Millard PUBLIC SCHOOLS

TEACHERS AND NURSES

RETIREMENT HANDBOOK

2017-18 School Year

Contents

INTRODUCTION

This information is intended for teachers and nurses who are considering retirement. This document is intended to walk you through some of the major considerations such as the Nebraska Employees Retirement System ("NPERS"), the Millard Voluntary Separation Program ("VSP"), and continuation of benefits.

The Nebraska Public Employees Retirement System:

I. On-Line Information:

The Nebraska Public Employees Retirement System (often referred to as "NPERS"), is a State Agency that covers regular employees in Nebraska Public Schools. NPERS has a variety of resources on their web site at http://npers.ne.gov . If you click on "School" under "Plan Info" on the left side of the screen, it will access several documents that will be helpful to you.

This document will briefly cover the basics of NPERS as it applies to school employees, but we strongly encourage you to read the more detailed information available at:

http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf

The handbook at this link provides much detailed and valuable information that every retiree should know before finalizing a decision to retire.

II. Qualifying for NPERS benefits:

The first question is how do I qualify for retirement? The answers are covered in the NPERS handbook listed above. In short, there are three ways persons typically qualify.

(1) Rule of 85. Persons who have years of service + age equal to or greater than 85 qualify. For example, if a teacher is 60 years old with 25 years of service (60 + 25 = 85), she qualifies. A teacher must be at least 55 years old to qualify even if she reaches the rule of 85 before age 55.

(2) Retirement Age of 65. Persons over age 65 may qualify for the formula even if they do not meet the rule of 85.

(3) Early Retirement. Persons over age 60, but younger than age 65 may qualify for a reduced retirement amount as follows:

(a) Age 60 – reduced 15%
(b) Age 61 – reduced 12%
(c) Age 62 – reduced 9%
(d) Age 63 – reduced 6%
(e) Age 64 – reduced 3%.

For purposes of the reduced retirement, the person's attained age is used to determine the benefit reduction. For example, at age 60 years and 7 months, the person is considered to be age 60 for purposes of calculating a 15% reduction.

For purposes of the Rule of 85, NPERS uses fractions of a year. For example, if a person is age 56.4358 with 28.5642 years of service, that person may meet the Rule of 85.

The above is a quick sketch of the rules for qualifying for NPERS formula benefits and does not include all of the details. For details, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at: http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf .

III. Defined Benefit Plan vs. Defined Contribution Plan:

NPERS is a system that is referred to as a "defined benefit" plan. Upon qualifying for retirement, a defined benefit plan pays benefits based on a set formula instead of based on what you put into the plan. This may be best understood by comparing NPERS to an individual retirement plan (an IRA, 403(b) or 401(k) for example).

To contrast a defined contribution plan, let's assume a fictitious example. In an individual retirement plan (a "defined contribution plan"), if a person puts $5,000 per year into a plan starting at age 25 through age 65, that is 40 years or about $200,000 in contributions. Assume some interest/earnings on that money and maybe there is $300,000 sitting in that plan. Upon retirement, the person has $300,000 to spend for the rest of her life. That dollar amount is based on what was put in plus interest/earnings.

Now, consider a defined benefit plan like NPERS. Let's assume my payroll deduction from age 25 through age 65 averaged $5,000 per year. That means I put in $200,000 which earned some interest. The District also matched 101% of that amount for another $202,000. When you qualify for retirement, that money is irrelevant for purposes of your benefit calculation. Instead, your benefit is calculated based on a formula of (1) Final average salary over a designated time multiplied by (2) Years of credited service multiplied by (3) a factor of 0.02.

Formula = Average Salary * Years of Credited Service * 0.02

IV. Estimating Your NPERS Benefit Part 1 – Average Salary:

The first thing you need to do is to determine your average salary. There are two different tiers for benefit purposes. Tier One: Anyone who entered NPERS for the first time before July 1, 2013, the average is based on the three (3) highest 12-month periods. Tier Two: Anyone who entered NPERS for the first time on or after July 1, 2013, the average is based on the five (5) highest 12-month periods. For examples throughout this document it will be assumed the person was Tier One for benefit purposes and began participating in in NPERS prior to July 1, 2013 and an average of three years will be used.

Most forms of compensation provided to you qualify for purposes of determining your NPERS salary. It includes base salary and extra duties. It does not include buyback for unused leave or cash-in-lieu of insurance payments.

For example, let's assume Employee A had salaries of $55,000, $56,000, and $58,000 in her last three years. The average for the NPERS calculation would be $56,333.33.

Please note, this is a brief summary for illustrative purposes. There are other factors that may be considered including, but not limited to, caps on increases on compensation. For more details on those limitations, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf .

V. Estimating Your NPERS Benefit Part 2 – Years of Service:

To be credited years of service, the years generally must be in a public K-12 school district in the State of Nebraska (not including Omaha Public Schools which is in a different retirement system).

For example, if a teacher worked full-time for 2 years in the Alliance Public Schools, 5 years in Omaha Public Schools, 3 years in a private school, 2 years in North Dakota, and 18 years in Millard Public Schools, that person would have 20 years of credible service (Alliance and Millard being public K-12 schools in Nebraska).

Counting years of service to qualify can be tricky if you had part time years. Since July 1, 2002, NPERS has based years of service on a 1,000 hour rule. Therefore, if a teacher worked 100 days, that would be the equivalent of 800 hours so the teacher would get 0.8 of a year under a 1,000 hour rule. Prior to July 1, 2002 hours were counted differently.

In some cases, employees may be eligible to buy years of service. For details on that and other details regarding how to count years of service, please call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf .

VI. Estimating Your NPERS Benefit Part 3 – An example:

Putting this all together, it may be useful to look at an example. Let's assume Teacher A has 20 years of experience, and has an average salary of $56,333.33, and is 59 years old at the end of the school year (for purposes of this example, let's call that year 1 and then look at what happens if that person stays another year or several more years).

Year 1 – The person would not qualify for NPERS. 59 + 20 = 79, which is less than the rule of 85.

Year 2 – Let's assume the next year the teacher makes $59,500. The average three years is now based on $59,500, $58,000, and $56,000 for an average of $57,833.33. The person is now 60 years old with 21 years of service (for a total of 81). That person's formula is $57,833.33 * 21 years * .02. That is then reduced by 15% for an age 60 retirement. That person could expect about $20,646.50 per year in benefits.

Year 3 – Let's assume the next year the teacher makes $61,000. The average three years is now based on $61,000, $59,500, and $58,000 for an average of $59,500. The person is now 61 years old with 22 years of service (for a total of 83). That person's formula is $59,500 * 22 years * .02. That is then reduced by 12% for an age 61 retirement. That person could expect about $23,038.40 per year in benefits.

Year 4 - Let's assume the next year the teacher makes $64,000. The average three years is now based on $64,000, $61,000, and $59,500 for an average of $61,500. The person is now 62 years old with 23 years of service. That person now reaches the Rule of 85, so there is no more reduction. That person's formula is $61,500 * 23 years * .02. That person could expect about $28,290 per year in benefits.

Year 5 - Let's assume the next year the teacher makes $65,000. The average three years is now based on $65,000, $64,000, and $61,000 for an average of $63,333.33. The person is now 63 years old with 24 years of service (for a total of 87). That person's formula is $63,333.33 * 24 years * .02. That person could expect about $30,400 per year in benefits.

VII. Benefit Choices:

NPERS provides multiple benefit choices. The basic formula is for option #3(a) described below. Examples are provided below to try to help explain each option.

Option 1 – Lifetime benefits. This option is the most simple to explain. For example, let's assume you are scheduled to get $21,114.48 in benefits per year under Option 1. You get that for as long as you live. If you live for 30 years into retirement, you will get $21,114.48 per year for 30 years. On the other hand, if you live only one month into retirement, you will get $1,759.54 (one-twelfth of $21,114.48) and nothing goes to your designated beneficiaries.

Option 2 – Modified Cash Refund. This option guarantees that NPERS will pay at least your contributions + earnings back if you die early. For example, let's assume you are scheduled to get $21,095.76 in benefits per year under Option 2 and let's assume you have put in $60,000 worth of contributions + earnings over your career. If you live 30 years into retirement, you will get $21,095.76 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get $1,757.98 (one-twelfth of $21,095.76) and the remaining portion of the "guaranteed" total equaling $58,242.02 ($60,000 minus $1,757.98) will go to your designated beneficiary.

Option 3 (a) – 5 year guarantee. This option guarantees that NPERS will pay at least 5 years of benefits if you die early. For example, let's assume you are scheduled to get $21,000.00 in benefits per year under Option 3(a). If you live 30 years into retirement, you will get $21,000.00 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get $1,750.00 (one-twelfth of $21,000.00) and the remaining 59 months of benefits will go to your designated beneficiary.

Option 3 (b) – 10 year guarantee. This option guarantees that NPERS will pay at least 10 years of benefits if you die early. For example, let's assume you are scheduled to get $20,821.08 in benefits per year under Option 3(b). If you live 30 years into retirement, you will get $20,821.08 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get $1,735.09 (one-twelfth of $20,821.08) and the remaining 119 months of benefits will go to your designated beneficiary.

Option 3 (c) – 15 year guarantee. This option guarantees that NPERS will pay at least 15 years of benefits if you die early. For example, let's assume you are scheduled to get $20,541.36 in benefits per year under Option 3(c). If you live 30 years into retirement, you will get $20,541.36 per year for 30 years (less than you got under Option 1). If, however, you live only one month into retirement, you will get $1,711.78 (one-twelfth of $20,541.36) and the remaining 179 months of benefits will go to your designated beneficiary.

Option 4 (a) – 50% Joint & Survivor. This option guarantees that NPERS will pay 50% to your spouse if you predecease your spouse. For example, let's assume you get $20,147.16 in benefits per year under Option 4(a). If your spouse dies before you, you get $20,147.16 per year for life. If you die first, your spouse will get $10,073.58 per year (50% of the pre-death benefit) for the remainder of her/his life after you die.

Option 4(b) – 75% Joint & Survivor. This option guarantees that NPERS will pay 75% to your spouse if you predecease your spouse. For example, let's assume you get $19,696.08 in benefits per year under Option 4(b). If your spouse dies before you, you get $19,696.08 per year for life. If you die first, your spouse will get $14,772.06 per year (75% of the pre-death benefit) for the remainder of her/his life after you die.

Option 4(c) – 100% Joint and Survivor. This option guarantees that NPERS will pay 100% to your spouse if you predecease your spouse. For example, let's assume you get $19,264.80 in benefits per year under Option 4(c). If your spouse dies before you, you get $19,264.80 per year for your life. If you die first, your spouse will get $19,696.08 per year for the remainder of her/his life after you die.

Option 5 – Non Spousal Joint and Survivor. This option appears to be uncommon so it is recommended that you research it through NPERS if this is an option you want to explore.

The above examples use numbers provided by NPERS. It is important to note that the "richer" the guarantee you choose the more NPERS drops your annual amount to offset the actuarial risk that your beneficiaries will receive benefits after you pass away. Millard does not have access to the actuarial calculations of NPERS, so we strongly recommend that you work closely with NPERS in evaluating your retirement benefit options.

Again, the above is a summary only. Also, there may be possible cost of living adjustments after retirement. When evaluating benefits options or when researching any portion of NPERS benefits, we strongly recommend that you call NPERS at 1-800-245-5712 or consult the NPERS handbook for school employees at:

http://npers.ne.gov/SelfService/public/howto/handbooks/handbookSchool.pdf .

VIII. Applying for NPERS:

It is your responsibility to apply for NPERS benefits. The District does not do that for you. The earliest you can apply for NPERS benefits is 120 days before the effective date of your retirement. NPERS recommends submitting your application at least 30 days before retirement. The effective date of your retirement for NPERS purposes is the first day of the month following your last scheduled day of work. For example, if your last day worked is scheduled to be May 29, your effective date is June 1. If your last day worked is scheduled to be June 4, your effective date is July 1. Employees are generally not permitted by NPERS to vary their scheduled last day of work in the final year of employment for purposes of receiving an extra month of retirement.

Millard Voluntary Separation Program

I. Background:

The Millard Voluntary Separation Program for teachers and nurses and is commonly referred to as "VSP." For purposes of the illustrations, it is assumed that VSP is the same in future years. However, the details of the VSP program are negotiated with the Millard Education Association every contract and are subject to change. VSP is a Millard Public Schools program. VSP is separate from NPERS and benefits are paid in addition to possible benefits under NPERS. The purpose of the VSP program include:

I. To offer financial incentives, which will assist long-term Millard Public Schools employees considering separation or retirement.

II. To reduce District costs by replacing maximum salary employees with lesser salary employees.

III. To provide a better balance of employee experience.

IV. To reduce or eliminate the possibility of certificated employee layoffs.

V. To provide the District the opportunity to select and retain the highest quality staff by establishing February 15 as the application deadline.

II. Eligibility for VSP:

Teachers and Nurses qualify for VSP when they reach (1) at least 55 years of age; and (2) 20 years of consecutive Millard Public Schools Service. For purposes of VSP, your age is always defined as your age on June 1 of the year in question. For example, if your birthday is May 28, 1963, you will be considered 55 years old on June 1, 2018. If, however, your birthday is on June 3, 1963, you will be considered to be 54 years old on June 1, 2018. Following is a chart that sets forth the combinations of eligibility:

Age	Years of Consecutive Millard Service	Year of VSP Eligibility
55	20 - 50	1
56	20	1
56	21 - 50	2
57	20	1
57	21	2
57	22 - 50	3
58	20	1
58	21	2
58	22	3
58	23-50	4
59	20	1
59	21	2
59	22	3
59	23	4
59	24-50	5
60-100	20	1
60-100	21	2
60-100	22	3
60-100	23	4
60-100	24	5
60-100	25-50	Not eligible

II. VSP Benefit Calculation:

Unlike NPERS, the Voluntary Separation Program payments are not for life. They are monthly payments for 24 months (2 years). Details for the $35,000 total VSP payment are based on the following chart:

Year of Plan Eligibility		Number of Equal Monthly Payments
1		24
2		24
3		24
4		24
5		24
6		Eligibility Ends

For VSP purposes, years are counted only if you have at least 135 days of full-time work or two years that total the equivalent of 135 days can be combined to make one year. For example, if an employee were a .60 full time equivalent employee (three days a week), that employee would combine two of those years to make one year for purposes of VSP calculations and eligibility.

III. Estimating Your VSP Benefit – An example:

Putting this all together, it may be useful to look at an example similar to what we described above. Let's assume Teacher A has 18 years of consecutive Millard Public Schools experience and is 59 years old at the end of the school year (for purposes of this example, let's call that year 1 and then look at what happens if that person stays another year or several more years).

Year 1 – The person would not qualify for VSP because the Millard years are less than 20 consecutive.

Year 2 – The person would not qualify for VSP because the Millard years are 19.

Year 3 – Let's assume the next year the teacher makes $61,000. The person is now 60 years old with 20 years of consecutive Millard experience. Therefore, the person is in the first year of eligibility. The teacher would be eligible to receive $35,000 over a 24-month period. This is a monthly amount of $1,458.33.

Year 4 - Let's assume the next year the teacher makes $64,000. The person is now 61 years old with 21 years of consecutive Millard experience. Therefore, the person is in the second year of eligibility. The teacher would be eligible to receive $35,000 over a 24-month period. This is a monthly amount of $1,458.33.

Year 5 - Let's assume the next year the teacher makes $65,000. The person is now 62 years old with 22 years of consecutive Millard experience. Therefore, the person is in the third year of eligibility. The teacher would be eligible to receive $35,000 over a 24-month period. This is a monthly amount of $1,458.33.

III. VSP Payments:

VSP Payments are not paid to retirees in cash. Instead, they are paid into a 403(b) retirement account on your behalf. The designated vendor for the VSP 403(b) benefits is through Curnes Financial & Keystone Financial. If you elect to receive VSP benefits, you will make an appointment to set up your 403(b) account to receive the VSP payments. You may not choose a different vendor for the Millard VSP payments. They must go to the District's designated vendor.

Why are the payments made into a 403(b)? Two reasons. First, it allows our retirees to defer taxes. The money is not subject to federal or state income tax until you take the money out of the 403(b). Therefore, many of our retirees wait to take the money out until a subsequent tax year in which she or he may be in a lower tax bracket. Second, when paid into a 403(b), the payments are not subject to FICA or Medicare withholding.

When you set up your meeting with Curnes Financial or Keystone Financial, they will have investment options available to you through Security Benefit. In addition, you will have the ability to set up payments from your 403(b) account into a personal savings or checking account. When those moneys are transferred to a checking or savings account, they will then be subject to federal and state income taxes. You can set up automatic monthly withdrawals or you will be able to make one time withdrawals as you desire.

Under normal 403(b) rules a person must be at least 59 ½ to receive benefits. However, the way the plan is structured, a voluntary separation payment allows the retiree to receive payments as early as age 55 without IRS penalty (only subject to income taxes).

VSP payments are monthly and may not be accelerated beyond the monthly amount specified.

IV. VSP Deadline:

VSP applications must be received by 4:00 p.m. on February 15 or the application will not be considered. There are no exceptions granted to this deadline.

Other Retirement Considerations:

I. Health and Dental Insurance Continuation:

Employees who leave employment with the District are entitled to continuation of health and dental benefits through COBRA. In addition, qualifying retirees can elect retiree health and/or dental coverage.

To qualify for retiree health and/or dental insurance coverage a teacher/nurse must meet the following requirements:

(1) be at least 55 years old;
(2) have worked for Millard Public Schools for the last 20 consecutive years; and
(3) must have been in the Millard Public Schools health and/or dental plan for the last five consecutive years.

Dependents of retirees who meet the requirements for retiree coverage may also stay on retiree coverage if that dependent has also been in the health and/or dental plan for the last five consecutive years.

Those qualifying for retiree health and/or dental insurance may stay on the Millard Public Schools health and/or dental insurance plan until age 65. At age 65, the retiree qualifies for Medicare and is no longer eligible to stay on the Millard Public Schools health and/or dental insurance plans. The retiree must pay the full cost of the retiree health and/or dental insurance coverage in order to stay on the plan. If the retiree elects not to not enroll or to later discontinue retiree insurance, the retiree may not elect to come back onto the retiree plan at a later date.

Retiree health insurance rates will vary from year to year and can be expensive. We anticipate possible large rate increases in future years. Retiree monthly health insurance rates effective January 1, 2018 are set forth below:

Health Insurance Traditional Plan	**Effective January 1, 2018**
Single Monthly Premium	$612.15
Employee + Spouse Monthly Premium	$1,285.52
Employee + Children Monthly Premium	$1,132.52
Family Monthly Premium	$1,726.21

Health Insurance Standard High Deductible Plan	**Effective January 1, 2018**
Single Monthly Premium	$516.49
Employee + Spouse Monthly Premium	$1,084.65
Employee + Children Monthly Premium	$954.88
Family Monthly Premium	$1,455.73

Health Insurance CHI Network High Deductible Plan	**Effective January 1, 2018**
Single Monthly Premium	$471.79
Employee + Spouse Monthly Premium	$987.74
Employee + Children Monthly Premium	$869.11
Family Monthly Premium	$1,325.80

Dental Rates	**Effective January 1, 2018**
Single Monthly Premium	$26.68
Employee + Spouse Monthly Premium	$58.83
Employee + Children Monthly Premium	$51.63
Family Monthly Premium	$78.97

In addition to the option of purchasing retiree coverage, every employee currently receiving health or dental insurance will have the option of purchasing COBRA coverage. Unlike retiree coverage, COBRA coverage is generally for a maximum of 18 months. However, COBRA coverage is slightly less expensive than retiree coverage because the maximum time of available coverage is potentially much greater for retiree coverage. COBRA coverage is generally $10 to $50 less per month than retiree coverage depending on the level of coverage elected.

When you retire, you will receive two packets of information for continuing health/dental coverage. One will be the COBRA packet and the other will be the Retiree packet. You may elect one of those options or neither of those options.

While it is the District's intent to offer retiree insurance until age 65, it is possible that this may not be continued in the event of future unforeseen circumstances (for example changes to federal or state laws/regulations regarding health insurance). Nothing in this document or the summary plan documents or any other document should be construed as a "guarantee" of available coverage until age 65.

II. Sick Leave Buy-Back:

Qualifying Retirees (at least age 55 with at least 20 consecutive years of Millard Public Schools Service) qualify for sick leave buy-back. Those teacher/nurse days are bought back at $140 per day. Therefore, if a teacher/nurse retired with the maximum sick leave bank of 87 days, that amount could be as high as $12,180. Sick leave buyback is placed into the same 403(b) account as the VSP money except it is placed in a lump sum amount instead of being distributed over 60 payments.

III. Life Insurance:

Retirees are permitted to continue life insurance through the Millard Public Schools' vendor. Information will be mailed to retirees in the summer after they retire. Rates for retiree life insurance continuation are set by the vendor and are not controlled by Millard Public Schools. Note: There is a reduced benefit at age 70 and again at age 75.

IV. Limitations on Re-employment:

When you retire, there are two possible limitations on re-employment of which you should be aware. The first limitation is the NPERS rules. Generally, NPERS limits long-term or regular employment for the first 180 calendar days after retirement. As we understand it, there is no bright line rule as to how much work is too much and, therefore, may jeopardize your NPERS benefits. Even volunteering during that 180 day window may jeopardize benefits. We strongly recommend that you call NPERS at 1-800-245-5712 during the first 180 calendar days after retirement to ensure you are not working or volunteering in a manner that may jeopardize NPERS benefits.

The second limitation is the Millard Public Schools VSP rules. Board Rule limits any regular or long-term employment for any retiree who is currently receiving VSP payments or who has received VSP payments in the past. For Millard Public Schools purposes, we have generally imposed a rule of not more than 5 substitute days for any one teacher absence (e.g. you could cover one week of a teacher's 12 week maternity leave). In addition, we always reserve the right to limit a substitute who is compiling too many days in total during a year. This limitation is to avoid any perception of "double dipping" where employees can receive a "separation from employment" payment and later make large sums of money subbing or doing other work for the District. It is also done to protect the viability of the 403(b) payments.

Persons who desire to substitute teach for Millard Public Schools will be employed by ESU#3 during the pendency of his/her VSP payments and contracted back to Millard Public Schools. VSP recipients will be provided information on how to apply for employment at ESU#3 after retirement.

V. Social Security:

Payments from NPERS and from VSP do not adversely affect future retirement payments from social security. In terms of social security payments upon retirement, we recommend that you review your options under https://www.ssa.gov/myaccount/ .

VI. Taxation:

NPERS payments are subject to federal and state income taxes when you receive the payments. NPERS will deduct for income taxes and you will be responsible for including NPERS payments on your income tax returns.

As described above, VSP payments are not subject to income taxes at the time the money is placed into the 403(b) account. However, when you withdraw the money from the 403(b) account, federal and state income taxes will be withheld and you will be responsible for including those withdrawals on your income tax returns.

Neither NPERS or VSP is subject to FICA/Medicare withholding. Also, neither payment is subject to NPERS deductions in the same way as your employment income. This is a great benefit to you as compared to earned income during employment. This net effect of the payments is an important consideration in comparing retirement income to employment income.

For example, let's assume a teacher is making $60,000 in the year before she/he retires. Let's assume that same person makes $30,000 in NPERS benefits and $17,500 in VSP in her/his first year of retirement ($47,500 total). How does that first year compare netting out NPERS and FICA/Medicare?

(See Chart on Next Page)

	Working	Retirement
Total Annual Payment	$60,000	$47,500
NPERS Deduction (9.78%)	$5,868	$0
FICA/Medicare Deduction (7.65%)	$4,590	$0
Net Payment	$49,542	$47,500

Looking at the above example, the person may be making $12,500 more per year when working. However, when you factor in the effects of deductions, the difference is actually $2,042.

SUMMARY:

Hopefully, this document has been helpful in understanding your retiree benefits. Any questions regarding NPERS can be directed to 1-800-245-5712. Any questions regarding Millard Public Schools offerings can be directed to mpsbenefitsq@mpsomaha.org .