



# Retirement Report

UPDATE FOR NEBRASKA SCHOOL EMPLOYER CONTACTS FALL 2019

## Member Packets / Handouts

Several years ago, NPERS created a New Member packet. This handout provides a brief description of the School retirement plan and notifies new members of the plan handbook, the Application for Vesting Credit form, and the Beneficiary form. At our annual training workshops for reporting agents/HR representatives, we recommend all new plan members be provided this packet.

Now we have created two new documents to provide terminating members with important information regarding their retirement benefits and the timelines to take Required Minimum Distributions.

The Terminated Member handout explains the vesting provisions and outlines what steps both vested and unvested members should take after ceasing employment. For vested members it explains when you are eligible for full or reduced benefits and what ages you can apply. It also explains the deferral option for members who have

terminated prior to reaching retirement age and encourages them to apply for benefits when they reach eligibility. For unvested members it explains the deferral and refund options, and warns terminated members cannot defer taking a refund past age 70 ½.

The Required Minimum Distribution (RMD) packet provides terminating members with information and warnings on the federal tax code RMD requirements. Failure to understand these RMD timelines and apply for benefits in a timely manner can result in the loss of lifetime benefits, tax penalties, and eventual transfer of accounts to unclaimed property!

Please consider providing plan members with these packets when they begin or terminate plan participation. The New Member, Terminating Member, and Required Minimum Distribution packets can be found on the "School Plan Info" page on the NPERS website.

### WHEN IT'S YOUR TURN TO RETIRE

Retiring soon?!? Please remember to "share your retirement reporting knowledge" with your new replacement! We've had multiple situations lately where new reporting agents have requested assistance from NPERS on how to manage and report data using the schools HR software. NPERS provides a training manual, summer workshops, and can answer questions regarding the data that needs to be reported. We do not, however, have experience or knowledge of the different types of HR/Payroll software utilized across the state and may not be able to assist with questions regarding your software. Please be sure to provide adequate training so your new reporting agent can successfully take over your reporting agent duties.

## Track Those Hours

In order to accurately process benefits, NPERS requires all extra duty or coaching hours be tracked and reported for participating members. It is important to be consistent when reporting extra hours with extra wages. Examples of extra duty hours would include (but not be limited to) officiating or refereeing, ticket taking, concession stand work, scorekeeping, and judging activities.

In addition, all hours worked by substitute employees must be tracked and recorded in order to provide documentation during the auditing process. Document the dates, hours worked, and the name of the substitute and absent employee.

Please refer to the sample Substitute Log and Extra Duty Log found at the end of the Service Credit chapter in the School Employer Reporting manual.

# Required Minimum Distributions and the Non-Con Form

For employees terminating on or after age 70, please be sure to submit Non-Contributing Member forms to our office ASAP! The potential benefit loss due to Required Minimum Distribution requirements for older employees can be devastating.

prior employment at another participating school. We also recommend providing the RMD Packet found on the School Plan page of the NPERS website to all terminating employees age 70 and over.

## Initial RMD's are due:

- The calendar year the terminated member turns age 70 ½, OR;
- If the member works beyond 70 ½ (at a participating employer) then the initial RMD is due the calendar year of termination.



Terminating members may delay taking the initial RMD until April 1 of the following year. The April 1 “grace period” provides individuals who terminate late in the year additional time to apply for and begin taking benefits prior to the deadline.

**Due to the design of the School plan, if a member fails to apply for and begin receiving their lifetime monthly (pension) benefit prior to the April 1 deadline, they are no longer eligible for the lifetime pension!**

NPERS recommends members contact our office three to six months prior to termination to apply for retirement benefits. Contacting us well in advance takes on even more significance for terminated members who need to meet an April 1 RMD deadline. Due to processing timelines, those members should preferably contact NPERS three to six months prior to termination, but no later than November 1.

For this reason, it is critical you submit Non-Contributing Member forms ASAP for all terminating employees who are age 70 or older. Even if the employee was not participating in the plan at your school, NPERS still recommends submitting a Non-Contributing member forms for these older employees as they may have membership due to

## A COUPLE Q&A'S

### Question:

Our new contract provides pay for employees who are on an “on-call” status. Does this need to be reported as compensation and service for retirement?

### Answer:

On-call pay may or may not qualify as compensation/service depending on contract language and any restrictions placed on the employee during the on-call time frame. Due to the complexity of this situation, including the rules published by the United States Department of Labor, Wage and Hour Division, and IRS, our recommendation is for employers to contact our office. We can review the facts and circumstances specific to your case, and provide you with a determination.

### Question:

We have members who, after retiring, plan on returning to assist with training their replacement. Are they able to assist with training and can this affect their terminated/retired status? Should they contact NPERS before doing this?

### Answer:

In order to be eligible to establish an effective date of retirement, a member must first terminate employment. Training new staff is still providing a service, even if it is done on a temporary or voluntary basis. In addition, this looks like a prohibited prearranged return to work. In either case, this would nullify the member's benefit eligibility. Members may provide training to incoming staff, but their effective date of retirement must fall after this period of service. When you submit a Non-Contributing Member form, the termination date entered should be after ALL service has been rendered.

# Vesting Credit

Don't forget to provide an Application for Vesting Credit form to all new employees. Vesting credit, once approved by NPERS, is not included as years of service credit when calculating monthly benefits, but it will apply to the five-year vesting time frame.

If an employee previously participated in another Nebraska governmental retirement plan, they may be eligible for vesting credit. The employment may have been full-time or part-time, as long as the employee met eligibility requirements to participate in that retirement plan. Examples of Nebraska governmental employment include state government, municipal government, public power district, law enforcement, county government, state university or state college. Employment that would not qualify would be federal employment, out-of-state university or college, and any non-governmental employment.

To receive vesting credit, new members must apply to NPERS within 180 days of hire using the Application for Vesting Credit form (NPERS2101). It is the reporting agent's responsibility to give all new members this form when they are hired whether you think they qualify or not. It is the responsibility of the employee to determine if they may be eligible and submit the completed application to NPERS within 180 days of hire.

References and links to the Vesting Credit form are included in the New Member packet. As a good business practice, NPERS recommends you obtain each new employee's written acknowledgment that he/she received an Application for Vesting Credit form.

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