 school district in the State of Nebraska to count towards years of service (not including Omaha Public Schools which is in a different retirement system).

For example, if an employee worked full-time for 2 years in Alliance Public Schools, 5 years in Omaha

Public Schools, 3 years in a private school, 2 years in North Dakota, and 18 years in Millard Public Schools, that person would have 20 years of credible service (Alliance and Millard being public K-12 schools in Nebraska).

In some cases, employees may be eligible to buy years of service. For details on that and other details regarding how to count years of service, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

<http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf>.

## **VI. Estimating Your NPERS Benefit Part 3 – An example:**

Putting this all together, it may be useful to look at an example. Let's assume Employee A has 20 years of experience, and has an average salary of \$42,833.33, and is 59 years old at the end of the school year (for purposes of this example, let's call that year 1 and then look at what happens if that person stays another year or several more years).

Year 1 – The person would not qualify for NPERS.  $59 + 20 = 79$ , which is less than the rule of 85.

Year 2 – Let's assume the next year the employee makes \$44,000. The average three years is now based on \$44,500, \$46,500, and \$48,000 for an average of \$46,166.67. The person is now 60 years old with 21 years of service (for a total of 81). That person's formula is  $\$46,166.67 * 21 \text{ years} * .02$ . That is then reduced by 15% for an age 60 retirement. That person could expect about \$16,481.50 per year in benefits.

Year 3 – Let's assume the next year the employee makes \$45,500. The average three years is now based on \$45,500, \$47,000, and \$48,500 for an average of \$47,000. The person is now 61 years old with 22 years of service (for a total of 83). That person's formula is  $\$47,000 * 22 \text{ years} * .02$ . That is then reduced by 12% for an age 61 retirement. That person could expect about \$18,392.00 per year in benefits.

Year 4 - Let's assume the next year the employee makes \$47,000. The average three years is now based on \$47,000, \$48,500, and \$50,000 for an average of \$48,500. The person is now 62 years old with 23 years of service. That person now reaches the Rule of 85, so there is no more reduction. That person's formula is  $\$48,500 * 23 \text{ years} * .02$ . That person could expect about \$22,310 per year in benefits.

Year 5 - Let's assume the next year the employee makes \$48,500. The average three years is now based on \$48,500, \$50,000, and \$51,500 for an average of \$50,000. The person is now 63 years old with 24 years of service (for a total of 87). That person's formula is  $\$50,000 * 24 \text{ years} * .02$ . That person could expect about \$24,000 per year in benefits.

## **VII. Benefit Choices:**

NPERS provides multiple benefit choices. The basic formula described above is for option #3(a) described below. Examples are provided below to try to help explain each option.

**Option 1 – Lifetime benefits.** This option is the most simple to explain. For example, let's assume you are scheduled to get \$21,114.48 in benefits per year under Option 1. You get that for as long as you live. If you live for 30 years into retirement, you will get \$21,114.48 per year for 30 years. On the other hand, if you live only one month into retirement, you will get \$1,759.54 (one-twelfth of \$21,114.48) and nothing goes to beneficiaries.

**Option 2 – Modified Cash Refund.** This option guarantees that NPERS will pay at least your contributions + earnings back if you die early. For example, let's assume you are scheduled to get \$21,095.76 in benefits per year under Option 2 and let's assume you have put in \$60,000 worth of contributions + earnings over your career. If you live 30 years into retirement, you will get \$21,095.76 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get \$1,757.98 (one-twelfth of \$21,095.76) and the remaining portion of the "guaranteed" total equaling \$58,242.02 (\$60,000 minus \$1,757.98) will go to your designated beneficiary.

**Option 3 (a) – 5 year guarantee.** This option guarantees that NPERS will pay at least 5 years of benefits if you die early. For example, let's assume you are scheduled to get \$21,000.00 in benefits per year under Option 3(a). If you live 30 years into retirement, you will get \$21,000.00 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get \$1,750.00 (one-twelfth of \$21,000.00) and the remaining 59 months of benefits will go to your designated beneficiary.

**Option 3 (b) – 10 year guarantee.** This option guarantees that NPERS will pay at least 10 years of benefits if you die early. For example, let's assume you are scheduled to get \$20,821.08 in benefits per year under Option 3(b). If you live 30 years into retirement, you will get \$20,821.08 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get \$1,735.09 (one-twelfth of \$20,821.08) and the remaining 119 months of benefits will go to your designated beneficiary.

**Option 3 (c) – 15 year guarantee.** This option guarantees that NPERS will pay at least 15 years of benefits if you die early. For example, let's assume you are scheduled to get \$20,541.36 in benefits per year under Option 3(c). If you live 30 years into retirement, you will get \$20,541.36 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get \$1,711.78 (one-twelfth of \$20,541.36) and the remaining 179 months of benefits will go to your designated beneficiary.

**Option 4 (a) – 50% Joint & Survivor.** This option guarantees that NPERS will pay 50% to your spouse if you predecease your spouse. For example, let's assume you get \$20,147.16 in benefits per year under Option 4(a). If your spouse dies before you, you get \$20,147.16 per year for life. If you die first, your spouse will get \$10,073.58 per year for the remainder of her/his life after you die.

**Option 4(b) – 75% Joint & Survivor.** This option guarantees that NPERS will pay 75% to your spouse if you predecease your spouse. For example, let's assume you get \$19,696.08 in benefits per year under Option 4(b). If your spouse dies before you, you get \$19,696.08 per year for life. If you die first, your spouse will get \$14,772.06 per year for the remainder of her/his life after you die.

**Option 4(c) – 100% Joint and Survivor.** This option guarantees that NPERS will pay 100% to your spouse if you predecease your spouse. For example, let's assume you get \$19,264.80 in benefits per year under Option 4(c). If your spouse dies before you, you get \$19,264.80 per year for your life. If you die first, your spouse will get \$19,696.08 per year for the remainder of her/his life after you die.

**Option 5 – Non Spousal Joint and Survivor.** This option appears to be uncommon so I recommend you research it through NPERS if this is an option you want to explore.

The above examples use numbers provided by NPERS. It is important to note that the "richer" the guarantee you choose the more NPERS drops your annual amount to offset the actuarial risk that your beneficiaries will receive benefits after you pass away. Millard does not have access to the actuarial calculations of NPERS, so we strongly recommend that you work closely with NPERS in evaluating your retirement benefit options.

Again, the above is a summary only. Also, there may be possible cost of living adjustments after retirement. When evaluating benefits options or when researching any portion of NPERS benefits, we strongly recommend that you call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

<http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf>.

## **VIII. Applying for NPERS:**

The earliest you can apply for NPERS benefits is 120 days before the effective date of your retirement. NPERS recommends submitting your application at least 30 days before retirement. The effective date of your retirement for NPERS purposes is the first day of the month following your last scheduled day of work. For example, if your last day worked is scheduled to be May 29, your effective date is June 1. If your last day worked is scheduled to be June 4, your effective date is July 1. Employees are generally not permitted by NPERS to vary their scheduled last day of work in the final year of employment for purposes of receiving an extra month of retirement.

# **Other Retirement Considerations:**

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## **I. Health and Dental Insurance Continuation:**

Employees who leave employment with the District are entitled to continuation of health and dental benefits through COBRA. In addition, qualifying retirees can elect retiree health and/or dental coverage.

To qualify for retiree health and/or dental insurance coverage an employee must: (1) be at least 55 years old; (2) have worked for Millard Public Schools for the last 20 years; and (3) must have been in the Millard Public Schools health and/or dental plan for the last five consecutive years.

Dependents of retirees who meet the requirements for retiree coverage may also stay on retiree coverage if that dependent has also been in the health and/or dental plan for the last five consecutive years.

Those qualifying for retiree health and/or dental insurance may stay on the Millard Public Schools health and/or dental insurance plan until age 65. At age 65, the retiree qualifies for Medicare and is no longer eligible to stay on the Millard Public Schools health and/or dental insurance plans. The retiree must pay the full cost of the retiree health and/or dental insurance coverage in order to stay on the plan. If the retiree elects not to enroll or to later discontinue retiree insurance, the retiree may not elect to come back onto the retiree plan at a later date. A retiree may not add any dependents to her health/dental benefits after retiring. There is a 30-day window or grace period to make the premiums payments. Late payments will not be accepted and will result in the loss of coverage. For example, date due is September 1 and you have until September 30 for Discovery Benefits to receive the full premium payment.

Retiree health insurance rates will vary from year to year and can be expensive. We anticipate possible large rate increases in future years. Retiree monthly health insurance rates effective January 1, 2022 will be made available during the Millard Public Schools Open Enrollment period in November of 2021.

If you qualify for retiree coverage, you will receive two packets in the mail with information for continuing your current health and/or dental coverage. One packet will be the COBRA information and the other packet will be the retiree information. You may elect one of those options or neither of those options. If you choose Retiree coverage, once the COBRA election period has lapsed (60 days), future COBRA rights are waived. That means COBRA coverage will only be offered at retirement, and it will not be offered again at age 65 when your retiree coverage ends.

**Note:** vision coverage is only offered through COBRA. If you want to continue vision coverage, you will need to select vision benefits through the COBRA option.

While it is the District's intent to offer retiree insurance until age 65, it is possible that this may not be continued in the event of future unforeseen circumstances (for example changes to federal or state laws/regulations regarding health insurance). Nothing in this document or the summary plan documents or any other document should be construed as a "guarantee" of available coverage until age 65.

## **Sick Leave Buy-Back:**

Qualifying Retirees (at least age 55 with at least 20 years of Millard Public Schools Service) may qualify for sick leave buy-back. For example, if a qualifying building secretary retired with a sick leave bank of 200 hours, that amount would be \$2,600. Different employee groups have different rules for sick leave buy back upon retirement. Please see the wage summary or negotiated agreement posted on the Millard Public Schools website. If applicable, sick leave buyback is placed into a 403(b) retirement account through a vendor selected by the District.

## **II. Life Insurance:**

Retirees are permitted to continue life insurance through the Millard Public Schools vendor. Information can be found on the Millard Public Schools website: <http://hr.mpsomaha.org/documents/benefits-documentation> in the life insurance folder or you may contact National Insurance Services at 1-800-627-3660 for details. Rates for retiree life insurance continuation are set by the vendor and are not controlled by Millard Public Schools. Note: There is a



reduced benefit at age 70 and again at age 75. Termed employees have a 31-day window to continue life insurance coverage.

### III. Limitations on Re-employment:

Generally, NPERS limits long-term or regular employment for the first 180 calendar days after retirement. Based on a change in the legislature in 2021, retirees who are receiving their NPERS benefit are now allowed to work or volunteer a maximum of 8 days per month during the 180-day period after retiring. If you are interested in substitute work during that period, we strongly recommend that you call NPERS at 1-800-245-5712 during the first 180 calendar days after retirement to ensure you are not working or as a volunteer in a manner that may jeopardize NPERS benefits.

### IV. Social Security:

Payments from NPERS does not adversely affect future retirement payments from social security. In terms of social security payments upon retirement, we recommend that you review your options under <http://www.ssa.gov/myaccount/>.

### V. Taxation:

NPERS payments are subject to federal and state income taxes when you receive the payments. NPERS will deduct for income taxes and you will be responsible for including NPERS payments on your income tax returns.

NPERS is not subject to FICA/Medicare withholding or subject to NPERS deductions in the same way as your employment income. This is a great benefit to you as compared to earned income during employment. This net effect of the payments is an important consideration in comparing retirement income to employment income.

For example, let's assume an employee is making \$60,000 in the year before she/he retires. Let's assume that same person makes \$30,000 in NPERS benefits retirement (\$40,000 total). How does that first year compare netting out NPERS and FICA/Medicare?

	Working	Retirement
Total Annual Payment	\$60,000	\$30,000
NPERS Deduction (9.78%)	\$5,868	\$0
FICA/Medicare Deduction (7.65%)	\$4,590	\$0
Net Payment	\$49,542	\$30,000

Looking at the above example, the person may be making \$30,000 more per year when working. However, when you factor in the effects of deductions, the difference is actually \$19,542.

## SUMMARY:

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Hopefully, this document has been helpful in understanding your retiree benefits. Any questions regarding NPERS can be directed to 1-800-245-5712. Any questions regarding Millard Public Schools offerings can be directed to [mpsbenefitsq@mpsomaha.org](mailto:mpsbenefitsq@mpsomaha.org).