

# 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

Paraprofessionals and professional technical employees are hourly staff– so as an example, with an annual salary of \$30,000 the bi-weekly gross earnings are \$1,153 per paycheck.

Focusing ONLY on NPERS:

\$112.76 is withheld from that check and sent to NPERS.

District pays \$113.89 toward retirement.

# NPERS – What is it?

- ▶ NPERS is what is referred as a “defined benefit plan.”
- ▶ This is unusual. Most employers use a 401(k) retirement plans which is a “defined contribution plan.”

# What is the difference?

- ▶ A defined contribution plan means that the money you save is what you have to spend when you retire.
  - You save a set percent each month and that money accumulates individually.
- ▶ 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.
- ▶ Under a defined contribution plan: 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, a defined benefit plan, 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.
  - Dividing by 30 = \$2,740 per year
- ▶ Under NPERS, \$16,161.43 per year for 30 years is **\$484,842.75**.

# How do I qualify for a FULL NPERS retirement benefit?

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

**New NPERS Rules – Minimum Age 55 vs 60**

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 a FULL NPERS retirement benefit?

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

Example, a person who is 59 with 20 years does not qualify under this rule.

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

# Other Ways to Obtain the NPERS Retirement Benefit?

Early / Reduced retirement.

When an employee is between 60 and 64, she may qualify for reduced retirement. (Must still satisfy vesting requirement)

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  $\$27,649 \times 23 \text{ years}$   
 $\times .02$  (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, your 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, your 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 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.

# Other Retirement Considerations

Is NPERS going to be enough?

Do you have retirement accounts from other jobs before joining Millard?

Social Security?

# Hypothetical Retirement Scenario

## – Whole Picture

- ▶ Employee's Salary: \$30,000
- ▶ Currently Age: 50
- ▶ 10 Years in NPERS
- ▶ Wish to Retire from Millard at Age 65 (25 years of service)
- ▶ Live on 85% of current salary
- ▶ \$15,000 in IRA from previous job

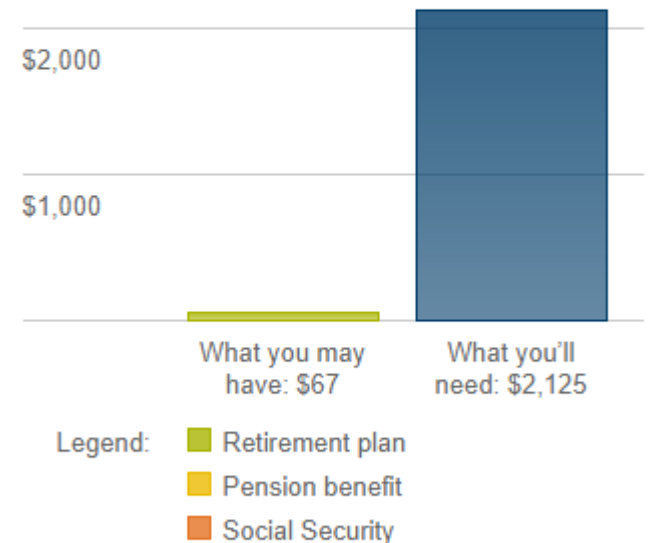
Monthly income in retirement \*

\$4,000

\$3,000

\$2,000

\$1,000



\* These values are pre-tax and shown in today's dollars. For more information, [click here](#) ▣

Disclaimer: Created with Vanguard Retirement Income Calculator

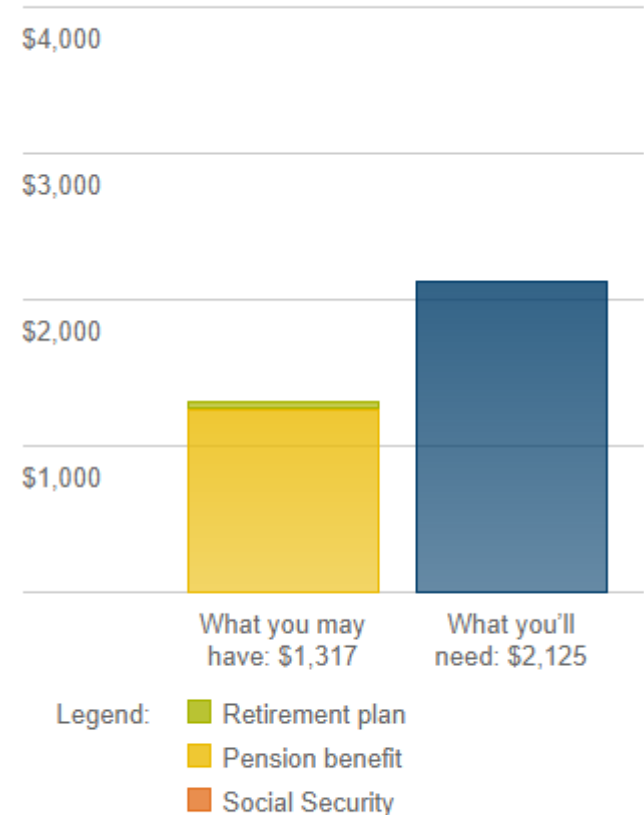
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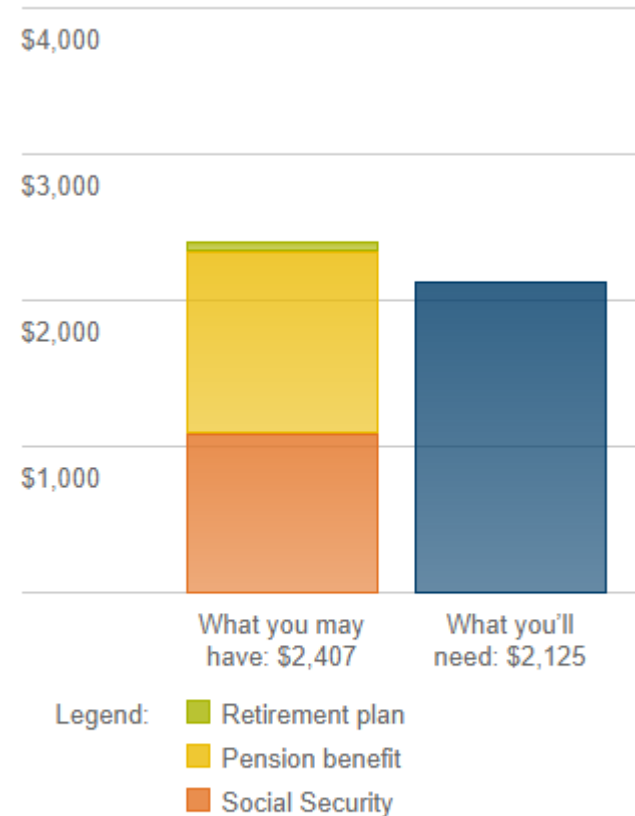
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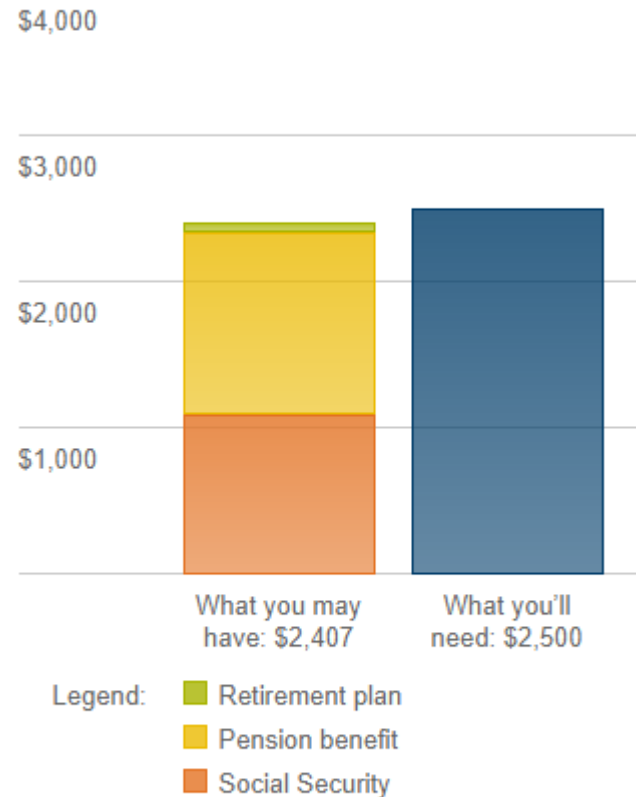
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# Hypothetical Retirement Scenario

## – Whole Picture

- ▶ Employee's Salary: \$30,000
- ▶ Currently Age: 50
- ▶ 10 Years in NPERS
- ▶ Wish to Retire from Millard at Age 65 (25 years of service)
- ▶ Live on **100%** of current salary
- ▶ \$15,000 in IRA from previous job

Monthly income in retirement \*



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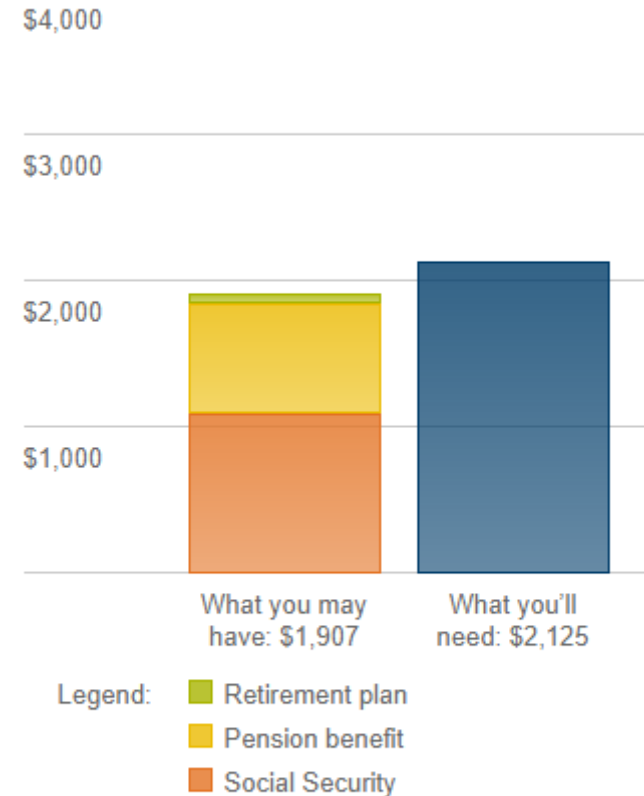
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# Hypothetical Retirement Scenario

## – What if NO NPERS?

- ▶ Employee's Salary: \$30,000
- ▶ Currently Age: 50
- ▶ 10 Years in NPERS
- ▶ Leave Millard at Age 55 (15 years of service)
- ▶ Retire at Age 65
- ▶ Live on 85% of current salary
- ▶ \$15,000 in IRA from previous job
- ▶ No Other Savings

Monthly income in retirement \*



\* These values are pre-tax and shown in today's dollars. For more information, [click here](#)

Disclaimer: Created with Vanguard Retirement Income Calculator

# Hypothetical Retirement Scenario

## – What if NO NPERS?

- ▶ Employee's Salary: \$30,000
- ▶ Currently Age: 50
- ▶ 10 Years in NPERS
- ▶ Leave Millard at Age 55 (15 years of service)
- ▶ **Must Add \$3,700 per year in extra savings**
- ▶ Retire at Age 65
- ▶ Live on 85% of current salary
- ▶ \$15,000 in IRA from previous job

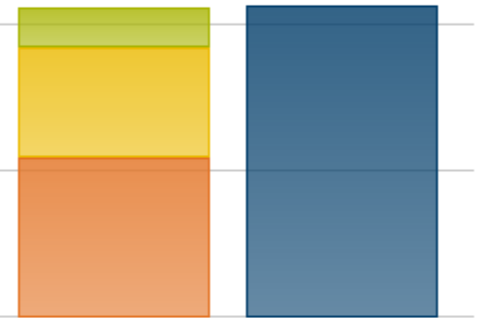
Monthly income in retirement \*

\$4,000

\$3,000

\$2,000

\$1,000



What you may have: \$2,123

What you'll need: \$2,125

Legend:

- Retirement plan
- Pension benefit
- Social Security

\* These values are pre-tax and shown in today's dollars. For more information, [click here](#) 📄

# Additional Resources

- ▶ NPERS Retirement Seminars (Updated for following year in January)
- ▶ NPERS Retirement Benefit Estimator

<https://npers.ne.gov/SelfService/public/howto/estimators/benefitestimators.jsp>

## Benefit Estimators

Please read the following BEFORE using a benefit estimator!

NPERS provides benefit estimators for use as an educational tool to help you plan for retirement. The estimators calculate monthly pension amounts for School, Judges, and State Patrol plan members. State and County plan members who are considering purchasing an annuity can use the estimator to determine monthly benefits under each of the annuity options. For a complete listing of your options at retirement, please refer to your member handbook (available in the [Publications](#) section).

The Results provided by the Benefit Estimators are provided for purposes of illustration and discussion only and do not reflect the actual amount you will receive when you retire. Benefits will be determined after your employer submits your final salary and service data to our office and subsequent receipt of your retirement application.

Prior to using the Benefit Estimators, please be aware of the following information:

- Estimates are based on the data you input and are not official estimates.
- Tax calculations are determined using current tax tables and are based only on the amount of the estimated benefit. They are not a determination of your actual taxes during retirement.
- Federal law may limit benefits to some highly compensated members.

☒ I have read this disclaimer and understand the estimate I am generating is not an official determination of benefits.

School



Judges

Patrol

County

State

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