

NEBRASKA *SCHOOL*

EMPLOYEES RETIREMENT SYSTEM HANDBOOK



NPERS
Nebraska Public Employees
Retirement Systems

Revised 08/2021

IMPORTANT

This member handbook contains time-sensitive information and should be read by all new School Retirement Plan employees within 30 days of employment.



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npers.ne.gov

NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM

Nebraska Revised Statutes
§§79-901 through 79-977.03
Internal Revenue Code §401(a)

The School Employees Retirement Plan (the School Plan) is a Defined Benefit Plan administered by the Public Employees Retirement Board (PERB) for **all public school employees**, certificated and non-certificated, in the State of Nebraska, *with the exception of* employees of Omaha Public Schools, University of Nebraska, Nebraska State Colleges and Community Colleges.

IMPORTANT



This handbook provides an overview of the benefits available to members of the Nebraska School Employees Retirement System (School Plan) as of the revision date and is not intended to be a substitute for retirement education. In most circumstances, benefits are established using the statutes in effect at the time of termination. The provisions of the School Employees Retirement Act, in all cases, supersede the information in this handbook.

This guidance document is advisory in nature but is binding on the Nebraska Public Employees Retirement Systems (NPERS) until amended by NPERS. A guidance document does not include internal procedural documents that only affect the internal operations of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

If you have questions, contact:

Nebraska Public Employees Retirement Systems (NPERS)
P.O. Box 94816
Lincoln, Nebraska 68509-4816

Fax 402-471-9493, or call 402-471-2053 or call toll-free 800-245-5712.

**You may schedule an appointment to visit NPERS
at 1526 K Street, Suite 400, Lincoln.**

**For Plan information and to use the Benefit Estimator,
visit the NPERS website: npers.ne.gov.**

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BENEFIT TIERS

The School Plan currently contains four separate benefit “Tiers”. Tier membership is determined by the member’s date of plan participation

TIER ONE

Tier One refers to members who joined the School Plan prior to 7/1/2013.

TIER TWO

Tier Two refers to members who joined the School Plan on or after 7/1/2013 and prior to 7/1/2017.

TIER THREE

Tier Three refers to members who joined the School Plan on or after 7/1/2017 and prior to 7/1/2018.

TIER FOUR

Tier Four refers to members who joined the School Plan on or after 7/1/2018.

IMPORTANT



The majority of plan provisions for each tier are similar. This handbook will note the sections where benefits are different.

WARNING



Members who terminate employment and take a refund or retirement benefit who later return to plan participation will be treated as a new employee per plan provisions. Their tier status will be determined using the date they return to plan participation. Individuals who have taken a refund may return to their prior tier status if the refund is repaid in full (see “Repayment of Refund”).

YOUR BENEFIT

At retirement age, eligible (vested) members will receive a monthly “pension” benefit paid for their lifetime. This benefit is calculated using a formula that multiplies total years of creditable service by the highest 12-month periods of salary (final average monthly compensation) and a formula factor set by law (currently 2%).

DEFINED BENEFIT FORMULA



*To qualify for the 2% multiplier, you must have been employed on or after May 2, 2001, and earned at least one-half year of creditable service after that date.

THREE IMPORTANT POINTS

- While you are required to contribute to the School Plan to accrue your retirement benefits, your account balance is NOT used in the formula when calculating your monthly retirement benefit amount.
- Members CANNOT take a distribution of benefits until they have ceased employment at all school districts, ESUs, and state agencies participating in the School Plan.
- It is your responsibility to apply for retirement benefits. A terminated member who qualifies for unreduced benefits but fails to apply will incur a partial and potentially complete loss of monthly benefit payments.

MEMBERSHIP

Mandatory Membership

MANDATORY PARTICIPATION

The following employees are *required* to participate in the retirement plan:

- All permanent employees of a Nebraska school district, an educational service unit, the state or county (if the position with the state or county requires a teaching certificate), working at least 20 hours per week on an ongoing, regular basis, or with a full-time contract.
- A permanent employee initially hired at less than 20 hours per week who provides service for 20 hours or more per week in any three calendar months of a plan year must be enrolled in the retirement plan for the next payroll period.

To calculate the 20 hours referenced above Employers will use a formula. That formula is the total number of hours worked in a calendar month, divided by the actual number of days in the month, times 7 (days in a week).

An employee must be a United States citizen or a qualified alien in order to participate.

Reemployed Members

If you were previously participating in the School Plan, terminated employment, and are now returning to work for the same employer you will resume plan participation regardless of hours worked (unless rehired as a true substitute).

If you

- worked at a different participating employer; or
- took either a refund or a monthly retirement benefit,

then you must re-establish membership using the 20 hour per week criteria.

In all circumstances if you are returning to work after taking a refund or retirement benefit you must incur a 180 day break in service prior to reemployment at a participating employer.

Election of Nonmembership

IMPORTANT



If you were employed one-half time or more prior to July 1, 1978 and did not wish to be a member of the School Plan, you were eligible to file an "Election of Nonmembership." This election had to be signed prior to July 1, 1978. This nonmembership is valid only if you have been employed continuously as a school employee since that date.

VALIDITY OF ELECTION OF NONMEMBERSHIP

An Election of Nonmembership is no longer valid and you *must* join the School Plan if:

- You cease employment and later return to employment, working at least 20 hours per week on an ongoing, regular basis, **OR**
- You move from a noncertified position to a certified position.

Ineligibility

EMPLOYEES NOT ELIGIBLE TO PARTICIPATE IN PLAN

The following employees are not eligible to participate in the retirement plan:

- Employees **under age 18**.
- **Substitutes** (unless employed in another capacity which qualifies for retirement). Substitute employee means a person hired by a public school as a temporary employee to assume the duties of regular employees due to the temporary absence of the regular employees. Substitute employee does not mean a person hired as a *regular* employee on an ongoing basis to assume the duties of other regular employees who are temporarily absent.
- **Temporary employees.** A temporary employee is defined as an employee who is hired to provide service for a limited period of time to accomplish a specific purpose or task. When such specific purpose or task is complete, the employment shall terminate. The temporary employment period cannot exceed one year in duration and should be supported by an employment agreement.

If you are unsure of your membership status, or whether you should participate in the School Plan, please contact NPERS for clarification.

CONTRIBUTIONS/FUNDING

FUNDING SOURCES

Your monthly benefit is funded from the following sources:

- Member contributions
- Employer (school district, ESU, etc.) contributions
- Contributions from the State of Nebraska
- Investment earnings

As a **MEMBER** of the School Retirement System, you are required to contribute a percentage of your gross compensation. Under current law your contribution rate is **9.78%**.

Your **EMPLOYER** is required by law to match your contributions at the rate of **101%**.

The State of Nebraska contributes a percentage of total members' compensation and may contribute an additional amount to fund the School Plan, if recommended by the actuary. These funds are appropriated by the Legislature. The current State of Nebraska contribution rate is **2.0%**.

The Nebraska Investment Council invests the assets of the School Plan to help fund the lifetime benefits issued to eligible members. The Investment Council invests in a variety of investment vehicles, including bonds and fixed investments, and domestic and foreign equities (stock).

IMPORTANT



Employer contributions, funding from the State of Nebraska, and investment earnings are not credited to your account but instead provide funding for the lifetime monthly benefit provided to eligible members at retirement.

EXEMPTION FROM LEGAL PROCESS

All Plan assets are held *in trust*. Under current law, these assets are immune from execution, garnishment, attachment, bankruptcy and insolvency laws, or any other process of law. You cannot use your assets as loan collateral since they are not assignable.

EXCEPTIONS TO EXEMPTION FROM LEGAL PROCESS

There are only two means by which your trust assets can be paid to anyone other than yourself or your beneficiaries:

- A qualified domestic relations order under the Spousal Pension Rights Act; **OR**
- An IRS tax lien.

ELIGIBILITY/VESTING

Members must be vested in order to be eligible for a monthly retirement benefit. Unvested members are only eligible for a refund consisting of their contributions, plus interest.

VESTING PROVISIONS

There are two vesting provisions, per state statute:

- Accruing five years of service credit in the Nebraska Public School Retirement plan
- Working at a participating employer up to age 65 with at least half a year of service credit

IMPORTANT



The half a year vesting provision at age 65 will not apply to a member who joined the School Plan on or after July 1, 2016, or a member who has taken a refund or retirement and returns to plan participation on or after July 1, 2016.

Vesting Credit

Within the first 180 days of employment, a school employee may apply to NPERS for eligibility and vesting credit for years of participation in another Nebraska governmental plan, as defined by §414(d) of the Internal Revenue Code.

IMPORTANT



Vesting credit is not “service credit.” It will not be included as credit-able service in your retirement benefit calculation but instead is used to determine eligibility/vesting.

Your employer should provide you with an Application for Eligibility and Vesting Credit form at the time of your initial employment. **To be considered, your completed application must be received by NPERS *within 180 days of your employment*. There are no exceptions.** If you fail to apply for vesting credit within this time frame, you are not eligible for vesting credit.

During the years of participation in another Nebraska governmental plan, you must have been a full-time or a part-time employee.

EXAMPLES OF NEBRASKA GOVERNMENTAL EMPLOYMENT

- State government
- Municipal government
- Public power district
- Law enforcement
- County government
- State university or state college

Employment that would not qualify would be federal government, out-of-state university or college, and any non-governmental employment.

IMPORTANT



If you are moving from one participating employer (School, ESU, etc.) to another participating employer, you do not need to submit a vesting credit form.

BENEFICIARY DESIGNATION

Before Retirement

At the time you join the School Plan, you will be provided a Beneficiary Designation Form to designate the person or persons you wish to receive your benefits if you were to die before retiring and selecting a retirement

benefit payment option. The Beneficiary Designation Form must be properly *completed, signed, notarized, and received* by NPERS prior to your death to be effective. You may change your beneficiary designations *at any time* before retirement and should **always** be sure your beneficiary information is *current* and up to date.

IMPORTANT



The beneficiary designations you elect can drastically impact the death benefit amount and payment options (see “Death Benefits”).

COMPLETING THE BENEFICIARY DESIGNATION FORM

- You may name primary and contingent beneficiary(ies).
- You may name a person or a trust. Please include the full name and date of the trust, along with the name of the trustee and their contact information. When designating a living trust, NPERS will need a point of contact who in theory will survive you.
- If you have more than one retirement account at NPERS you may mark your Beneficiary Designation Form (“Plan Type” – upper right corner) for all accounts, or file separate Beneficiary Designation Forms if you want to name different beneficiaries for each account.

DISTRIBUTION OF BENEFITS

- Benefits will go to your primary beneficiary(ies) in equal amounts unless you assign specific percentages.
- If you designate multiple primary beneficiaries and one or more of them predecease you, your benefits will be divided among the remaining primary beneficiaries.
- NPERS does not observe the passing of benefits to the heir(s) of deceased beneficiary(ies) *per stirpes*.
- Only if *all* your primary beneficiary(ies) have predeceased you, will benefits go to your contingent beneficiaries.
- If there is no surviving designated beneficiary on file, a refund of the member account will be paid to the spouse married to the member on the member’s date of death. If there is no eligible spouse, benefits will be issued to the member’s estate.

IMPORTANT



Beneficiary(ies) designated on a beneficiary form generally take priority over beneficiary(ies) named in a will or trust.

To change or update your beneficiary designations, you should request a Beneficiary Designation Form from your employer or from NPERS, or print from the website at npers.ne.gov. When NPERS receives your properly completed, signed and notarized form, it will cancel any previous beneficiary designation. Be sure to fill out the form completely. If information is missing or not properly completed, a copy of the form will be returned to you and a new form provided for resubmission.

CIRCUMSTANCES FOR BENEFICIARY REVIEW

We recommend reviewing your beneficiary designation under the following circumstances:

- You or a beneficiary marries or becomes divorced.
- A beneficiary dies.
- You have a child.
- You return to public school employment after having received a distribution of your account.
- You return to public school employment after retiring (see Reemployment).

Your beneficiaries will be listed on your annual account statement. If you have created an NPERS online account, you may be able to review your beneficiaries online. NPERS cannot provide beneficiary information over the phone; however, you may request this information in writing or submit a new beneficiary form to our office.

After Retirement

When you are going through the retirement process and completing the School Application for Retirement form, you will re-designate a person or persons as your beneficiary(ies) based on the retirement benefit payment option you select (see “Retirement Benefit Payment Options”).

TERMINATING SERVICE BEFORE RETIREMENT AGE

If you terminate service in a Nebraska public school *before* you become eligible for monthly retirement benefits, you have the following choices:

Deferral

If you are vested, you may leave your account on an inactive basis until you reach retirement age and apply for your monthly benefit (see “Retirement/Age & Retirement/Effective Date”).

PLEASE NOTE

- Members who are not vested may defer their account up to the Required Minimum Distribution (RMD) age but are not eligible to receive a monthly retirement benefit (see “Eligibility/Vesting” and “Taxation”).
- Monthly benefits will not increase once a *vested and terminated* member reaches the age/status when they can draw an unreduced benefit. Failure to apply for benefits will result in a partial or potentially complete loss of monthly benefits.

IMPORTANT



Terminated members should report address changes in writing directly to NPERS. An address change form is available on the “Forms” page of the NPERS website. A terminated member *who has deferred taking benefits* (inactive member) may change their address online if they have created an NPERS online account. **Members who fail to maintain an updated address with NPERS may have their account balance transferred to Unclaimed Property and will forfeit their monthly benefit.**

IMPORTANT



Terminated members must apply for and begin receiving benefits prior to the Required Minimum Distribution (RMD) deadlines. Failure to meet these deadlines will result in the loss of pension benefits and the eventual transfer of the account to Unclaimed Property (see “Taxation”).

Refund

You may withdraw your accumulated contributions and interest in a lump sum refund paid directly to you, or rolled over (transferred) to another eligible retirement plan or Individual Retirement Account (IRA).

To apply, you must request an Application for Refund from NPERS or print the application from the website at npers.ne.gov. You are *eligible* to receive a refund no earlier than four months after termination. Due to processing timelines, distribution of a refund will occur no sooner than 20 business days following receipt of your completed application. Applications are processed in the order received and as soon as administratively possible. (To understand the tax implications of taking a refund, see “Taxation.”)

WARNING



Refunds do not include employer matching contributions. In addition, taking a refund erases your years of service credit and terminates plan membership. Members who take a refund and return to plan participation at a participating employer will return as a new member and participate under the tier provisions in effect as of the date they returned to plan participation. These individuals may restore their prior tier status if the refund is repaid in full (see "Repayment of Refund").

WARNING



You must incur a bona fide termination in order to receive a refund. If you do not fulfill the requirements for a bona fide termination, you will be required to repay the refund. State statute requires participating employers to provide ALL terminating members an "Early Retirement Inducement and Termination Certification" form. This completed and signed form must be received by NPERS prior to distribution of retirement benefits from the member's account (see "Reemployment").

IMPORTANT



A refund over \$25,000 must be PAID via Automated Clearing House (ACH). This is similar to a one-time direct deposit and will be made to the financial institution you choose.

CREDITABLE SERVICE

The service credit used to calculate your benefit is defined per state statute. All employees must have their hours tracked every time they render service, at the time they render service, to ensure they receive the correct retirement benefit.

CREDITABLE SERVICE INCLUDES:

- Hours worked
- Used sick hours, used vacation hours, holidays, and any other leave hours for which you are paid regular wages as part of the your agreement with your employer

CREDITABLE SERVICE DOES NOT INCLUDE:

- Lump-sum payments to the employee upon termination or retirement in lieu of accrued benefits for such days
- Eligibility and vesting credit
- Service years for which member contributions are withdrawn and not repaid by the member
- Service rendered for which the retirement board determines that the member was paid less in compensation than the minimum wage as provided in the Wage and Hour Act
- Service which the board determines was rendered with the intent to defraud the retirement system

Accrual Rate

Service credit is accrued based on the total eligible hours worked.

SINCE JULY 1, 2002

Since July 1, 2002, the following rules apply:

- If you work 1,000 or more hours in a plan year (July 1–June 30), you will receive one year of creditable service.
- You will receive fractional credit for the portion of the School Plan year worked based on 1/1000 of a year credit for each hour worked. Salaried employees who are part-time receive the same percentage of credit as their percentage of full-time equivalency.

RULES FROM JULY 1, 1986 TO JUNE 30, 2002

Rules from July 1, 1986 to June 30, 2002:

- One year of creditable service was earned by working 1,032 or more hours during a plan year. For those working between 516 hours and 1,032 hours during a plan year, partial credit was given. No person working less than 516 hours during a plan year earned service credit.

PRIOR TO JULY 1, 1986

Rules prior to July 1, 1986:

- One year of creditable service was earned on the basis of working full time for at least 120 days in a fiscal year. Under certain conditions, fractional years of service were granted for those working either part time or less than 120 days.

Military Service

Members who are reemployed after qualified military service may be eligible for vesting and service credit for their period of military service. The employer shall be responsible for funding covered military service benefits including member and employer contributions. Military service credit provisions only apply to service that falls within the definition of uniformed service per the Uniformed Services and Reemployment Rights Act of 1994 (USERRA).

Members who wish to have their military service reviewed for potential service credit should file their request to NPERS in a timely fashion. Please contact NPERS for further assistance regarding eligibility, the application process, applicable time frames, and the documentation necessary to support such an agreement.

HEART ACT

Heroes Earnings Assistance and Relief Tax Act of 2008

For any member whose death occurs on or after January 1, 2007, while performing qualified military service, the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART Act) requires their beneficiary(ies) be entitled to any additional death benefit he or she would have received had the member been employed during the period of military service when the death occurred. For assistance, contact NPERS.

REPAYMENT OF REFUND AND OPTIONAL SERVICE CREDIT

INCREASING YOUR CREDITABLE SERVICE

There are several ways you can increase your creditable service through the payment of money to the School Plan. *These fall into two categories:*

Repayment of Refund

Optional Service Credit

Repayment of Refund

Repaying a refund reinstates prior creditable service and if the refund is repaid *in full*, it will return you to your prior benefit tier status. In addition if this restored service includes any of your highest 12-month periods of compensation, it will be used when calculating your final average compensation.

An application to repay a refund may be submitted on a **one-time basis** under the following conditions:

- You must be a regular employee contributing to the School Plan.
- You must apply for and repay the refund **within the first five years of reemployment or prior to termination**, whichever is earlier.
- Due to processing timelines, your Application for Purchase of Refunded Service form must be received by NPERS **at least 60 days prior to the five-year or termination deadlines**.
- If the refund is not repaid in full by the deadlines, service credit will be restored in proportion to the amount repaid.

Repayment costs are calculated based on the amount of the refund and the actuarial assumed rate of return that would have been earned on the funds from the time the refund was taken until it is repaid. For your convenience, you may *estimate* the cost using the refund repayment factors on the School “Plan Info” page on the NPERS website.

You may repay all or a portion of the refund. Your “oldest” years must be purchased first and you must purchase the exact amount of service credit earned in each fiscal year. If you wish to return to your prior benefit tier, you must repay the refund in full.

EXAMPLE



If you took a refund which erased three years of service credit:

Starting with the oldest service, you may elect a **one-time** repayment for one, two, or all three years.

STEPS TO REPAY A REFUND

- Step 1** Submit a written request to NPERS at least 90 days in advance of the five-year or termination deadlines to request a refund repayment estimate. NPERS will calculate an estimated cost and send you the Application for Purchase of Refunded Service and Method of Payment forms.
- Step 2** Complete and submit the Application for Purchase of Refunded Service and Method of Payment forms to NPERS. These forms must be received at least 60 days prior to the five-year or termination deadline. Be aware this will be your one-time opportunity to elect repayment. NPERS will assign a payment due date and calculate a final cost based on the repayment option you selected. You will be notified by mail of this amount and the due date.
- Step 3** Payment must be received in our office by the five-year or termination deadlines. Methods of payment are explained at the end of this section. Members who submit a repayment application within one year of the five-year or termination deadlines cannot utilize the payroll deduction option for repayment of a refund.

Optional Service Credit

There are three types of optional service credit that may be purchased:

1 LEAVE OF ABSENCE

A leave of absence is a sabbatical, maternity leave, exchange teaching program, full-time leave as an elected official of a professional association or collective bargaining unit or leave of absence to pursue further education or study. You may purchase service credit for a qualified leave of absence under these conditions:

- You must be a regular employee contributing to the School Plan.
- The leave of absence must be authorized by your board of education or the school district.
- You may purchase time equal to the leave which cannot exceed four years in length.
- You must return to employment in a school district other than a Class V district (Omaha) within one year after completing the leave of absence.
- **Interest Based Purchase** - If you were employed or under contract on or *prior to* July 19, 1996, have not changed employers since that date and elect to pay for your leave of absence *within three years* of returning from the leave, you must pay the required deposits of both the employee and employer that would have been made on your behalf if you had not taken the leave of absence, plus interest that would have accrued on the deposits, based on your compensation for the period immediately prior to the leave of absence. Payment must be completed within five years of your return to membership or prior to your termination date, whichever is sooner.
- **Actuarial Based Purchase** - If you were hired or rehired *after* July 19, 1996, you will pay the actuarial cost to the School Plan for allowing the additional service credit.

Payment must be made within five years after the election to purchase the leave-of-absence service or prior to termination, whichever comes first.

In all cases, the creditable service purchased for a leave of absence will be used to calculate your retirement benefit, but the salary associated with the service cannot be used in the calculation.

The leave of absence must be verified before NPERS can provide a purchase cost to you.

2 OUT OF STATE/OMAHA PUBLIC SCHOOLS SERVICE

You may purchase credit for public school service outside of Nebraska or in the Omaha Public Schools under these conditions:

- You are a regular employee, contributing to the School Plan.
- Credit is limited to the amount of service forfeited, up to a maximum of 10 years.
- Credit is limited to an amount equal to your total creditable service acquired in Nebraska upon termination.
- You must provide proof of forfeiture of benefits in order to purchase service.
- You must pay the actuarial cost to the School Plan for the additional service credit.

Full payment must be received within five years of your election to purchase service or prior to termination, whichever comes first.

The service purchased will be used when calculating your retirement benefit, but the salary associated with the out of state service will not be used in the calculation.

Your out-of-state or Omaha Public School service must be verified before NPERS can provide a purchase cost to you.

3 TWELVE-MONTH PRERETIREMENT SERVICE PURCHASE

You may purchase up to five additional years of service credit in contemplation of retirement. To qualify, all of the following conditions must be met:

- You are a regular employee contributing to the School Plan.
- If you joined the School Plan before July 1, 2014, you must have a minimum of five years of earned creditable service. If you joined the School Plan on or after July 1, 2014, you must have a minimum of ten years of earned creditable service. Earned service credit does not include vesting credit (see "Eligibility/Vesting").
- At the time you purchase the service, you must have entered a written agreement that you will retire within 12 months of the day of the agreement.
- If you do not terminate employment and begin receiving benefits, within 12 months from the date of your service purchase agreement, the purchase will be cancelled and all payments returned, excluding any interest earned.

- The cost of the service purchase is the actuarial cost to the School Plan for allowing the additional service credit and must be paid for by the School Plan member.

Payments must be completed prior to termination.

STEPS TO PURCHASE OPTIONAL SERVICE CREDIT

- Step 1** Contact NPERS in writing and indicate type and amount of service you wish to purchase. Due to the time frames involved, NPERS recommends initiating requests to purchase optional service credit no less than 12 months prior to termination.
- Step 2** NPERS will calculate an estimated cost and send you the Application for Purchase of Service and Method of Payment forms. You can get a rough estimate of the cost to purchase out of state or 12-month preretirement service credit by utilizing the optional service credit estimator on the NPERS website.
- Step 3** Complete and submit the Application for Purchase of Service and Method of Payment forms to NPERS no less than 60 days prior to your last day of employment. If this paperwork is not received by the 60th day prior to termination, you will not be allowed to purchase service credit.
- Step 4** You will be notified by mail of the final purchase price and payment due date.
- Step 5** Payment must be received in our office by the due date or prior to termination – whichever is earlier.

Methods of Payment to the School Plan

You may make payment to the School Plan through after-tax direct payments or installment payments, after-tax payroll deductions or rollover payments. Payment options may be restricted in order to satisfy statutorily mandated deadlines. Personal checks are not accepted.

As payment, you may use a rollover from another qualified 401(a) plan [including a 401(k) plan], a 403(a) or (b) Tax Sheltered Annuity Account, a 457(b) Eligible Deferred Compensation Plan or a 408(a) Individual Retirement Account. You may also use a trustee-to-trustee transfer from a 457 deferred compensation plan or a 403(b) tax-sheltered annuity.

Payments made to purchase service on an after-tax basis will be subject to contribution limits under §415 of the Internal Revenue Code. §415 limits do not apply to repayment of refund. You may wish to consult with a tax professional for assistance

COMPENSATION

TIER ONE

At retirement, your **three** highest 12-month periods of salary, counting back from the final month of pay, are used to determine your *final average monthly compensation* when calculating your benefit (see "8% Salary Cap").

TIERS TWO/THREE/FOUR

At retirement, your **five** highest 12-month periods of salary, counting back from the final month of pay, are used to determine your *final average monthly compensation* when calculating your benefit (see "8% Salary Cap").

Compensation means gross wages or salaries payable to the member for personal services *performed* during the School Plan year and includes overtime pay, member retirement contributions, retroactive salary payments paid pursuant to court order, arbitration or litigation and grievance settlements, and amounts contributed by the member to plans under §125, 403(b), and 457 of the Internal Revenue Code.

Compensation **does not include** fraudulently obtained amounts as determined by the retirement board, amounts for accrued unused sick leave or accrued unused vacation leave converted to cash payments, insurance premiums converted to cash payments, expense reimbursements or per diems paid for expenses, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, severance pay, and employer contributions for purposes of separation payments made at retirement.

8% Salary Cap

8% CAP

Increases in compensation for plan members will be capped at 8% per year when calculating retirement benefits per Nebraska statute. No exceptions increasing the 8% cap will be allowed.

ACCOUNT STATEMENT

Each fall, NPERS will mail an Account Statement to *your home address*. To ensure you receive your statement, **always inform your employer of any address changes**. Members who terminate prior to reaching retirement age should notify NPERS of any address changes.

The annual Account Statement is the document NPERS uses to inform you of your estimated years of service credit and compensation for the prior fiscal year as reported by your employer(s). Compensation and service credit are considered "estimated" until reviewed and verified by NPERS.

Your benefit is determined using your total years of creditable service and highest years of compensation. It is critical you review this data as reported on your Account Statement! **It is your responsibility to notify NPERS of any potential service or salary errors.**

If you believe your Account Statement is in error, you should contact NPERS in writing. We will review your records, provide you with a detailed breakdown of your service credit and reported compensation, and then work with you and your employer(s) to resolve any discrepancies.

Your total member contributions and accumulated interest are also reported on your statement. Interest is credited monthly and defined by law as a rate equal to the daily treasury yield curve for one-year treasury securities, as published by the Secretary of the Treasury of the United States. Employer contributions and investment earnings are used for funding the monthly lifetime retirement benefits and will not appear on your statement.

RETIREMENT: AGE

Once vested, your age will determine if you are eligible to begin receiving monthly benefits and if those benefits are reduced or unreduced.

IMPORTANT



There are two important points to remember:

- NPERS will calculate benefits using your age on your effective date of retirement rather than your age when you ceased employment.
- Benefits are calculated based on the law in effect at the time you terminate employment.

Age 65: Unreduced Normal Retirement

“Normal” retirement age is age 65. Vested members are eligible to receive an unreduced retirement benefit at age 65.

Rule of 85: Unreduced Early Retirement

TIERS ONE/TWO/THREE

At ages 55 to 64, you may qualify to receive unreduced benefits under the “Rule of 85” if your *attained age* plus your creditable service equals 85 or greater.

EXAMPLE: 55 YEARS OF AGE, 30 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{55} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{30} \\ \hline \text{Years of Service} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

There is no early retirement reduction of your benefit.

EXAMPLE: 58 YEARS OF AGE, 27 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{58} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{27} \\ \hline \text{Years of Service} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

Eligible for an unreduced retirement benefit.

If you have partial years of service credit, NPERS will use your partial attained age to determine eligibility for the “Rule of 85.”

EXAMPLE: 55 YEARS, 6 MONTHS OF AGE, 29.5 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{55.5} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{29.5} \\ \hline \text{Years of Service} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

Eligible for an unreduced retirement benefit.

TIER FOUR

At ages 60 to 64, you may qualify to receive unreduced benefits under the Tier Four “Rule of 85” if your attained age plus your creditable service equals 85 or greater.

EXAMPLE: 60 YEARS OF AGE, 25 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{60} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{25} \\ \hline \text{Years of Service} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

There is no early retirement reduction of your benefit.

EXAMPLE: 63 YEARS OF AGE, 22 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{63} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{22} \\ \hline \text{Years of Service} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

You are eligible for an unreduced retirement benefit.

If you have partial years of service credit, NPERS will use your partial attained age to determine eligibility for the “Rule of 85.”

EXAMPLE: 60.5 YEARS OF AGE, 24.5 YEARS OF SERVICE



$$\begin{array}{|c|} \hline \mathbf{60.5} \\ \hline \text{Years of Age} \\ \hline \end{array}
 +
 \begin{array}{|c|} \hline \mathbf{24.5} \\ \hline \text{Years of Service} \\ \hline \end{array}
 =
 \begin{array}{|c|} \hline \mathbf{85} \\ \hline \end{array}$$

If you have 24.5 years of service, you will meet the “Rule of 85” once you attain the age of 60 and six months.

Early Retirement At Age 60: Reduced

You may qualify to receive a *reduced* retirement benefit as early as age 60 if you have five or more years of creditable service.

There will be a **permanent** 3% per year reduction for each year your attained age is less than age 65.

ATTAINED AGE (MUST BE AT LEAST 60)	CREDITABLE SERVICE	BENEFIT REDUCTION
60	24 YEARS OR LESS	15%
61	23 YEARS OR LESS	12%
62	22 YEARS OR LESS	9%
63	21 YEARS OR LESS	6%
64	20 YEARS OR LESS	3%

RETIREMENT: EFFECTIVE DATE

An “effective date” is the starting point when your monthly retirement benefits commence.

EFFECTIVE DATE

The effective date of your retirement will be the first day of the month following:

- The date your school employment terminates;
- AND**
- the date your completed Application for Retirement is received by NPERS;
- AND**
- the date your age and service allow eligibility for benefits.

WARNING



If you do not file your application for retirement with NPERS in a timely manner in accordance with these requirements, it will result in a loss of benefit payments. ***If you have questions about how your effective date of retirement is established, please contact NPERS for clarification.***

EXAMPLE: DETERMINING EFFECTIVE DATE



If you are age 55, have 30 years of service and your school employment terminates May 25, your effective date would be June 1 (provided your application has been received prior to June 1).

$$\begin{array}{|c|} \hline \mathbf{55} \\ \hline \text{Years of Age} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{30} \\ \hline \text{Years of Service} \\ \hline \end{array} + \begin{array}{|c|} \hline \mathbf{5/25} \\ \hline \text{Termination} \\ \hline \end{array} = \begin{array}{|c|} \hline \mathbf{6/1} \\ \hline \text{Effective Date} \\ \hline \end{array}$$

However, if you have 30 years of service, your school employment terminates May 25, but you do not turn age 55 until June 15, your effective date would be July 1. If you were to inadvertently wait until September to submit your completed application to NPERS, your effective date would be October 1, and you would have lost benefit payments for July, August and September.

Your employer will notify NPERS of the date of your termination by submitting a Non-Contributing Member Form. Your employment contract language will be used to determine the date your employer-employee relationship is dissolved for purposes of determining your effective date of retirement.

You must incur a bona fide termination in order to begin drawing your retirement benefit. State statute requires ALL terminating members complete and submit an “Early Retirement Inducement and Termination Certification” form to NPERS. This completed and signed form must be received prior to distribution of any retirement benefits from the member’s account (see “Reemployment”).

You can expect your first payment approximately **90 days after** your effective date of retirement provided NPERS has received all necessary documentation. No matter when you actually receive your first payment, it will be retroactive to your effective date of retirement. *During peak summer retirement months, processing time could be longer.*

- If the school has reported your total hours and submitted all contributions at the time NPERS processes your account, we will process your benefit payment as a final monthly retirement benefit.
- If the school has reported your total hours but not yet submitted all contributions to NPERS, we may be able to process a 95%

“preliminary” monthly retirement benefit. If your account is processed as a preliminary benefit payment, NPERS will recalculate your monthly retirement benefit after you have received an equivalent of five months of benefit payments. Under certain circumstances, such as a salary dispute or an extended contract negotiation, it may be more than five months before the recalculation occurs. The recalculation will include all salary and contribution information received from the school and will finalize your monthly retirement. Recalculation of your benefit may or may not change your monthly benefit amount.

RETIREMENT: APPLICATION PROCESS

IMPORTANT



It is your responsibility to apply for your benefit! Retirement benefits will not start automatically. **Delaying your application may result in a partial or complete loss of pension benefits!**

STEPS TO TAKE BEFORE YOU RETIRE

- Step 1** Contact NPERS in writing or by telephone at least **three months** before your anticipated retirement/effective date to avoid delays in payment. If you contact NPERS in writing, please include your name, phone number, home address, Social Security number, employer/position, and your anticipated date of termination. If you wish to include estimated benefits for either the Spousal or Non-Spousal Joint and Survivor options, please include the date of birth of the individual you intend to select as your beneficiary (see “Retirement Benefit Payment Options”).
- Step 2** NPERS will verify your salary and service history, and create an estimate of benefits *based on your current account status*. Final benefit amounts will be determined when your employer submits your final salary and service data to our office, and your retirement application is received by NPERS.
- Step 3** NPERS will send you a Retirement Packet. This packet will contain your estimate of benefits and the paperwork you need to complete including the Application for Retirement form.
- Step 4** An “Early Retirement Inducement & Termination Certification” form will be included in all packets. NPERS must be in receipt of this completed form prior to release of benefits.

Step 5 Complete and return your Application for Retirement to NPERS preferably 30 days, but *no more than 120 days prior* to your effective date of retirement. You may file your application by mail or in person by making an appointment with NPERS.

WARNING



Regardless of how you file, please note: NPERS cannot accept an application earlier than 120 days prior to your effective date and will send a new application for you to resubmit.

Step 6 Verify your age by filing with NPERS a legible copy of your Certificate of Birth recorded before you were five years of age. If your birth certificate was not recorded before you were age five, you will need to submit an additional document to prove your age. Contact NPERS for a list of additional documents allowed.

MORTALITY TABLES

Tiers One & Two

Benefits are calculated using 1994 mortality tables rate.

Tiers Three & Four

Benefits are calculated using mortality tables and actuarial factors recommended by the School Plan actuary and approved by the Public Employees Retirement Board (PERB).

These rates are subject to change per the PERB's discretion. Monthly benefits will be calculated using the mortality table and actuarial factors in effect when a member begins retirement (Effective Date).

RETIREMENT: BENEFIT PAYMENT OPTIONS

IMPORTANT



You will receive a retirement benefit **for your lifetime** regardless of the benefit payment option (annuity) you select. The option selected will determine the potential death benefit and final benefit amount.

For examples of benefit dollar amounts, see "Sample Benefit Amounts."

WARNING



You *cannot* change your payment option after your effective date of retirement.

OPTION 1

Life Only Annuity

Provides a monthly payment *for your lifetime* with no refund or death benefit. There is no beneficiary designation under this option.

OPTION 2

Modified Cash Refund Annuity

Provides a monthly payment *for your lifetime*. If you die before receiving payments equal to your accumulated retirement account balance at retirement, the remaining amount will be paid in a lump sum to your beneficiary(ies) or estate. You may list as many beneficiaries as you wish, and you may change these beneficiaries at any time after retirement.

OPTION 3

Period Certain and Continuous Annuity

Provides a monthly payment *for your lifetime* with a potential death benefit based on a time frame to your beneficiary(ies) or estate. You may list as many beneficiaries as you wish and change them at any time.

5-Year Provides a monthly payment for your lifetime, with a guarantee that if you die before receiving **60 payments**, the remaining monthly payments will be paid to your beneficiary(ies) or estate.

10-Year Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving **120 payments**, the remaining monthly payments will be paid to your beneficiary(ies) or estate.

15-Year Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving **180 payments**, the remaining monthly payments will be paid to your beneficiary(ies) or estate.

OPTION 4

Joint and Survivor Annuity

Provides a monthly payment *for your lifetime*, and a percentage of that benefit to your spouse after your death. You must list only your spouse as a beneficiary and should he/she predecease you, you cannot select another beneficiary. NPERS will require legible proof of age for your spouse and a legible certified copy of your marriage license. This option is not available to an Alternate Payee (for a definition of Alternate Payee, see “Spousal Pension Rights Act”).

- 50%** Provides a monthly payment *for your lifetime*. When you die, your **surviving spouse** will receive 50% of your benefit, paid monthly for his/her lifetime.
- 75%** Provides a monthly payment *for your lifetime*. When you die, your **surviving spouse** will receive 75% of your benefit, paid monthly for his/her lifetime.
- 100%** Provides a monthly payment *for your lifetime*. When you die, your **surviving spouse** will receive 100% of your benefit, paid monthly for his/her lifetime.

OPTION 5

Non-Spousal Joint and Survivor Annuity

Provides a monthly payment *for your lifetime*. When you die, your surviving beneficiary will receive 50% of your benefit, paid monthly for his/her lifetime. You may designate only one person as your permanent beneficiary (this cannot be your spouse) and you cannot change this beneficiary after commencement of the benefit. NPERS will require legible proof of age of your beneficiary. This option is not available to an Alternate Payee (for a definition of Alternate Payee, see “Spousal Pension Rights Act”).

Sample Benefit Amounts

The following are examples of benefit amounts for a Tier One member with a final average monthly compensation of \$2,916.66 (\$35,000 gross annual salary) and 20 total years of service. The “Rule of 85” estimate increases the years of service from 20 to 30, which accounts for the larger benefit amount.

Benefits are actuarially adjusted to offset potential death benefit payments and benefits for the other Tiers will differ from the Tier One examples in this handbook. All members are encouraged to utilize the benefit estimator on our website. When you apply for benefits, an official estimate of your monthly benefits will be included in your retirement packet. This estimate will be based on the creditable service and compensation you have acquired at that time.

EXAMPLE: TIER ONE CALCULATIONS



Based on \$2,916.66 as final average monthly compensation:

	NORMAL	REDUCED	RULE OF 85
	Age 65 (20 Years)	Age 60 (20 Years)	Age 55 (30 Years)
Life Only	\$1,182.99	\$999.96	\$1,759.54
Modified Cash Refund (Assumes \$60,000 Member Account Balance)	\$1,170.37	\$992.28	\$1,757.98
Period Certain and Continuous			
3(a) 5-Year (Normal Form)	\$1,166.67	\$991.67	\$1,750.00
3(b) 10-Year	\$1,132.77	\$975.46	\$1,735.09
3(c) 15-Year	\$1,084.90	\$951.38	\$1,711.78
Joint & Survivor (Assumes both spouses are the same age)			
4(a) 50%	\$1,101.56	\$943.01	\$1,678.93
4(b) 75%	\$1,064.91	\$916.90	\$1,641.34
4(c) 100%	\$1,030.62	\$892.20	\$1,605.40
Non-Spousal Joint & Survivor (Assumes survivor is 20 years younger in age)	\$998.40	\$876.25	\$1,589.89

Choosing a Payment Option

CONSIDERATIONS WHEN CHOOSING A PAYMENT OPTION

Things to consider and discuss with your family before choosing a payment option:

- Your health and family health history
- Other financial income in addition to your retirement benefit
- Your beneficiaries who might depend on a benefit if you die
- The health of your beneficiaries
- The age difference between you and your beneficiaries

Benefit Estimator

Members who wish to calculate an estimate of benefits may visit the benefit estimator on the NPERS website. This tool will allow you to enter whatever data you wish and estimate a monthly benefit **based on your input**. Please be aware that this is not an **official** estimate and is not a guarantee of the benefits you will receive at retirement.

IMPORTANT



The benefit estimator will not reduce or adjust salary per the 8% cap on compensation.

COST-OF-LIVING ADJUSTMENT (COLA)

After you have been retired for at least one full fiscal year, your benefit will be reviewed for a COLA each July 1. This increase will be determined using the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) during the previous fiscal year.

COLA provisions vary depending on tier status.

TIER ONE:

Your COLA is capped at 2.5%. If the CPI-W is 2.5% or less, you will receive the CPI-W, but if the CPI-W is higher than 2.5%, your COLA will be 2.5%.

Any time inflation erodes the value of your retirement benefit below 75% of the original purchasing power, your COLA for that fiscal year will be the amount of the CPI-W rate. The 2.5% cap does not apply to the 75% purchasing power COLA.

TIERS TWO/THREE/FOUR:

Your COLA is capped at 1.0%. If the CPI-W is 1.0% or less, you will receive the CPI-W, but if the CPI-W is higher than 1.0%, your COLA will be 1.0%. There is no 75% purchasing power COLA provision.

DIRECT DEPOSIT

Pension benefits are issued via direct deposit. A direct deposit form is available on the NPERS website and will be included in your retirement packet. If you are unable to secure a bank account for direct deposit, please contact our office.

The direct deposit authorization will remain in effect until changed or canceled by the member in writing. To change the direct deposit account, a member must complete and sign a new direct deposit form and submit to NPERS. Any changes to direct deposit **MUST** be received by NPERS 30 days prior to the date scheduled for the annuity benefit payment for which the change is to occur.

SUSPENSION OF BENEFITS

NPERS will periodically send correspondence by mail regarding Cost of Living Adjustments (COLA), tax information, or other retirement plan information. If this mail is designated undeliverable and returned to our office, we will attempt to contact you. After 60 days, if we are unable to reach you and have not received written confirmation of your new address, NPERS will place a hold on your benefit. The benefit will be resumed as soon as administratively possible upon receiving written documentation of your new address.

REEMPLOYMENT

State statute and federal tax code regulations stipulate a member **MUST** incur a bona fide termination of employment in order to receive a refund or retirement benefit. If it is determined a reemployed member did not incur a bona fide termination of employment, benefits will be suspended, and the member shall be required to repay all refunds or benefits plus interest.

Per Nebraska Statute, a member shall not be deemed to have incurred a bona fide termination if he/she subsequently provides service (paid or voluntary) for any employer participating in the retirement system within 180 calendar days after ceasing employment, unless such service is minimal substitute and/or volunteer service provided on an intermittent basis.

In this context, “intermittent basis” means no more than 8 days in a calendar month of voluntary and/or substitute service provided on a day-to-day basis (no prearrangement) and a “day of service” means any length of voluntary and/or substitute service provided during a single calendar day (whether that is 5 minutes or 8 hours of service). For more information regarding this type of service refer to our Frequently Asked Questions (FAQ) about LB 147’s Changes to the Termination of Employment Rules document available on our website.

Federal law prohibits an employee and employer from prearranging ANY return to employment or service at an employer participating in the School Plan during or before the 180-day period. These arrangements are considered by the IRS as a “sham termination.” If at any time it is determined a sham termination has occurred, benefits will be suspended and all benefits previously issued must be repaid – including interest. Failure to repay can result in garnishment of assets including wages, checking and savings accounts, and other retirement assets.

Reemployment Before Retirement

REEMPLOYMENT **BEFORE** RETIREMENT

If you have previously taken a refund:

If you have previously taken a refund of your accumulated contributions plus interest, you may repay the total amount and reestablish your prior service credit. If you choose to not repay the refund, you will reenter the system as a new member (see “Repayment of Refund”).

If you have NOT previously taken a refund:

If you have NOT taken a refund of your account, the new service credit you acquire will be added to your previous service when determining total “creditable service” for retirement purposes.

WARNING



If you have terminated employment and taken a refund, your previous beneficiary designation(s) is void and you must complete and submit to NPERS a new Beneficiary Designation form.

Reemployment After Retirement

If you return to employment after fulfilling the requirements for a bona fide termination and meet membership requirements, you will return to plan participation as a new member. Retirement contributions will be withheld from your compensation and you will receive service credit for service commencing from the date of eligibility. Your tier of participation will be based on the date you returned to plan participation. You should fill out a new Beneficiary Designation Form for your new account when you return to work.

IMPORTANT



If you return to employment, that is provide service other than intermittent voluntary and/or substitute service, at any participating employer prior to 180 calendar days from your termination date, you must notify NPERS of your return to service.

DEATH BENEFITS

Death Benefit After Retirement

If your death occurs *after* you have begun receiving your retirement benefits, your beneficiary(ies) or estate will be eligible for any payments remaining under the retirement option you selected when you retired. Proof of death is required before payment can be made.

Death Benefit Before Retirement

If you die *prior to* your date of retirement, your benefits will go to your named, primary beneficiary(ies). Your benefits will go to your named, contingent beneficiary(ies) only if *all* your primary beneficiary(ies) have predeceased you. NPERS does not observe the passing of benefits to heir(s) of deceased beneficiary(ies) *per stirpes* (see “Beneficiary Designation”).

IMPORTANT



The spousal death benefits will apply **ONLY** if you have submitted a beneficiary form to NPERS designating your spouse as your sole, primary beneficiary.

If you die while employed with the public school system, your school district should notify NPERS as soon as possible. NPERS will send the necessary forms to the beneficiary you have listed.

General Beneficiary’s Option

If you die prior to retirement, your estate or named beneficiary, other than a surviving spouse (see below for spouse’s options), will receive a lump-sum refund of your contributions plus accumulated interest. RMD requirements apply (see “Taxation”).

Surviving Spouse’s Options

If you die prior to retirement and have designated your spouse as the sole, primary beneficiary by submitting a beneficiary form to NPERS, the following options are available:

If you die with 20 or more years of creditable service...

OR

You are age 65 or older...

YOUR SURVIVING SPOUSE MAY CHOOSE:

ANNUITY OPTION

Provided your spouse applies to NPERS **within 12 months** of the date of your death, he/she may select a monthly retirement annuity benefit, paid for the rest of his/her life under a 100% Joint and Survivorship option. The benefit is effective on the date of your death, regardless of your age at death, and will not be reduced for early retirement. NPERS will require legible proof of age for your spouse and a legible certified copy of your marriage license.

If the 12-month deadline is **not** met, your spouse will receive a refund consisting of your contributions plus accumulated interest.

OR THEY MAY CHOOSE:

REFUND OPTION

Provided your spouse applies to NPERS **within 12 months** of the date of your death, he/she may elect to receive a lump sum refund of your contributions plus interest AND an additional amount equal to 101% of your contributions plus interest. If you terminated prior to May 1, 2001, or the 12 month deadline is **not** met, your spouse will receive a refund consisting of your contributions plus accumulated interest.

If you die with 5 or more years of creditable service but less than 20 years of creditable service...

AND

You are younger than age 65 at death...

YOUR SURVIVING SPOUSE MAY CHOOSE:

ANNUITY OPTION

Provided you were employed in a Nebraska public school on or after May 1, 2001, and your spouse applies to NPERS **within 12 months** of the date of your death, he/she may select a monthly retirement annuity benefit, paid for the rest of his/her life under a 100% Joint and Survivorship option. The annuity will be reduced for early retirement. NPERS will require legible proof of age for your spouse and a legible certified copy of your marriage license.

If this deadline is **not** met, your spouse will receive a refund only of your contributions plus accumulated interest.

OR THEY MAY CHOOSE:

REFUND OPTION

Provided you were employed in a Nebraska public school on or after May 1, 2001, and your spouse applies to NPERS **within 12 months** of the date of your death, he/she may elect to receive a lump sum refund of your contributions plus interest **AND** an additional amount equal to 101% of your contributions plus interest. If you terminated prior to May 1, 2001, or the 12 month deadline is **not** met, your spouse will receive a refund consisting of your contributions plus accumulated interest.

If you die with less than 5 years of creditable service...

AND

You are younger than age 65 at death...

YOUR SURVIVING SPOUSE WILL RECEIVE:

- A lump-sum refund of your contributions plus accumulated interest.

All or part of a death benefit refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth).

IMPORTANT



- If you die after your effective date of retirement, NPERS will pay the benefits under the designated retirement payment option on your Application for Retirement (see “Retirement Benefit Payment Options”).
- Proof of death is required before death benefit payments can be made.
- Once a beneficiary begins receiving a benefit, upon the beneficiary’s death any remaining benefit will be paid to the beneficiary’s estate. Designations *per stirpes* are not observed.
- NPERS recommends your beneficiary notify our office of your death as soon as possible. This is especially important if, at the time of your death, you were not actively employed in a public school and had deferred your retirement benefit.

DISABILITY RETIREMENT

If you cease employment in a Nebraska public school because of a disability, you may be eligible for monthly retirement benefits. Disability is defined as an *“inability to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment which was initially diagnosed or became disabling while the member was an active participant in the School Plan and which can be expected to result in death or be of long-continued and indefinite duration.”*

DISABILITY BENEFIT QUALIFICATIONS

To qualify, you must:

- Apply for disability retirement **within one year** from the date your employment ends.
- Provide a brief description of your illness and the name of your personal physician, and any other physicians or specialists you have seen regarding your illness.
- Submit to a medical examination by a physician selected by NPERS. This examination shall be paid for by NPERS.
- If you are on a medical leave of absence, you are not eligible to receive a disability retirement benefit until the leave ends and your employment terminates.

IMPORTANT



NPERS may require an annual medical examination or other information from you to continue your benefits. This is NOT a long-term disability insurance plan. Disability benefits are calculated in the same manner as regular retirement benefits.

WARNING



If you receive disability insurance payments in addition to your retirement benefits, the insurance company may reduce their payment to you by the amount you receive from NPERS. Contact your disability insurance provider for your policy details.

If you have questions about disability retirement, please contact NPERS.

SPOUSAL PENSION RIGHTS ACT

In 1996 the Spousal Pension Rights Act codified the rights of divorced spouses and children to a share of a plan member's retirement account. To claim this share, proper language must be included in a domestic relations order (see below) and be qualified by NPERS. For further details refer to Neb. Rev. Stat. §42-1101 through 42-1113, or call NPERS.

Qualified Domestic Relations Order

A "qualified domestic relations order" (QDRO) is a domestic relations order (DRO) that has been approved by NPERS and is therefore effective in dividing the member account. A divorce decree and/or a property settlement, although effective for most purposes, *does not* divide a retirement account unless it includes a QDRO. Once a judge has approved a QDRO, it must be sent to NPERS to be approved. If NPERS pays out benefits or a refund and later receives an order that would have affected the money already paid out, NPERS is legally held harmless for making the earlier payments. Therefore, whenever a domestic order is signed, it should be sent to NPERS as quickly as possible.

The person who receives a share of a plan member's account through a QDRO is called the "*alternate payee*." Becoming an alternate payee gives the former spouse certain rights in the benefits, but does not mean he/she will have immediate access to the money.

ALTERNATE PAYEE ACCESS

There are two ways an alternate payee can gain access to the retirement account:

- The member terminates employment
- The member is age 50 or older

If a member is under age 50 and working, the alternate payee *cannot* gain access to the account.

When the alternate payee gains access to the account, the method of payment depends on the options the member is entitled to at the time the alternate payee *makes application*. For further details, refer to Neb. Rev. Stat. §42-1101 through 42-1113, or call NPERS.

RETIREMENT PLANNING PROGRAM

Every spring NPERS conducts statewide Retirement Planning Seminars for plan members who are age 50 and over. A registration fee is charged and, for an additional fee, a member may bring a spouse or a guest.

These daylong sessions are an excellent way to begin planning for an important time in your life. Information is provided on retirement payment options, financial planning, social security benefits, Medicare, health insurance, adjusting to retirement, and estate planning.

Each eligible employee is allowed **leave with pay** to attend up to two retirement planning programs. You may choose to attend a seminar more than twice, but such leave is at your expense and your absence is at the discretion of your employer. You may not attend more than one seminar per fiscal year.

Seminar registration brochures are distributed to all eligible members approximately four weeks prior to seminars and are also available on the NPERS website.

TAXATION

IMPORTANT



NPERS does not provide tax advice. In all cases, members should consult the Internal Revenue Service, their state's revenue agency, or a tax professional, as appropriate, for information on tax consequences, questions, or matters.

Contributions to the School Plan are not taxed when deducted from your salary. Distributions, whether in the form of a monthly benefit or refund, are therefore subject to state and federal income tax.

Contributions made prior to January 1, 1986, were taxed before being deducted from salary. These contributions are not subject to State and Federal income tax and will be returned to you tax free (see "Safe Harbor").

When Receiving a Retirement Benefit

NPERS will withhold federal taxes from each monthly check at the rate you specify on the Withholding Certificate for Annuity Payments form (included in the retirement packet and available on the NPERS website). If you do not complete and submit this form to NPERS, we will withhold at the rate of "married plus three exemptions." You may change your

withholding at any time by submitting a new form. Members who have created an online account via the NPERS website may also change withholding online.

If you are a resident of the State of Nebraska when receiving monthly retirement payments, NPERS will withhold Nebraska taxes from your benefit at the same withholding rate you select for federal taxes.

If you move and are *no longer a resident of Nebraska*, you need to submit an updated withholding form. Your benefit will be taxable in accordance of the laws of the state you move to. You may need to contact the Department of Revenue for the state you have moved to in order to determine tax liability and establish a payment process. NPERS can withhold Federal and Nebraska taxes, but not taxes due to another state.

Your retirement income will be reported to you on a 1099-R form each year in January for the payments received the prior year. A copy of that form will also be provided to the Internal Revenue Service.

Safe Harbor

Pre-1986 contributions are returned tax free based on the “Safe Harbor” method, as required by the Internal Revenue Service. NPERS calculates the tax-free portion of your monthly retirement check by dividing pre-’86 contributions by the fixed number of payments assigned per your age at retirement.

EXAMPLE



Under the current tax tables, 260 monthly payments are designated for individuals commencing benefits from ages 61 to 65. If you had a total of \$9,100 of pre-’86 contributions, this amount would be divided by 260 and you would receive \$35.00 of your benefit tax-free for the first 260 monthly payments.

After you have received the fixed number of payments assigned, your monthly benefit becomes 100% taxable.

When Receiving a Refund of Your Account

REFUND OPTIONS

Refund Paid Directly to You

All or part of your refund may be paid directly to you and all pre-tax amounts will be reported as taxable income. NPERS is required by law to withhold 20% for federal income tax and 5% for Nebraska state income tax.

**Refund By
Rollover
Distribution**

All or part of your refund may be rolled over or transferred to another eligible retirement plan or IRA (Traditional or Roth). With the exception of rollovers to a Roth IRA, amounts are not taxable at the time of the rollover. You will be taxed when you eventually withdraw the money from the other plan. Roth IRA rollovers are subject to State and Federal income taxes *in the year of the rollover*. You will be responsible for filing and paying taxes on the Roth rollover.

An IRS Form 1099-R will be provided to you the January following the year in which you receive a refund payment. The form will show the amount of your refund, the taxable income and the capital gains, if applicable.

Contributions prior to 1986 have already been taxed and will be returned to you tax-free. These after-tax contributions can be rolled over if your rollover company will accept them and you make the appropriate election on your Application for Refund form.

WARNING



A refund taken prior to age 59 1/2 may be subject to a 10% federal tax penalty and a 3% Nebraska penalty assessed when filing your tax return.

You may AVOID the early withdrawal penalties if one of the following applies:

- The taxable portion of your refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date.
- Payment is made to an alternate payee under a qualified domestic relations order.
- Your payment is used for large and eligible medical expenses
- You attained age 55 during the year of separation from service.

Early withdrawal penalties are assessed at the time you file your tax return. In the event of death or disability, the early withdrawal penalties will not apply, regardless of your age.

Required Minimum Distribution (RMD)

After termination, you are required to take a taxable Required Minimum Distribution (RMD) from your NPERS school retirement account once you reach RMD age.

To satisfy this federal regulation, you must have already applied for and begun receiving the monthly benefit, or taken a full refund of your account by the initial RMD due date.

YOUR INITIAL RMD IS DUE ON THE APRIL 1 FOLLOWING:

- The year you reach RMD age, or;
- If you have not terminated prior to RMD age, the year you terminate employment.

RMD ages are determined by the federal tax code. Effective January 1, 2020, the RMD age was increased from 70½ to 72 for individuals who were born on or after July 1, 1949.

YOUR RMD AGE:

- If you were born before July 1, 1949, your RMD age is 70½.
- If you were born on or after July 1, 1949, your RMD age is 72.

NPERS will make every effort to provide RMD warnings to terminated plan participants, but we cannot guarantee accurate notification for every member. It is your responsibility to understand your RMD age and due date, and apply for benefits in time to meet application deadlines (see “Retirement/Application Process”).

IMPORTANT



If you fail to apply for AND begin receiving the lifetime monthly (pension) benefit prior to the initial RMD deadline, your benefit option is restricted to a refund of your account minus the RMD amount. You are no longer eligible for the lifetime pension which could result in a significant loss of retirement benefits. If you continue to defer applying for a distribution, NPERS will transfer your account to Unclaimed Property on or about November 1.

It is the responsibility of the beneficiary(ies) or estate to understand RMD requirements and RMD payments pertaining to a deceased member’s account. Please contact your financial advisor, tax preparer, and/or accountant with detailed questions about your unique financial situation

ADMINISTRATION OF THE RETIREMENT FUND

The **Public Employees Retirement Board (PERB)** consists of eight members appointed by the Governor for five-year terms. Six members are participants in the retirement systems administered by the PERB. Two are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is also a member of the PERB in a non-voting, ex-officio capacity.

The PERB is responsible for the administration of the Judges, State Patrol,

School Employees, State Employees and County Employees Retirement Systems and the State Deferred Compensation Plan. PERB meetings are held regularly each month.

Nebraska Public Employees Retirement Systems (NPERS) is the agency responsible for the administration of the School Plan.

A **Director** is hired by the PERB and directs NPERS in its administration of the various systems.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

School Retirement Funds are invested by the **State Investment Officer** under the direction of the **Nebraska Investment Council**.

Consulting Actuaries employed by the PERB annually conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB and evaluate the system's assets and liabilities. These reports are available on the NPERS website.

RELEASE OF INFORMATION

Member account information, including name, address, account balances, or payment options, will only be released under the following conditions:

CONDITIONS OF RELEASE OF INFORMATION:

- Personal visit to NPERS by the member with adequate proof of identity.
- Adequate proof of identity provided over the phone (not including beneficiary listings).
- Written and signed request from the member.
- Written release signed and dated by member (release date must be less than 12 months old).
- A court ordered release.
- Request from guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship.
- A request from a personal representative of a deceased member accompanied by a certified copy of letter of appointment.
- A request from individual holding power of attorney and the power of attorney contains a provision specifically granting the authority to deal with retirement plans, OR provisions granting the authority to do all things on the member's behalf and authorizing the release of information.
- A request from a third party signed by the third party and the member.

Account information may be released to your employer for verification of necessary information. The Internal Revenue Service may receive

account information to comply with federal tax laws. Account information may be released as necessary under a qualified domestic relations order.

Fax Policy

The following will be honored via facsimile (fax) if signed by the member:

FAXABLE DOCUMENTS

The following will be honored via facsimile (fax) if signed by the member:

- Requests for account information
- Requests for beneficiary listings
- Requests for annuity estimates
- Changes in tax withholding
- Changes in direct deposit or debit card

Original NPERS forms are required to process annuities or payments, to change beneficiaries, or change of address for payment requests. However, faxed applications (must be properly completed, signed and notarized) for a retirement benefit will be accepted to determine effective date of processing of payment if the **original, notarized form is received within five working days.**

Email Policy

General questions about the pension plan and requests for forms may be communicated through email.

At the present time, NPERS does not answer individual account questions by email. NPERS will respond to signed, written requests.

APPEALS PROCESS

NPERS makes every effort to follow Federal and State statutes, and rules and regulations when administering the School Plan. As a member of the School Plan, you have the right of review if you disagree with a decision reached by NPERS Director or the Public Employees Retirement Board (PERB). You must file your appeal form within 30 days after you receive notice of the Director's or the PERB's decision.

A hearing officer appointed by the PERB will schedule a formal hearing and send written notice to all parties concerned. If you wish to further appeal a decision, you are entitled to judicial review under the Nebraska Administrative Procedures Act.

The time limits prescribed may be extended at the discretion of the PERB.

State laws and NPERS policies are subject to change. Please view our website or contact our office for the most current plan information.



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