



Jake Curtiss Director of Employee Relations

Retirement 101

Money only buys a small measure of happiness, and then only for those who have the wisdom to use it properly. - Steven Scott

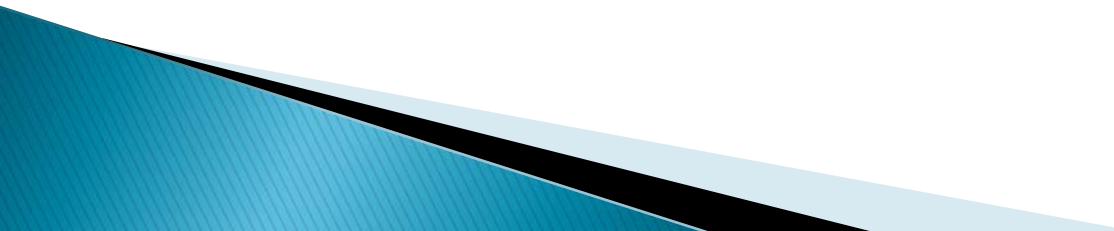
RETIREMENT

What are we not talking about?

- ▶ Private Retirement Savings
 - Good to get an independent financial advisor.
 - I am not here to sell you anything!
- ▶ Social Security
 - <https://www.ssa.gov/>
- ▶ Medicare
 - <https://www.medicare.gov/>

RETIREMENT

What are we talking about?


- ▶ The Nebraska Public Employees Retirement System (“NPERS”)
 - ▶ Plan administered by the State of Nebraska
 - ▶ Phone: # 1-800-245-5712
 - ▶ Web Site: <http://npers.ne.gov>
- 

NPERS – What is it?

Every school employee working at least 20 hours a week on an ongoing regular basis must participate.

9.78% of your paycheck is withheld and sent to NPERS.

The District matches 101% of your contribution (9.8778%).



Withholdings example

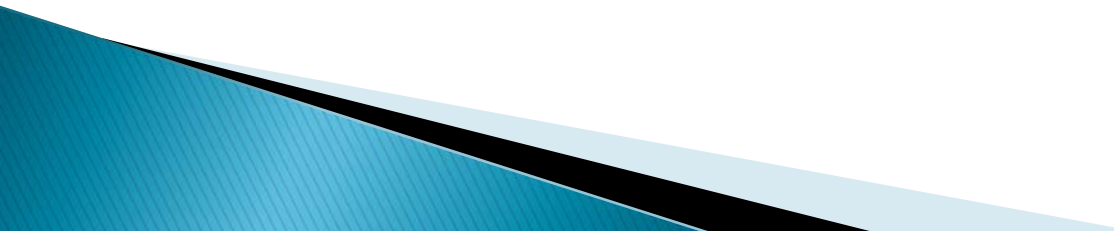
If an employee makes \$15.00 per hour and works 80 hours in a two week period, gross earnings are \$1,200.

\$117.36 is withheld from that check and sent to NPERS.

District pays \$118.53.



NPERS – What is it?

- ▶ NPERS is what is referred to as a “defined benefit plan.”
 - ▶ This is unusual. Most retirement plans are referred to as “defined contribution plans.”
- 

What is the difference?

- ▶ A defined contribution plan means that the money you save is what you have to spend when you retire.
- ▶ A defined benefit plan (like NPERs) means that the amount you put into the plan is mostly irrelevant when you qualify for retirement. Instead there is a formula.
 - $\text{Years} * \text{Average Compensation} * .02$

Very quick hypothetical example

- ▶ An employee starts work at Millard in 2010 at age 41 making \$12.00 an hour for 1,520 hours a year. That employee gets a 2% raise ever year.
- ▶ If that employee puts 9.78% of her check into savings (making 2% interest), she could retire at age 67 with \$82,211.41 in retirement savings.
- ▶ Under NPPERS, that same person's \$82,211.41 mostly would not matter. Instead, she would make a formula of \$16,161.43 per year for life.

Hypothetical continued

- ▶ If that person were spending **\$82,211.41** in retirement and lived to be 97, she would have to make that money last 30 years.
- ▶ Under NPERS, \$16,161.43 per year for 30 years is **\$484,842.75**.

How do I qualify for NPERs retirement?

#1 – The Rule of 85. When employees age + years of service = 85 or more, she qualifies.

Example, a person who is 62 with 20 years of service does not meet the Rule of 85 ($62 + 20 = 82$).


Example, a person who is 56 with 29 years of service does meet the Rule of 85 ($56 + 29 = 85$).

How do I qualify for NPERS retirement?

#2 – Age 65. When employees age = 65 or more (with at least 5 years to be vested), she qualifies.

Example, a person who is 59 with 20 years is too young to qualify under this rule.

Example, a person who is 65 with 8 years of service does meet this Rule.



How do I qualify for NPERS retirement?

#3 – Reduced retirement. When an employee is between 60 and 64, she may qualify for reduced retirement.

Age 60 – reduced by 15%

Age 61 – reduced by 12%

Age 62 – reduced by 9%

Age 63 – reduced by 6%

Age 64 – reduced by 3%

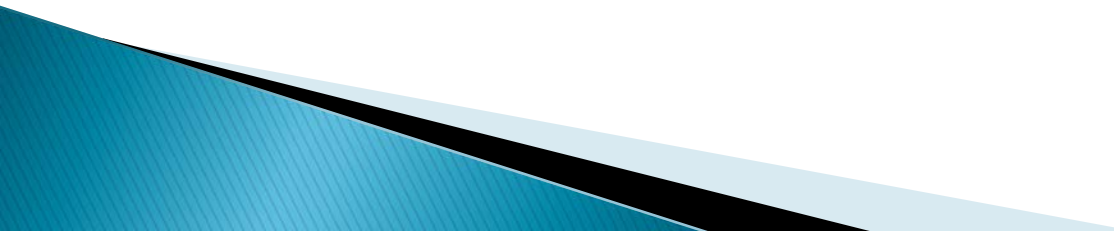
What happens when you do qualify?

Years * Average Compensation * .02

What is your average compensation for NPERs?

If you were hired prior to July 1, 2013, your average compensation is based on your **three** highest 12 month periods of salary.

If you were hired after July 1, 2013, your average compensation is based on your **five** highest 12 month periods of salary.



Example of averages

Employee who's highest and last five years are:

\$28,198.67

\$28,762.64

\$29,337.90

\$29,924.65

\$30,523.15

The five year average is: \$29,349.40

The three year average is: \$29,928.57

Let's look at an example

Employee is age 59 with 19 years of service.

- (a) Does not meet the Rule of 85
- (b) Is not age 65
- (c) Is not age 60

She does not qualify.



Let's look at an example

Employee is age 60 with 20 years of service.

- (a) Does not meet the Rule of 85
- (b) Is not age 65
- (c) Qualifies for Age 60 reduced retirement.

Formula is average compensation \$26,055 * 20 years
* .02 reduced by 15%.

Total Benefit is **\$8,858.57** per year for life.

Let's look at an example

Employee is age 61 with 21 years of service.

- (a) Does not meet the Rule of 85
- (b) Is not age 65
- (c) Qualifies for Age 61 reduced retirement.

Formula is average compensation \$26,576 * 21 years
* .02 reduced by 12%.

Total Benefit is **\$9,822.38** per year for life.

Let's look at an example

Employee is age 62 with 22 years of service.

- (a) Does not meet the Rule of 85
- (b) Is not age 65
- (c) Qualifies for Age 62 reduced retirement.

Formula is average compensation \$27,107 * 22 years
* .02 reduced by 9%.

Total Benefit is **\$10,853.73** per year for life.

Let's look at an example

Employee is age 63 with 23 years of service.

(a) Qualifies for the Rule of 85

Formula is average compensation \$27,649 * 23 years
* .02 (no reduction).

Total Benefit is **\$12,718.71** per year for life.

Let's look at an example

Employee is age 64 with 24 years of service.

(a) Qualifies for the Rule of 85

Formula is average compensation \$28,202 * 24 years
* .02 (no reduction).

Total Benefit is **\$13,537.13** per year for life.

Benefit Choices when you retire

The formula in the previous slides determines your benefit based on:

- (1) Your lifetime; or
- (2) Five years

Whichever is longer.



Benefit Choices when you retire

(1) For your lifetime.

(2) For your lifetime or guaranteed to get your contributions.

For example, you retire at \$15,000 per year and you put in \$80,000. If you only live three years, the plan paid \$45,000. Your beneficiary would get the remaining \$35,000.

Benefit Choices when you retire

- (3) For your lifetime; or guaranteed:
 - (a) 5 years
 - (b) 10 years
 - (c) 15 years.

For example, you retire at \$15,000 per year and you choose the 10 year guarantee. If you only live three years, the plan paid 3 years and your beneficiary would get the remaining 7 years.

Benefit Choices when you retire

- (4) Spouse guarantee of:
 - (a) 50%
 - (b) 75%
 - (c) 100%

For example, you retire at \$15,000 per year and you choose the 50% guarantee. If you pass away before your spouse, he/she would get \$7,500 per year for the rest of his/her life.

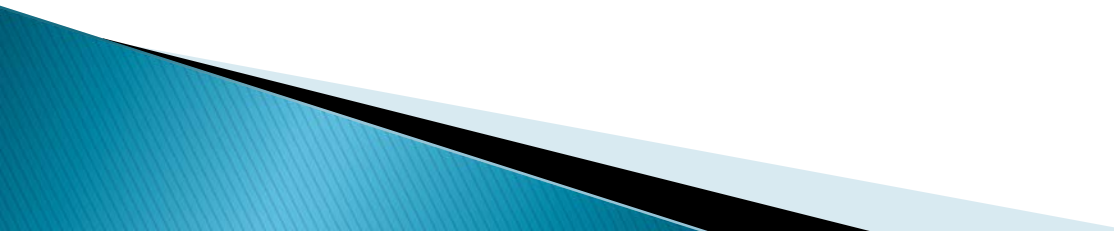
Benefit Choices when you retire

(5) Non Spouse Joint and Survivor Annuity.

Contact NPERS for more information.



Which choice is best for me?

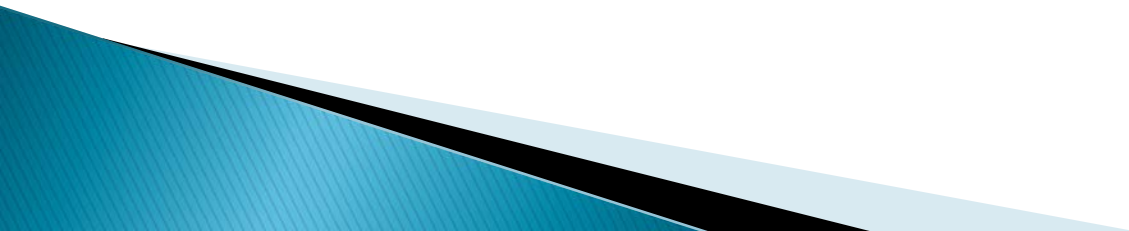
- ▶ It depends on everyone's individual situation.
 - ▶ For example, if I choose a five year guarantee, I get \$15,000 per year for life.
 - ▶ If I choose a 15 year guarantee, I get \$14,500 per year for life.
 - ▶ Is the \$500 less per year worth more left to beneficiaries if you die early?
- 

What if I leave employment before retirement?

Take out your contributions.

Leave in contributions.

Contact NPERS for specifics.

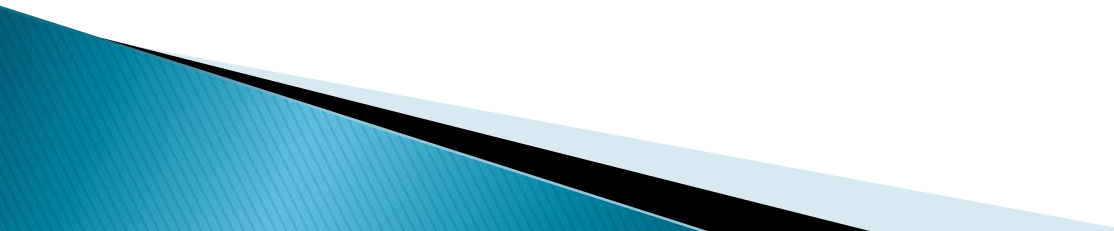


This was a 5,000 foot view.

There are a lot of complicating factors. For example:

- (a) Some caps on compensation.
- (b) Which compensation applies.
- (c) How do you apply a partial year?
- (d) A lot more.

Call 1-800-245-5712 for more information.



CAN WE GO HOME NOW?

- ▶ QUESTIONS?