

# RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | SEPTEMBER 2023

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## Age Ain't Nuthin' But A Number

**D**o you know the most common **AGE** at which people claim their Social Security benefit? Full retirement age? Perhaps, it is past full retirement age when they will get a bigger benefit the longer they wait to take it? The most common age for eligible people to claim Social Security is 62, the first possible opportunity to take benefits. People who take Social Security at 62 face a 30% permanent reduction in their monthly benefit amount. Is it worth it? If people do this for Social Security, how does that effect their School Defined Benefit plan? Should you take your retirement benefit early?

Two people with the same career paths, same salaries and same service credit years become eligible to take benefits. Person A takes their benefit at age 60, with the full 15% reduction in the monthly benefit due to their age. Person B waits and takes their benefit at age 65

to achieve an unreduced monthly benefit. Who has made the better retirement decision?

Most of us would just up and say, "Person B because they are getting the unreduced benefit, which means bigger retirement checks each month than Person A is getting." In a sense that is both correct and incorrect. Person A will get a bigger check each month at age 65, however Person A has a five-year payment head start on retirement. The only way to see a true winner in this scenario is to know how

long Person A and Person B will live, which is something none of us can predict. The choice about the timing of taking a retirement benefit is entirely up to you. Many things should be factored into your financial planning for retirement.

When speaking with Retirement Specialist, Dan, he relayed some food for thought when it comes to the timing of your benefit. "This week, I had the opportunity to work with a member who is age 61, I provided them with some information on taking a

reduced benefit now or waiting until age 65. If they start now, even with a 12% age reduction, their option 3A (5-year Period Certain & Continuous) benefit will be \$980.05 a month. If they wait until age 65, their option 3A (5-year Period Certain & Continuous) benefit will be \$1,113.69 per month."

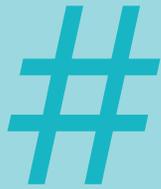
More is better, right? Well, maybe. If they start their benefit at age 61, they will receive 48 payments at \$980.05 totaling \$47,042.40, before they reach their unreduced benefit age. When they start that benefit at 65, the monthly amount will be \$1,113.69, which is \$133.64 more per month than the 12% reduced benefit. If we divide \$47,042.40 by the \$133.64 increase per month, it will take about 352 months or 30 years, before they hit the break-even point."

To say that another way, it would take approximately 30 years for the unreduced benefit at age 65 to be



# Age Ain't Nuthin' But A Number

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equal in value to the benefit taken earlier with the age reduction. How do you make sure you are identifying the most optimal decision regarding when to take your benefit? We offer many tools you can use, such as the benefit estimator on our website. Ultimately, the choice regarding the age and timing of when to take your benefit is a very personal decision. Some people feel they will lose out on precious funds by taking it early, but that is simply not the case sometimes. Please, run the numbers for yourself. If you need assistance contact a financial or tax advisor for advice regarding your personal financial situation.

Another timing issue we see on a fairly regular basis is people who think they must satisfy both Rule of 85 (age + years of service = 85, for an unreduced benefit) AND be age 65 to get an unreduced benefit. **Not true!** You only need to meet one, either Rule of 85 OR be age 65. Make sure, once you reach the minimum required age of 55 (age 60 for Tier 4), you meet the Rule of 85. If you are 62 with 23 years of service, you have met the Rule of 85 to claim your unreduced benefit! We want to make sure you are getting the most out of your amazing pension plan, so if you have questions, call Member Services at (402)471-2053 or (800)245-5712.

# Term (ination Date)s of Endearment

**P**lan members must terminate (cease) employment to receive a monthly retirement benefit or apply for a refund. An effective date of retirement and commencement of monthly benefits cannot begin prior to termination as **defined in statute**.

A common misconception is the date of termination is the last physical day of work by an employee. This is **not** how termination is defined in statute. For contract employees, **the contractual end date generally determines a member's termination of employment**. For hourly employees that do not work under a contract, the last physical day of work is usually the date of termination, but not always.

When a member is receiving their full contracted salary, the termination date cannot be adjusted to secure an earlier effective date of retirement.

### For Example:

A member works under the terms of an extended contract (a contract with a longer service period than a standard contract). They are contracted to work 198 days from August 12 through June 10. Per statute and the terms of their contract, **June 10** is the member's date of termination.

This termination date **does not** change even if the member "completes" all of their 198 contract days by May 31. Their contract determines the date of termination, and they cannot begin benefits prior to termination. In this example, their effective date of retirement would be July 1, provided they meet all the eligibility requirements and NPERS receives their completed application prior to July 1.

In instances where NPERS staff identifies an inconsistency between a reported date of termination and a member's service/salary history, we will request copies of the current and prior contracts.

There can be situations where the contract will not determine the date of termination. If the member fulfills the terms of their contract but provide additional service ([except for intermittent substitute service](#)) beyond that date, they are **not** deemed to have terminated service for retirement

purposes. Terminations and effective dates of retirement must be after ALL service (paid or voluntary) has been rendered.

This year some schools added additional duty/service requirements for certain employees due to the COVID-19 outbreak. Examples include, but are not limited to:

- Attending workshops/seminars, training events, or meetings whether conducted in-person or via an electronic medium.
- Participating in graduation ceremonies as part of work duty requirements.
- Completing work projects, duties, or assignments, including filing reports on behalf of the school district.
- Engaging in any other similar activity for, or on behalf of, a school district.

A plan member who participates in these types of activities is **not** deemed terminated for retirement purposes. If this is the year they are retiring, their effective date of retirement must be adjusted to reflect these additional service requirements.

### For Example:

A teacher was contracted to work a standard school year of 185 days with the last day of work in May 2020. In May, teachers were encouraged to participate in remote classroom training during the month of June. If the teacher participated in this training (paid or unpaid), they will not be deemed terminated for retirement purposes and cannot have an effective date of retirement earlier than July 1. The paperwork submitted to NPERS should reflect or be updated to indicate this delayed effective date of retirement. Any hours, compensation, and contributions tied to this service must also be reported to NPERS by the school.

If a termination date has been previously submitted in error, the school and the member must notify NPERS. If it is determined any service was provided prior to the statutorily required 180-day break in service, benefits will be suspended, and any benefits previously issued (including interest) must be repaid by the member.

# Fly into Retirement!



**Knowing the timing of your retirement can help you avoid the turbulence and have a smooth departure.**

## Book the Flight: Your Effective Date

This is a very important date, indeed. Your effective date is the first step in you starting to draw your monthly benefit. The application process is dependent upon the effective date. Effective dates are always the first of the month, we use your age as of the effective date when calculating your benefit. So, if your effective date is July 1st, we will calculate your benefit based on your age on this date and you would be eligible to receive your first benefit at the end of July. To establish your effective date, you must have completed all the necessary steps listed below! Now let's get on that plane!

## Pack Your Bags: Contact the Retirement Office

You can contact NPERS to get the process started up to six months, but preferably no less than one month prior to retirement! Go to the [NPERS.NE.GOV](https://www.npers.ne.gov) and run your personal benefit estimates so you know what to expect for a monthly benefit amount. At this point, you can also immerse yourself in the wealth of educational resources available to you right now on the NPERS website. You can watch Pre-Retirement Videos that explain the nuances of your plan or learn about Social Security and Estate Planning, so you won't have to worry about entertainment on your flight. We've got you covered!

## Stand in Line: Patience is a Virtue

Once we have your application, we will begin to review your work history to make sure your salaries are verified and your years of service are correct, to ensure you an accurate retirement benefit. A benefit estimate will be created, and your retirement packet will be mailed about 45 to 30 days prior to your effective date. Next, you complete and mail your Application for Retirement, supplemental documents like birth certificates, and additional forms from your packet, such as your W4-P/W4-N (for tax withholding) and Direct Deposit form to NPERS. Just like standing in line at the airport, this takes time, so please be patient with us as we process the paperwork!

## Now Boarding: Last Call for Retirement Paradise!

Processing time for your first benefit may take three months following your effective date, depending on how soon we receive your application and any paperwork requested from your employer, particularly during the summer. Some retirements may take longer if there is a discrepancy, or we are waiting for information from you or your employer. If payment is delayed past the first benefit period (benefits are issued at the end of each month), then your first check will be retroactive and include all the months you were eligible.

## Enjoy Your Flight: You Made It!

You retired and are living the good life! Wherever you land, make sure to keep an up-to-date address on file with NPERS because each year we will send you a notice detailing your COLA amount, if there is an adjustment, and an annual 1099R tax form.

# Kings and Queens of Spam-a-lot

Some plan members have been receiving retirement related emails sent to their work email addresses. The subject line in these emails have included, "Participants in the Nebraska Public Employees' Retirement System Can You Afford to Retire? Do you understand your Benefits? We Can Help..." "NPERS Assistance for (school name) Public Schools" and "Nebraska Public Employees... Will Your Retirement Survive?" The email encourages the recipient to schedule a 15 minute "No



Cost Retirement Consultation" where you will receive a "State of Nebraska Public Employees Retirement Report" a

"Complimentary Personalized Retirement Analysis" or an "estimate."

Other plan members have received phone calls from individuals offering a retirement seminar covering the NPERS retirement along with a free lunch at a local restaurant. Who doesn't love a free lunch?!

We would like to clarify these emails and calls did not come from NPERS. These are spam/marketing contacts from private entities who have obtained

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# Kings and Queens of Spam-a-lot (CONT'D.)

““ These are spam/marketing contacts from private entities... ””

the email addresses or phone numbers of Nebraska State and School employees via public websites (NPERS does not provide member email addresses or phone numbers to 3rd parties). The individuals responsible for these emails and calls are not affiliated with NPERS in any way.

If you receive a communication regarding your retirement account, and question if it's a legitimate communication from NPERS or a solicitation from a third party, please feel free to contact our office. [NPERS seminar enrollment forms and seminar dates/locations are also published on the NPERS website.](#) You can also see on our homepage a listing of our upcoming events!

Retirement Webinar	Retirement Seminar
Online retirement webinar for <b>SCHOOL PLAN MEMBERS</b>	In-person retirement seminar for <b>STATE &amp; COUNTY PLAN MEMBERS</b>
📅 10/26/2023 🕒 09:00 am - 12:30 pm CST 📍 Online	📅 10/31/2023 🕒 08:30 am - 04:00 pm CST 📍 La Vista, NE
<a href="#">More Info</a>	<a href="#">More Info</a>



P.O. Box 94816  
Lincoln, NE 68509  
85-28-51

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**RETIREMENT NEWS**  
NEBRASKA SCHOOL, JUDGES & PATROL | SEPTEMBER 2023

## Your Ticket to the Show!

**T**he 2023 School Plan pre-retirement seminar season came to a close June 7th. During that time we were conducting in-person and web-based retirement education seminars

In the past, we have conducted 'seasons' of seminars due to both the gorgeous Nebraska weather (and its accompanying driving conditions) and the timing of most retirements (i.e., the end of the school year). However, we understand that every member's retirement situation is unique. With that in mind, NPERS is offering two of our Pre-retirement Webinars to school members this fall.

Curl up at your computer with your fuzzy socks and favorite blanket, grab a warm cup of cocoa, and enjoy a ½ day presentation about the features of your School Defined Benefit Plan. No marshmallows required, as the sweetest part of the day will be learning about the peace of mind and secure

financial path that your Plan offers you and your family.

**The dates for these special off-season webinars are as follows:**

October 26th, 2023 from 9:00a to 12:00p CST

December 6th, 2023 from 9:00a to 12:00p CST

These webinars are **free of charge**. To register, simply send an email to [NPERS.seminars@nebraska.gov](mailto:NPERS.seminars@nebraska.gov) providing your **name, email address, date of birth and the date of the webinar you wish to attend**. We will accept registration for webinars until the day before the event.

No time for a seminar? We've got you covered! Currently our whole School Plan retirement seminar is available on video at [NPERS.NE.GOV](http://NPERS.NE.GOV), as well as our recorded [webinar session from Spring 2023](#).