

# 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

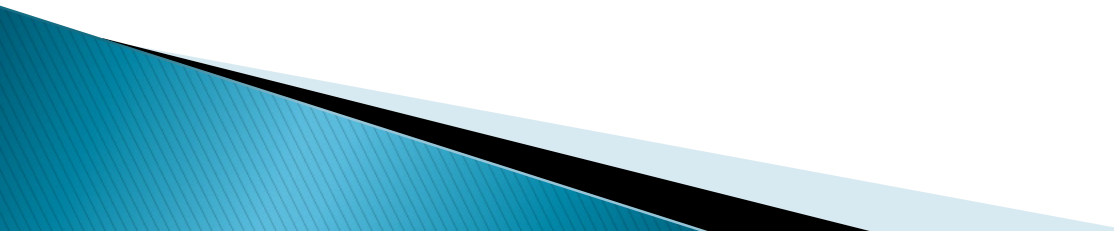
# RETIREMENT

## 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>
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# 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.

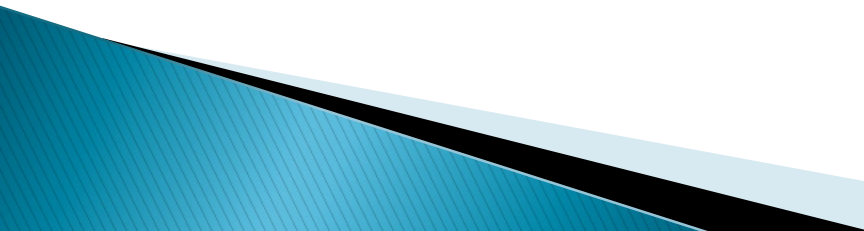
District pays \$118.53.



# 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?

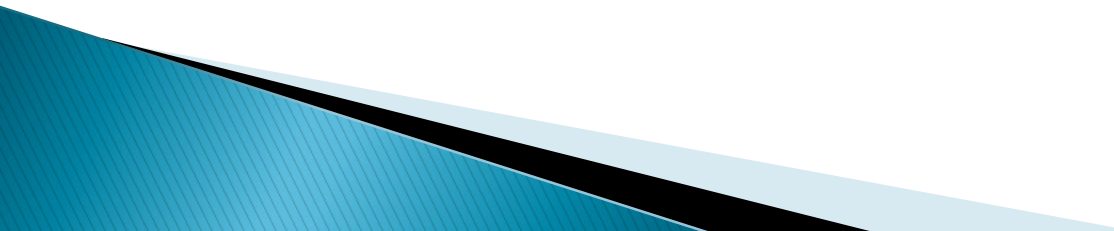
- ▶ A defined contribution plan means that the money you save is what you have to spend when you retire.
  - ▶ A defined benefit plan (like NPERS) means that the amount you put into the plan is mostly irrelevant when you qualify for retirement. Instead there is a formula.
    - $\text{Years} * \text{Average Compensation} * .02$
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# 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 \$82,613 in retirement savings.
- ▶ Under NPPERS, that same person's \$82,613 mostly would not matter. Instead, she would make a formula of \$16,161 per year for **life** vs only **5 years**.  
( $\$82,613 / \$16,161 = \sim 5.1$  years)



# Hypothetical continued


- ▶ If that person were spending **\$82,613** in retirement and lived to be 97, she would have to make that money last 30 years.
  - ▶ Under NPERS, \$16,161 per year for 30 years is **\$484,830**.
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# 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?

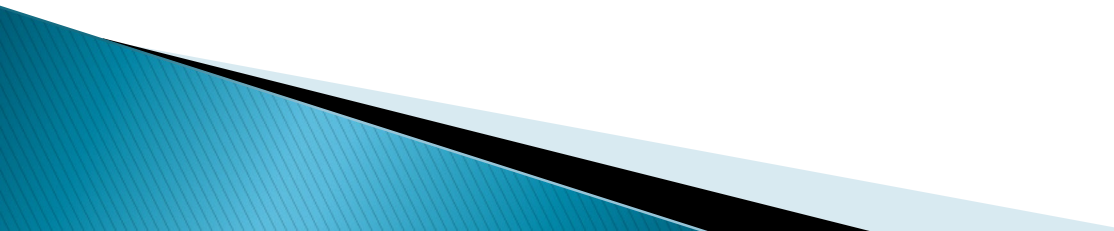
**Years** \* Average Compensation \* .02



# 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

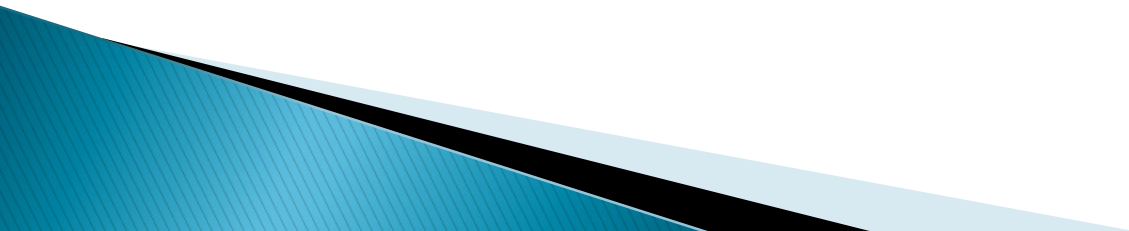
The three year average is: \$29,928.57

# 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 \$ 20,000 \* 20 years \* .02 reduced by 15%.

Total Benefit is **\$6,800** 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 \$24,923 \* 21 years  
\* .02 reduced by 12%.

Total Benefit is **\$8,897.51** 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 \$25,107 \* 22 years  
\* .02 reduced by 9%.

Total Benefit is **\$10,052.84** 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.

# Let's look at an example

Employee is age 65 with 25 years of service.

(a) Qualifies for unreduced retirement benefit

Formula is average compensation \$28,625 \* 25 years  
\* .02 (no reduction).

Total Benefit is \$14,312.52 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.

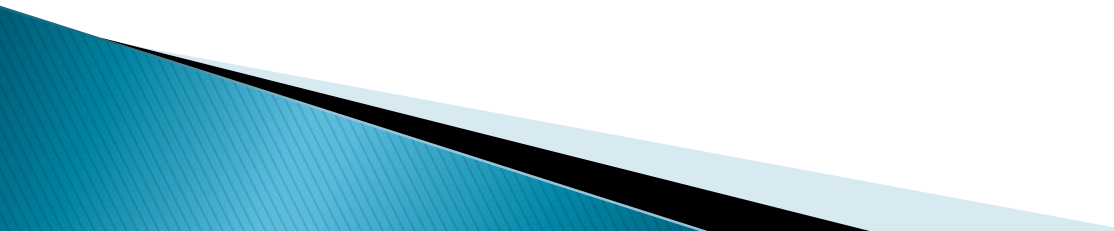


# Benefit Choices when you retire

(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.

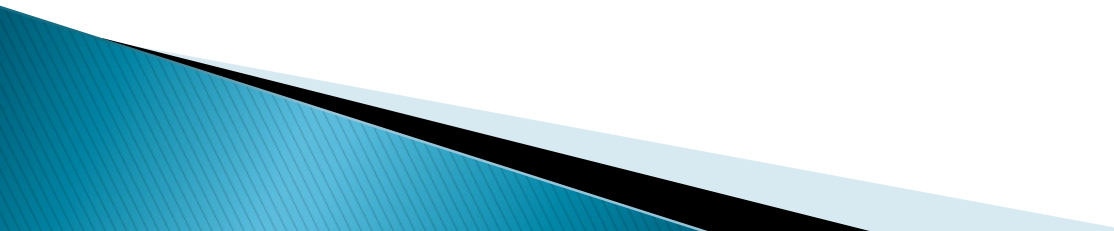




# Benefit Choices when you retire

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

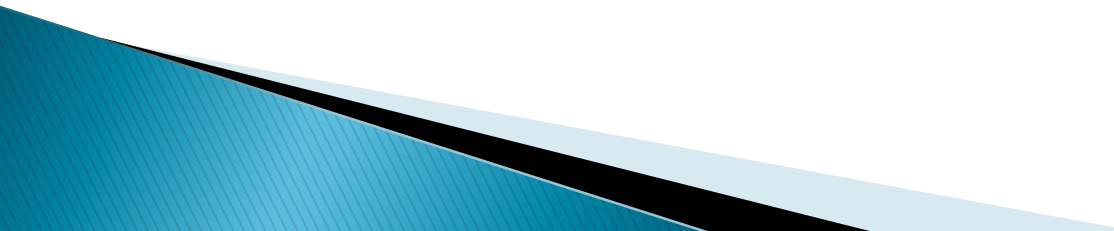
For example, you retire at \$15,000 per year and you choose the 10 year guarantee. If you only live three years, the plan paid 3 years and your beneficiary would get the remaining 7 years.



# Benefit Choices when you retire

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

For example, 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.



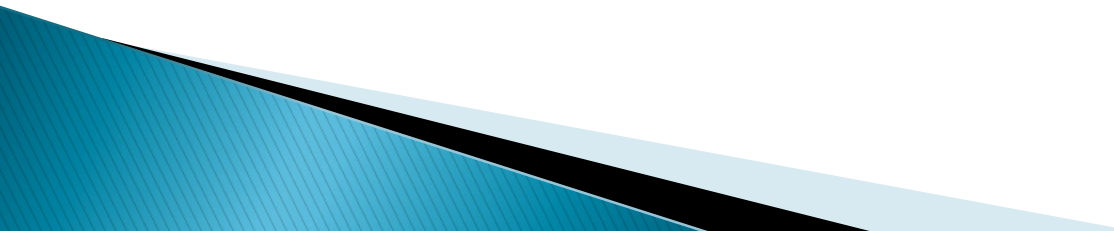
# Benefit Choices when you retire

(5) Non Spouse Joint and Survivor Annuity.

Contact NPERS for more information.



# Which choice is best for me?

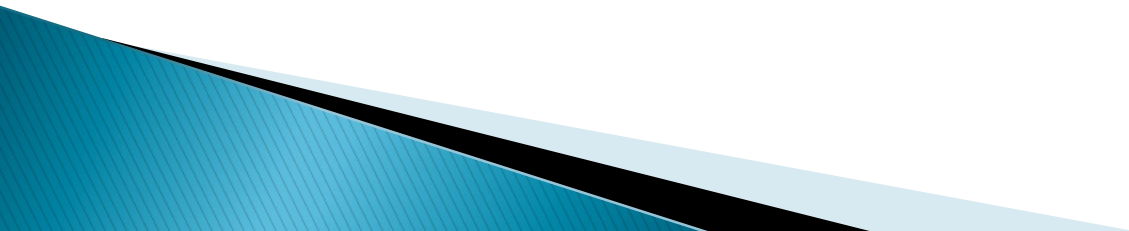
- ▶ It depends on everyone's individual situation.
  - ▶ For example, if I choose a five year guarantee, I get \$15,000 per year for life.
  - ▶ If I choose a 15 year guarantee, I get \$14,500 for life.
  - ▶ Is the \$500 less per year worth more left to beneficiaries if you die early?
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#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

Take out your contributions.

Leave in contributions.

Contact NPERS for specifics.

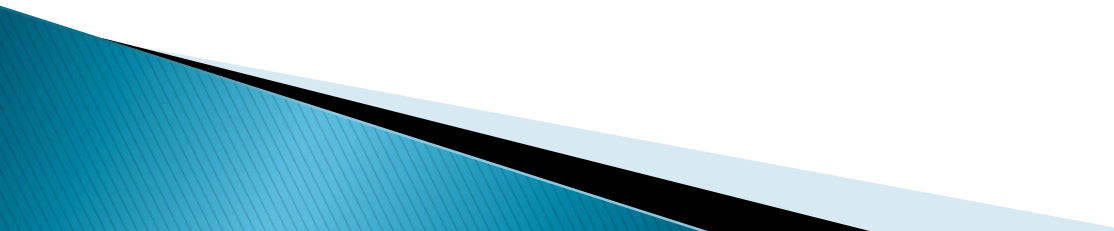


# This was a 5,000 foot view.

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.



# Retirement: Vacation & Paid Leave

- ▶ **Custodial/Grounds/Maintenance**  
*Collective Bargaining Agreement*

**Vacation:** On leaving the employment of the District, employees shall be paid for any unused earned vacation.

**Paid Leave:** Each employee retiring after 20 years of service in the District and who is at least 55 years of age shall receive reimbursement for each hour of unused accumulated paid leave at retirement. The rate of said reimbursement shall be \$16.00 per hour. The policies, procedures, implementation and all decisions related thereto shall be the sole responsibility of the District.

- ▶ *Full Collective Bargaining Agreement*

# Retirement: Paid Leave

## ▶ Paraprofessionals

### *Collective Bargaining Agreement*

**Paid Leave:** Upon resignation from employment or retirement, the District shall pay to any employee covered by this agreement for half of the employee's unused paid leave hours in excess of 40 hours; provided such resignation/retirement does not occur between July 1 and October 1. No payment shall be made for the first 40 hours of unused paid leave.

The rate of reimbursement for hours pursuant to paragraph (b) or (c) of Section VII of this Agreement shall be at \$10.00 per hour.

*Full Collective Bargaining Agreement*





# Retirement: Paid Leave

## ▶ Food Service

### *Wage & Summary Report*

**Paid Leave:** Upon resignation from employment or retirement, the District shall pay to any employee covered by this agreement for half of the employee's unused paid leave hours in excess of 40 hours; provided such resignation/retirement does not occur between July 1 and October 1. No payment shall be made for the first 40 hours of unused paid leave.

The rate of reimbursement for hours pursuant to paragraph (b) or (c) of Section VII of this Agreement shall be at \$10.00 per hour.

### *Full Wage & Summary Report*

# Retirement: Vacation & Paid Leave

- ▶ **Professional Technical Hourly**  
*Wage & Summary Report*

**Paid Leave:** Each employee who resigns or retires with at least 20 years of service and who is at least age 55 is eligible for buyback of unused paid leave at the rate of \$13.00 per hour.

- ▶ *Full Wage & Summary Report*

▶ QUESTIONS?

▶ Please use chat function or email  
[mpsbenefitsq@mpsomaha.org](mailto:mpsbenefitsq@mpsomaha.org)