

NEBRASKA

# SCHOOL

## EMPLOYEES RETIREMENT SYSTEM HANDBOOK



**NPERS**  
Nebraska Public Employees  
Retirement Systems

Revised 06/2014



# IMPORTANT

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



P.O. Box 94816  
Lincoln, NE 68509  
402-471-2053  
800-245-5712  
[npers.ne.gov](http://npers.ne.gov)

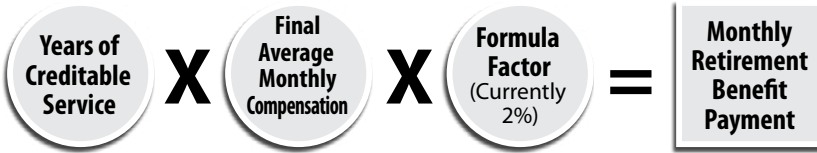
# NEBRASKA SCHOOL EMPLOYEES RETIREMENT SYSTEM

Nebraska Revised Statutes  
§§79-901 through 79-977.03

The School Employees Retirement Plan (the “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.

Your Defined Benefit Plan, authorized by Internal Revenue Code §401(a), provides a monthly, lifetime retirement benefit based on the following **formula** as defined by law.

## DEFINED BENEFIT FORMULA



## IMPORTANT



This handbook provides an overview of the benefits available to members of the Nebraska School Employees Retirement System 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.

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](http://npers.ne.gov).**

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# BENEFIT TIERS

The passage of LB553 in 2013 created a new tier of benefits. This benefit tier affects members joining the plan on or after 7/1/2013.

## TIER ONE

Tier One refers to members participating prior to 7/1/2013.

## TIER TWO

Tier Two refers to members joining the plan on or after 7/1/2013.

## IMPORTANT



The majority of plan provisions for Tier One and Tier Two are identical. This handbook will note the sections where benefits are different.

## WARNING



Tier One members who take a refund and return to plan participation on or after 7/1/2013 will return under Tier Two provisions. These individuals may restore Tier One status if the refund is repaid in full. (See "Repayment of Refund.")

# 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 on-going, 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 (80 hours per month) in any three calendar months of a plan year must be enrolled in the retirement plan for the next payroll period.

An employee must be a United States citizen or a qualified alien in order to participate. Once an employee meets the requirements to participate in the retirement plan, *they will remain in the plan until termination or retirement.*

# Election of Nonmembership

## IMPORTANT



If you were employed prior to July 1, 1978 in a noncertified position, you were eligible to file an "Election of Nonmembership" if you were employed one-half time or more and did not wish to be a member of the School Plan. 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 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.

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

# CONTRIBUTIONS/FUNDING

## FUNDING SOURCES

**Your benefit is funded from the following sources:**

- Your member account (contributions and interest earned)
- Employer (school district) contributions
- 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 employer contributions are not credited to your individual retirement account, but provide funding for plan member benefits at retirement.

The State of Nebraska annually contributes a percentage of total members' compensation and may contribute an additional amount to fund the Plan, if recommended by the actuary. These funds are appropriated by the Legislature. The current State of Nebraska contribution rate is **1.0%**. Starting July 1, 2014 it will increase to **2.0%**.

Your retirement benefit is not based on the contributions made, but is based on a *formula*. (See "Formula Annuity Benefit Calculation.") The contributions help to fund your monthly pension benefit *for life*.

## INTEREST/INVESTMENT EARNINGS

Regular interest is posted to your account monthly, and the rate is subject to change on an annual basis.

**Regular interest** is defined by law as interest fixed at 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, that applies on July 1 of each year, which may be credited monthly, quarterly, semiannually, or annually as the Public Employees Retirement Board (PERB) may direct. Contact Nebraska Public Employees Retirement Systems (NPERs) for the current interest rate.

The Nebraska Investment Council invests all assets of the School Plan to provide the funding necessary to pay your statutory retirement benefit. The Investment Council invests in a variety of investment vehicles, including bonds and fixed investments and both domestic and foreign equities. The investment earnings on the Plan assets help provide funds for both your future benefit and for the interest credited each month to your account. However, the interest credited to your account is determined by law and *not* by the earnings from the Plan investments.

## BENEFICIARY DESIGNATION

### Before Retirement

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At the time you join the Plan, you will be provided a Beneficiary Designation Form to use in designating 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 to be in effect. 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 at NPERS.

### COMPLETING THE BENEFICIARY DESIGNATION FORM

- You may name primary and contingent beneficiary(ies).
- Benefits will go to your named, 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 named, primary beneficiary(ies) **have predeceased you**, will benefits go to your contingent beneficiaries.
- If you do not name a beneficiary(ies), benefits will be paid to your estate.

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.

Keeping your beneficiary designation at NPERS up to date will ensure benefits are paid promptly and properly.

### 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*).

Members who have created an NPERS online account may be able to review their beneficiaries if their most recent beneficiary form was submitted within the last 10 years.

## After Retirement

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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.”)

## ACCOUNT STATEMENT

Each fall, NPERS will mail your Account Statement *to your home address*. To ensure you receive your statement, **always inform your employer of any address changes**. Members who cease employment prior to reaching retirement age should notify NPERS of any address changes (See “Address Changes.”)

The annual Account Statement is the document NPERS uses to inform you of your total, estimated, reported years of service. Your service credit is considered “estimated” until it has been reviewed and verified. Your total member contributions and the accumulated interest are also reported on your statement. Interest is credited monthly.

The employer contributions and investment earnings on plan assets are used for funding the monthly lifetime retirement benefits and do not appear on your statement because they are not part of your individual account.

Your benefit is determined using your total years of creditable service and highest years of salary. 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 then work with you and your employer(s) to resolve any discrepancies.

## 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.
- An IRS tax lien.

Once retirement benefits have been distributed, a court may order the payment of such retirement benefits as civil damages if a plan member is convicted of or pleads no contest to a felony defined as an assault, sexual assault, kidnapping, child abuse, false imprisonment, or theft by embezzlement and is subsequently found liable for civil damages. Any benefit or annuity payments deemed “reasonably necessary for the support of the employee or appointee or any of his or her beneficiaries” may be exempt from attachment.

## WARNING



Members **CANNOT** take a distribution (receive any funds) until they have ceased employment.

## ADDRESS CHANGES

It is important you keep your address current **through your employer**. Through payroll reporting, your employer will inform NPERS of any address changes that you report to your employer.

If you terminate employment and leave your member contributions and accumulated interest in the Plan, you should report any address changes in writing directly to NPERS to ensure you receive your Account Statement and other items mailed to you. All address changes must be signed by the member.

## TERMINATING SERVICE BEFORE RETIREMENT

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

### Deferral

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You may leave your account on an inactive basis until you reach retirement age. (For more information, see “Eligibility/Retirement Age.”)

### Refund

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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](http://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. (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 years of service credit. Tier One members who take a refund and return to plan participation on or after 7/1/2013 will return under Tier Two provisions. These individuals may restore Tier One status if the refund is repaid in full. (See “Repayment of Refund.”)

## IMPORTANT



A refund cannot be paid to you if you do not work during the summer months and then return to work the following school year. Furthermore, you may not receive a refund if you terminate your employment and, within **180 days** of your termination, you subsequently provide service on a regular basis to an employer who participates in the School Plan. *If you return to work prior to the end of your 180-day break, you will be required to repay the total amount of your refund. (See “Reemployment”)*

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

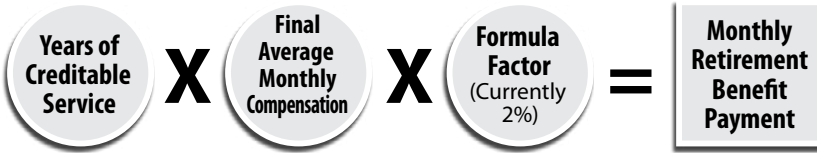
## Termination of Employment

Your employer is required to 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 beginning your retirement benefit. Termination of employment does not include ceasing employment at the end of the school year if you subsequently provide service on a regular basis for any school district other than a Class V school district within *180 calendar days* after ceasing employment. The Public Employees Retirement Board may determine that a purported termination was not a bona fide separation from service with the employer and require benefits to be repaid in full. (See “Reemployment.”)

# ACCRUAL AND PAYMENT OF BENEFIT

The monthly benefit you receive is calculated using a formula that multiplies your total years of creditable service, by your highest 12-month periods of salary (final average monthly compensation), and the formula factor set by law (currently 2%).

## DEFINED BENEFIT FORMULA



## CREDITABLE SERVICE

Creditable service is defined as *actual service rendered* for a participating employer including holidays, sick days and vacation days (actually taken), and any other hours for which you are paid as a part of your employment agreement. The term also includes prior service for which credit is granted and optional service credit purchased by members.

If you are given a lump-sum payment for **unused** sick or vacation leave or other cash-out benefits upon termination, you will *not* be granted creditable service for the unused time associated with the cash-out. If you take a refund of the contributions associated with creditable service you have already accumulated, *the creditable service is cancelled*. (If you later repay the amounts, you can regain the creditable service.)

The Public Employees Retirement Board (PERB) has the authority to *disallow* service credit for periods in which you were paid less than minimum wage, or if the PERB determines service was rendered with the intent to defraud the retirement system.

## 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 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.

## PRIOR TO JULY 1, 2002

### Rules prior to July 1, 2002:

■ **After July 1, 1986 and prior to July 1, 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**, 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.

If you have years of service prior to 2002 and have questions about how your service credit was calculated, please contact NPERS.

## Military Service

Members who incur a break in service due to military service may be eligible for military service credit. Eligibility is determined by the date of reemployment.

### MEMBERS REEMPLOYED PRIOR TO DEC. 12, 1994

- Military service may be granted if an employee served or signed a contract to serve as a Nebraska public school employee before entering the military. Service in the military must have occurred during a declared emergency which would also include having been drafted under a federal mandatory draft law during a time of peace.
- A member may attain a maximum of four years of Military Service Credit, or five years of military service credit if the fifth year is at the request and convenience of the federal government.
- The member must have returned to employment with a Nebraska Public School within three calendar years after an honorable discharge. NPERS will need verification of a member's public school employment before entering into the military, or a copy of the school contract and/or School Board minutes if the member signed a contract but did not actually work in a public school prior to entering the military. A copy of the member's DD 214 Honorable Separation papers is also required.

## MEMBERS REEMPLOYED ON OR AFTER DEC. 12, 1994

- Any school employee who is reemployed by a covered school employer within 90 days after honorable discharge or honorable separation from active duty shall be treated as not having incurred a break in service by reason of his or her period of qualified military service.
- A school employee who is reemployed after 90 days, but no later than the beginning of the school year following the school employee's honorable discharge or honorable separation from active duty, will also be considered eligible for military service credit.
- When a military leave begins, the employer should notify NPERS that retirement contributions will cease by filing a School Non-Contributing Member Form. When the member returns to work, he/she may request military service credit by submitting a written request to NPERS within one year from the date of reemployment.
- NPERS will require a copy of the member's DD Form 214 or other documentation in order to verify the member's discharge status and beginning and ending dates of qualified military service.

The member's pre-military service employer will be responsible for funding any obligation of the plan to provide benefits based upon such period of military service. Military service credit will apply for both vesting and benefit calculation.

## 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.

## Vesting Credit

You must have five years of creditable service in order to be "vested" in the School Plan. 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. Your employer is required to provide you with an Application for Eligibility and Vesting Credit at the time of your initial employment. **To be considered, you must file your completed application with NPERS *within 180 days of your date of hire*. There are no exceptions.**

During the years of participation in another Nebraska governmental plan, you must have been a full-time or a part-time employee. Such credit will not be included as years of service in your retirement benefit calculation.



## 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.)

## VERIFICATION OF SERVICE

All school service to be considered in the determination of your benefit at retirement must be verified. NPERS conducts a “data purification” process on records of members at an age close to retirement to assure all service is verified. NPERS conducts the verification before a member begins receiving a retirement benefit. You do not need to request the verification of your service since we complete it automatically. As a part of the process, NPERS will contact employers in cases where further verification or clarification is needed.

Your annual Account Statement mailed each fall is the document NPERS uses to inform you of your estimated service. Service credit is considered “estimated” until it has been reviewed and verified.

### IMPORTANT



It is the member’s responsibility to review salary and service credit reported on this statement for accuracy. If you believe the information contained on your 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 then work with you and your employer(s) to resolve any discrepancies.

## 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 Plan. *These fall into two categories:***

**Repayment of Refund**

**Optional Service Credit**

## Repayment of Refund

An application to repay a refund may be submitted on a **one-time basis**. Repaying a refund reinstates prior creditable service. If this service represents one of the highest 12-month periods of compensation, it will be used when calculating retirement benefit.

Tier One members who took a refund and returned to plan participation on or after 7/1/2013 will return under Tier Two provisions. Repaying the refund **in full** thereby restoring all Tier One creditable service will return these members to Tier One status.

### YOU MAY REPAY A REFUND UNDER THE FOLLOWING CONDITIONS:

- You must be a regular employee contributing to the plan.
- You must elect to repay the refund by filing a one-time Application for Purchase of Refunded Service form and repaying **within five years of reemployment.\***
- Repayment must be completed **within five years of reemployment\*** or prior to termination, whichever is earlier. Service credit will be restored in proportion to the amount repaid.

### \*IMPORTANT



Members who were actively employed and participating in the plan on April 17, 2014, have until April 16, 2020, to submit a **one-time** application and repay a refund. Repayment must be completed no later than April 16, 2020, or termination, whichever is earlier.

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 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.

### 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

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1. Contact NPERS in writing 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.
2. Complete and submit the Application for Purchase of Refunded Service and Method of Payment forms to NPERS. 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.
3. Payment must be received in our office by the due date. Please be aware of the submission and payment time frame restrictions. Methods of payment are explained at the end of this section.

## Optional Service Credit

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*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 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 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 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 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 Plan.
- If you joined the plan before July 1, 2014, you must have a minimum of five years of creditable service. If you joined the plan on or after July 1, 2014, you must have a minimum of ten years of creditable service.
- 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 “retire,” which means you do not leave the employment of the school 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 Plan for allowing the additional service credit. This cost may be paid by the purchaser, the school district or may be shared between the two.

Payments must be completed prior to termination.

## Steps to Purchase Optional Service Credit

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1. Contact NPERS in writing and indicate type and amount of service you wish to purchase. 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.
2. Complete and submit the Application for Purchase of Service and Method of Payment forms to NPERS no less than 45 days prior to your last day of employment. If this paperwork is not received by the 45th day prior to termination, you will not be allowed to purchase service credit. You will be notified by mail of the purchase price and payment due date.
3. Payment must be received in our office by the due date or prior to termination – whichever is earlier.

### IMPORTANT



*Due to the time frames involved, NPERS recommends initiating requests to purchase optional service credit no less than 12 months prior to termination.*

## Methods of Payment to the Plan

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You may make payment to the Plan through after-tax direct payments or installment payments, pre-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.) Contact NPERS for details.

# 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 “Current Caps on Salary When Calculating a Benefit.”)

## TIER TWO

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 “Current Caps on Salary When Calculating a Benefit.”)

“Compensation means gross wages or salaries payable to the member for personal services *performed* during the 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 PERB, amounts for unused sick leave or 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.

## INCLUDES

- Overtime pay
- Member retirement contributions
- Wages ordered paid in legal proceedings
- Amounts contributed by the member to:
  - §125—Cafeteria Plans
  - §403(b)—Tax Sheltered Annuities
  - §457—Deferred Compensation Plans

## DOES NOT INCLUDE

- Fraudulently obtained amounts
- Unused leave converted to cash
- Insurance premiums converted to cash
- Expense reimbursements or per diems paid for expenses
- Fringe benefits
- Bonuses (service not rendered)
  - Early retirement inducements
  - Cash awards
  - Severance pay
  - Retirement separation payments

## Caps on Salary When Calculating a Benefit

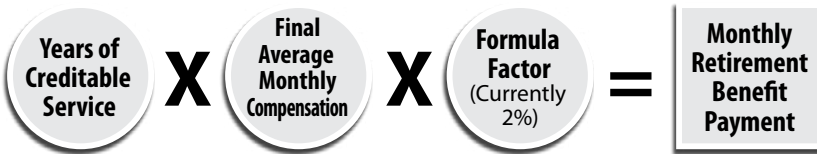
### 8% CAP

Effective July 1, 2013, increases in compensation for plan members will be capped at 8% per year when calculating retirement benefits. No exceptions increasing the 8% cap will be allowed.

## Formula Annuity Benefit Calculation

*Your benefit will be calculated using the following formula:*

### 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.

Option 3(a), which is the Five-year Certain and Continuous Annuity, has been set by the Legislature as the “normal form” of the annuity (benefit). The other annuity options are adjusted to be the actuarial equivalent of Option 3(a). (See “Retirement Benefit Payment Options.”)

## RETIREMENT ELIGIBILITY

### WARNING



Members must be *vested* in order to be eligible for a monthly pension benefit. **A member who is *not* vested is only eligible to receive a refund.**

### VESTING METHODS

**There are two ways members may vest themselves.**

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

Members with prior service in another Nebraska governmental plan may be able to apply for vesting credit. (See “Vesting Credit.”)

# RETIREMENT AGE

*There are two important points to remember:*

- If you delay taking your retirement benefits, NPERS will calculate your benefit using your age on your effective date of retirement rather than when you actually ceased employment.
- Benefits are calculated based on the law in effect at the time you terminate employment. For example, you must have been employed in a Nebraska public school after the following laws were passed to qualify for the provisions of these laws:

<b>RULE OF 90</b>
<b>Effective June 5, 1993</b>

<b>RULE OF 85</b>
<b>Effective March 4, 1998</b>


## Normal Retirement

“Normal” retirement age is age 65. If you have at least half a year of service credit and terminate employment with a participating Nebraska public school on or after age 65, you are eligible to receive an unreduced retirement benefit. If you terminate employment before age 65 with less than five years of service, you are only eligible for a refund of your contributions plus interest.

## Rule of 85: Unreduced Early Retirement

Once you have reached age 55, you can qualify to retire under the “Rule of 85” if your *attained age* plus your creditable service years equal 85, provided you have been employed in a Nebraska Public School on or after March 4, 1998, or any school year after that year and accrued at least one-half year of service credit. If you were not employed on a half-time or more basis during the 1997-98 school year, you must acquire at least one-half year of service credit after the 1997-98 school year to qualify for the “Rule of 85.”

**EXAMPLE: 60 YEARS OF AGE, 25 YEARS OF SERVICE**

	<b>60</b> Years of Age	+	<b>25</b> Years of Service	=	<b>85</b>
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There is no early retirement reduction of your benefit.



## EXAMPLE: 58 YEARS OF AGE, 27 YEARS OF SERVICE



**58**  
Years of Age

+

**27**  
Years of Service

=

**85**

Eligible for an unreduced retirement benefit.

## IMPORTANT



Your age cannot be rounded to your nearest birth date when determining your eligibility for the “Rule of 85.” NPERS must use your attained age plus actual service credit.

## Early Retirement At Age 60: Reduced

You may retire as early as age 60 if you have five or more years of creditable service.

If you do not qualify for the Rule of 85, you cannot retire prior to reaching age 60. If your age at retirement is between 60 and 65, there will be a **3% per year reduction** for each year you are less than age 65. (Different reductions apply if you were not employed in a Nebraska public school after July 1, 1986. Contact NPERS for additional information.)

The age nearest your birth date will be used to determine your benefit reduction, provided you are **at least 60**. For example, at age 60 and seven months your age would be 61 for benefit calculation purposes.

## EXAMPLE: MONTHLY BENEFIT REDUCTION



If you are 60 years old and have 20 years of service, there is a 15% reduction in your monthly benefit. Since the total (age + service) is less than 85, there is a 3% reduction for each year you are under age 65.

$$\mathbf{65} - \mathbf{60} \text{ Years of Age} = \mathbf{5} \text{ Years Under 65} \times \mathbf{3\%} \text{ Per Year Reduction} = \mathbf{15\%} \text{ Total Reduction}$$

## Rule of 90: Unreduced Early Retirement

Members who were school employees and earned service credit after June 5, 1993, are eligible for the “Rule of 90” if they are at least age 60 and their age plus creditable service years equal 90. This benefit is *replaced or superseded* by the “Rule of 85” if you earned at least one-half year of service credit during the 1997-1998 school year, were employed and earned service credit on or after March 4, 1998, or any school year after that year.

# RETIREMENT BENEFIT PAYMENT OPTIONS

## IMPORTANT



You will receive a retirement benefit **for your lifetime** regardless of the benefit payment option (annuity) you select.

For examples of benefit dollar amounts, see “Sample Benefit Calculation” and “Sample Benefit Amounts” following this section.

## WARNING



**You cannot change your payment option AFTER your effective date of retirement.** Before you make your selection, we suggest you obtain your personal estimates of benefit amounts by contacting NPERs or using the benefit estimator on the website at [npers.ne.gov](http://npers.ne.gov).

## 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 for a period of five, ten, or fifteen years 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 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 plan 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. By providing a longer guarantee period or a higher joint and survivor percentage for your beneficiary, your monthly benefit amount is reduced accordingly.

## EXAMPLE: BENEFIT CALCULATIONS

 <b>Based on \$2,916.66 as final average monthly compensation:</b>		NORMAL	REDUCED	RULE OF 85
		Age 65 (20 Years)	Age 60 (20 Years)	Age 55 (30 Years)
<b>1</b>	<b>Life Only</b>	\$1,182.99	\$999.96	\$1,759.54
<b>2</b>	<b>Modified Cash Refund</b> (Assumes \$60,000 Member Account Balance)	\$1,170.37	\$992.28	\$1,757.98
<b>3</b>	<b>Period Certain and Continuous</b>			
	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
<b>4</b>	<b>Joint &amp; Survivor</b> (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
<b>5</b>	<b>Non-Spousal Joint &amp; Survivor</b> (Assumes survivor is 20 years younger in age)	\$998.40	\$876.25	\$1,589.89

## Salary Replacement

With a 2% factor, on average you will receive an additional 2% of your salary in a retirement benefit for each year you work (assuming full-time) unless your benefit is reduced due to early retirement. (See “Retirement Eligibility.”)

FINAL AVERAGE COMPENSATION		FORMULA	
<b>Years of Creditable Service</b>	<b>Approximate % of Final Average Compensation Age 65-Option 3(a)</b>		
5	10%		
10	20%		
15	30%		
20	40%		
25	50%		
30	60%		
35	70%		
40	80%		
		<b>X</b>	<b>Years of Creditable Service</b>
			<b>2%</b>
		<b>=</b>	<b>% of Salary at Age 65</b>

# 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. At retirement, an official estimate of benefits will be provided by NPERS after verification of all creditable service and compensation.

# Choosing a Payment Option at Retirement

## CONSIDERATIONS UPON CHOOSING A PAYMENT OPTION

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

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

# RETIREMENT

## 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 month in which you are first eligible 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.***

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.

## Steps To Take Before You Retire:

### STEPS TO TAKE BEFORE YOU RETIRE

- Step 1** Contact NPERS in writing, by telephone or in person at least **three months** before your anticipated retirement date to avoid delays in payment. *Your retirement benefit will not start automatically.*
- Step 2** You will be sent an Application for Retirement form and estimates of monthly benefits under the various retirement payment options (if you have not received an estimate within the past 18 months). If you wish an estimate under the Spousal or Non-Spousal Joint and Survivor options, NPERS will require legible proof of age of your designated survivor. (See "Retirement Benefit Payment Options.")
- Step 3** File your Application for Retirement with 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 4** Make sure your service has been verified by the school(s) where you have been employed.
- Step 5** 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.

## 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).

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.

In anticipation of a July 1 effective date, you could submit your completed application to NPERS between March 3 and June 30. NPERS would mail your first benefit payment around September 30 in an amount retroactive to your effective date of 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.

## IMPORTANT



Contact NPERS if you have questions about how your effective date of retirement is established and for guidance on the appropriate timeframe for submitting your application for retirement.

# 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.

As a plan member you will receive a monthly retirement benefit for your lifetime, regardless of the retirement option you select.

## 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*. If you do not name a beneficiary, your benefits will go to your estate. (See “Beneficiary Designation.”)

## IMPORTANT



The spousal death benefits outlined below will apply **ONLY** if you have designated 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.

## Surviving Spouse's Options

**If you die prior to retirement and have designated your spouse as the sole, primary beneficiary, 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. 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 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. 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 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 applying for but before receiving a refund of your accumulated account, the refund payment is made to your estate, not to your beneficiary.
- If you die after your retirement date, NPERS will pay the benefits under the designated retirement payment option on your Application for Retirement.
- 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 the 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 a substantially gainful activity by reason of any medically determinable physical or mental impairment which began while the member was a participant in the plan and can be expected to result in death or be of a long and indefinite duration.”*

## DISABILITY BENEFIT QUALIFICATIONS

### To qualify, you must:

- Apply for disability retirement **within one year** from the date your employment ends due to the disability, no matter what the reason for the disability (can be work related or non-work related).
- Apply for disability retirement **within five years** from the date your employment ends due to the disability, if your disability is work related.
- 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 the Retirement Office.
- 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. There is no age reduction of the normal form annuity calculation. (See “Formula Annuity Benefit Calculation.”) However, NPERS will use your “actual age” factor based on the retirement payment option you select.

## 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.

## Reemployment after Disability Retirement

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A School Plan member who is less than age 65 and has retired under a disability may return to employment in a Nebraska public school and continue to receive monthly benefit payments as long as he/she works *less than 20 hours per week*.

## 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

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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.

# REEMPLOYMENT

If you are reemployed in a Nebraska public school, you should update your beneficiary listing by filing a Beneficiary Designation Form with NPERs. You should also consider the following:

BEFORE RETIREMENT	
<b>If you have previously taken a refund:</b>	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. (See "Repayment of Refund.")
<b>If you choose to not repay a refund:</b>	If you choose to not repay the refund, you will re-enter the system as a new member. Service credit cancelled due to a refund cannot be counted when determining your monthly payments at retirement unless the refund is repaid.
<b>If you have NOT previously taken a refund:</b>	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.
<b>Beneficiary Designations:</b>	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.
<b>Account Number:</b>	You will always maintain your original account number with NPERs.

**WARNING**



If you return to school employment prior to 180 days, you must repay any refund you have received.

AFTER RETIREMENT	
<b>Within 180 days:</b>	A member shall not be deemed to have terminated employment if the member subsequently provides service to any employer participating in the retirement system provided for in the School Employees Retirement Act <i>within 180 calendar days after ceasing employment, unless such service is substitute or voluntary service that is only provided on an intermittent basis.</i>
<b>After 180 days:</b>	If you return to employment after a 180-day break and meet membership requirements, you will return as a new school employee. Retirement contributions will be withheld from your compensation and you will receive service credit for service commencing from the date of eligibility. Your new service will fall under the Tier Two provisions. You should fill out a new Beneficiary Designation Form for your new account when you return to work.

## WARNING



If you return to school employment prior to 180 calendar days, your benefit will stop and you must repay any monthly retirement payments (plus interest) you have received. Federal law prohibits an employee and employer from pre-arranging a return to work during or before the 180-day period.

# 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.

The one-day seminar is 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, healthy lifestyles, social and psychological adjustments to retirement, and estate planning.

Everyone should attend at least one seminar before he/she retires. If you attend early, you will have time to begin your planning and, if necessary, make adjustments in advance of your actual retirement date.

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. For information on seminars scheduled in your area contact NPERs' Education Services department or visit the website at [npers.ne.gov](http://npers.ne.gov).

# 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 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”).

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## When Receiving a Retirement Benefit

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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.

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## Safe Harbor

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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. The refund will be subject to 20% federal tax withholding and 5% Nebraska state tax withholding.

**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. Under current law, qualified distributions taken from the Roth account are *tax free* provided the member is age 59½ or older and the withdrawal is made at least five years after the Roth IRA was established and initially funded

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. (Refund of contributions to the Plan after January 1, 1986, is treated as taxable income.)

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 medical expenses.
- You attained age 55 during the year of separation from service.

**In the event of death or disability, the early withdrawal penalties will not apply, regardless of your age.**

# COST-OF-LIVING (COLA) PROVISION

## General COLA Adjustment

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After you have been retired for at least one full fiscal year, you will be eligible for a benefit increase each July 1. This increase is based on the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous fiscal year.

### TIER ONE

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

### TIER TWO

Your COLA adjustment is capped at 1.0%. If the CPI-W is less than 1.0%, you will receive the CPI-W, but if the CPI-W is higher than 1.0%, your COLA increase will be capped at 1.0%.

## Purchasing Power Floor COLA

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### WARNING



This applies only to "Tier One" members.

During your retirement, if inflation erodes the value of your benefit below 75% of the original purchasing power of your benefit when you retired, you will qualify for an adjustment increasing your benefit to be the equivalent of 75% of the purchasing power of your original benefit. There is no cap or maximum percent for retirees who qualify for the 75% floor.

## DIRECT DEPOSIT/DEBIT CARD

NPERS will provide two options for distribution of monthly annuity benefits, direct deposit or a deposit to a prepaid Visa debit card. All retirees will be required to provide written authorization selecting one of these two options. The electronic disbursement option chosen will remain in effect until changed or canceled by the member in writing. To change the method of deposit, a member must complete and sign a new debit card enrollment form, or a direct deposit form, and submit to NPERS. Any changes to direct deposit or a debit card **MUST** be received by NPERS 30 days prior to the date scheduled for the annuity benefit payment for which the change is to occur. Both forms are available on our website ([npers.ne.gov](http://npers.ne.gov)) or members can request one by calling our office.



# 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**.

NPERS each year issues a financial statement, available to members upon request, showing the condition of the fund and the various accounts.

**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.

# RELEASE OF INFORMATION

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

## CONDITIONS FOR RELEASE OF INFORMATION

- Your personal visit to NPERS with adequate proof of identity.
- Request from guardian or conservator accompanied by a certified copy of letters of guardianship or conservatorship.
- Adequate proof of identity provided over the phone (not including beneficiaries).
- Written requests from the member.
- A court ordered release.
- Written release signed and dated by member (release date must be less than 12 months old).
- Request from individual holding power of attorney with authorization to receive confidential information.
- Request from a personal representative of a deceased member accompanied by a certified copy of letters of appointment which was certified no more than three months prior to the date of receipt.

Beneficiary designation(s) are only provided to you upon your signed, written request or personal visit by you to NPERS (with adequate proof of identity).

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

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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 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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