RETIREMENT

You’re thinking of retiring. (Aren’t we all?) Some of you are at the stage in life where those thoughts are appropriate. For others of us, well, we have a long way to go before the room is reserved for our retirement reception.

As you near retirement there are some things you should know and do before you go to your supervisor with your resignation letter in hand.

DETERMINING NEEDS/RESOURCES

Q. How much money will I need to retire?

A. Experts say that you will need anywhere from 70% (high wage earners) to 90% (lower wage earners) of your preretirement income during retirement.

Q. How can I estimate the retirement income I can expect from my State or School Retirement account?

A. Use the benefit estimators on the Nebraska Public Employees Retirement Systems (NPERS) website. The benefit estimators calculate monthly pension amounts for School Plan members. State Plan members who are considering purchasing an annuity can use the estimator to determine monthly benefits under each of the annuity options.

School Plan & State Plan Benefit Estimators

Q. How is my retirement benefit determined?

A. For a member of the School Plan, once your effective date is established, your benefit is calculated using:
   ♦ The average of your salary for your three highest 12-month periods established by the date of your last contribution;
   ♦ Your total years of service credit;
   ♦ The annuity (pension) option selected – your beneficiary’s age is also used if you select a joint and survivor option; and
   ♦ The laws in effect at the time you cease or ceased employment, which determines the formula factor to be used in your benefit calculation.

If you are a member of the State Plan, your account balance at retirement is what is considered. You may defer all or part of your account until a later date, roll it over to another qualified account or IRA, or use all or part of your account to purchase an annuity. (Some restrictions apply to Cash Balance where if you withdraw part of the...
account you must use the remainder to purchase an annuity.) If you choose to purchase an annuity, it is based on:

- The total dollars in your retirement account and how much of it you decide to use when purchasing the annuity;
- The annuity option selected – your beneficiary’s age is also used if you select a joint and survivor option; and
- The laws in effect at the time you cease or ceased employment.

RESOURCES

Q. What state resources are available to help me plan for my retirement?

A. NPERS offers several resources to assist employees, including retirement planning seminars, professional investing assistance, and on-line videos.

State Plan Seminars. Two types of seminars are offered: (1) the Financial Planning Program for individuals under age 50, and (2) the Retirement Program for individuals who are age 50 and over. Each eligible employee is entitled to receive leave with pay to attend up to two of each type of seminar. However, you may not attend more than one seminar per state fiscal year. Spouses may also attend. Seminar fees in 2011 are $20 per person, are paid by the employee, and include materials, lunch and refreshments.

State Plan Seminar Schedule (Held in Fall). The State Plan seminar schedule is usually announced in the spring and registration brochures are generally mailed in the summer.

School Retirement Planning Seminar. Only one type of seminar is offered for School Plan members. The School Retirement Planning Seminar is designed for individuals who are age 50 and over. Each eligible employee is entitled to receive leave with pay to attend up to two retirement planning programs. However, you may not attend more than one seminar per state fiscal year. Spouses may also attend. Seminar fees in 2011 are $20 per person, are paid by the employee, and include materials, lunch and refreshments.

School Plan Seminar Schedule (Held in Spring). The School Plan seminar schedule is usually announced in late summer and registration brochures are generally mailed early in the calendar year.

Investment Assistance for State Plan. Defined Contribution and Deferred Compensation Plan (DCP) participants are responsible for making investment selections from multiple investment fund options. NPERS offers an Investment Education Video to further help Defined Contribution and Deferred Compensation Plan members make informed investment decisions. This video covers the
investment options and provides an outline on the basics of investing. Members may contact NPERS to "check out" this video in a DVD format, or download it from their website.

Retirement 101 Education Video (For State Plan & DCP). Retirement 101 is a 17-minute video that explains the basics of the State and County Defined Contribution and Cash Balance plans.

DCP Education Video. The DCP Education video provides a basic overview of the Deferred Compensation Plan. This video can be viewed using the free Microsoft Windows Media Player.

Q. What other resources might be helpful?

A. Check out the “Related Links” section on the NPERS website to access calculators, and websites for Social Security, Nebraska Long Term Care Planning, College Savings Plan, and other helpful sites (e.g., Choose to Save – Retirement Calculators, Auto Calculators, Bond, Budget, College, credit card, home, insurance, life expectancy, paycheck planning, retiree health, Roth IRA, savings, social security, stocks, and taxes).

AGE

Q. What is retirement age under the State and School Retirement plans?

A. In the School Plan, age 65 is considered “normal” retirement age for an unreduced benefit, but members may retire as early as age 55 when their age plus years of service equals 85. In the State Plan, you may retire as early as age 55; years of service are not a factor.

Q. How does my age at retirement affect my retirement distributions?

A. State Plan – A State Plan member who ceases working for the state on or after age 55 is considered “retired.” At age 55 you are automatically vested which means you are eligible to receive the employer matching contributions.

School Plan – A member who is age 55 may retire with unreduced benefits when the employee's age plus years of service equal 85. An employee who ceases employment at age 65 and has at least ½ year of service credit may retire with unreduced benefits. An employee who does not meet either of the first two criteria would have a reduced benefit and could retire at age 60, so long as they had 5 years of service credit (5 years is needed to vest).

Q. Can I increase the percentage I contribute to my retirement account?

A. No. The amount you contribute to your “mandatory” State or School retirement account is a percentage of your gross pay and your contributions are matched by your employer. These percentages are set by statute and you cannot increase it.
However, State or School plan members employed by the Department of Education may participate in the “voluntary” Deferred Compensation Plan (DCP), which allows a tremendous amount of flexibility in the additional amount you set aside for retirement. When participating in DCP, you are actually deferring a part of your current salary until a later date, thereby deferring the taxes. In the DCP there is no employer match.

Q. Can I increase the amount I contribute to my Deferred Compensation Account once I reach a certain age?

A. Yes. If in previous years you have not contributed the maximum amount you could have contributed, you may elect to “catch up” those contributions. There are two options available, which may not be used simultaneously: (1) the Age 50 Catch-up, and (2) the Three-Year Catch-up.

The Age 50 Catch-up Provision allows employees who are age 50 and older to exceed the standard limitation deferral ($16,500 in 2011) by an additional “age 50 catch-up” of $5,500, for a total of $22,000.

The Three-Year Catch-up Provision allows you to catch up contributions if you are within three years of your anticipated retirement, which cannot be earlier than age 55. In other words, you could begin the Three-year Catch up Provision at age 52 if you planned to retire at age 55. The total deferral cannot exceed twice the annual maximum for the year ($33,000 for 2011) and the catch up must be completed before the calendar year in which you elect to retire. To begin catch-up contributions, you must notify NPERS within three years or less of your anticipated date of retirement. This provision may be utilized only one time. You may continue to work beyond the retirement date you designated, but you cannot utilize the catch-up provision again. Contact NPERS for additional information and to request a Catch-up Provision Worksheet.

Q. Can I roll over or transfer funds into my accounts in the State Plan and/or the Deferred Compensation Plan?

A. You may roll over or transfer funds only into your Deferred Compensation Plan account, from the following tax-qualified plans:

- §401(a) Qualified Retirement Plan [includes a 401(k) plan]
- §403(a) or (b) Tax Sheltered Annuity Account
- §457(b) Eligible Deferred Compensation Plan (Nebraska only)
- §408(a) Individual Retirement Account containing only rollover monies from a qualified plan (“Conduit” IRA)
- §408(b) Individual Retirement Annuity other than an endowment contract
TIMING

Q. Are there any implications for the time of the year I retire?

A. Yes. If you are a School Retirement Plan participant, you will qualify for one year of creditable service after you work 1000 hours within a school year (7/1 – 6/30). You will receive fractional credit for the portion of the year worked based on 1/1000 of a year credit for each hour worked.

The timing of the receipt of the final check you receive may have tax implications. The final check will include any wages due for actual days worked or leave taken, plus the payoff for any unused vacation leave (any age) and sick leave (age 55 or older). The final check is usually processed within a couple weeks from your last day of employment, as long as your final timesheet is submitted and approved on a timely basis. This lump sum payment can trigger a couple of tax considerations: (1) the withholding rate for the check may increase due to the increased amount of payment; and (2) when combined with your regular wages or retirement income, may put you into a higher tax bracket for that year.

For both the State and the School plans, your first retirement distribution, or lump payment, will be processed no sooner than 60 days after your termination date, provided that all of the required paperwork has been received. If no other income is being received during this period, it helps lessen the impact of the leave payoff.

Q. Does the exact date on which I retire make a difference?

A. Yes. Leave accrual, vacation payoff, and insurance coverage termination are three factors influenced by the exact date on which you choose to retire.

(1) Leave accrual. If you complete all of the working days of the calendar month, you receive the full month’s accrual for sick and vacation leave. If not, accruals are pro-rated based on the percentage of days you worked or used paid leave.

(2) Vacation payoff. By retiring on or before December 31st, you will be paid for 100% of your accrued vacation leave, even if your balance exceeds 280 hours. If your vacation balance exceeded 280 hours on December 31st, and you retire on January 1st, your vacation balance and subsequent payoff would be reduced to 280 hours. By statute, the vacation leave account of each employee must be balanced as of 11:59 p.m. CST on December 31 each calendar year.

(3) Insurance coverage termination. Insurance coverages are in effect through the end of the month in which an employee terminates. If an employee terminates on December 31, insurance is effective through December 31st. If an employee terminates on January 1, insurance is effective through January 31.
Q. What steps can I take to lessen the tax bite on my sick leave, vacation leave or compensatory time payout? What other deductions are made?

A. Defer income. You can defer the payout into your Deferred Compensation Plan account provided you complete and submit a DCP Change Form prior to the calendar month in which you would otherwise receive such amounts. As long as you are under the applicable annual limit, you can defer the total amount of the check, as long as you have enough to cover items such as insurances, flex, and other deductions.

For employees paid on a monthly basis, and retiring at or near the end of the calendar year (i.e., shortly before 12/31 or shortly after 1/1), it is permissible to pay out unused vacation (up to 280 hours) and/or unused sick leave on the last monthly payroll check. It is also permissible, in order to ensure correct calculations, to delay some or all of the unused sick and/or vacation leave until the start of the next calendar year, to be paid by an interim check (i.e., not regular payroll and not direct deposit). If this is desired, the employee should submit a request in writing to Human Resources by the 10th of December.

Override of the federal withholding rate. Unpaid wages, vacation pay, and accumulated unused sick leave paid upon retirement (age 55 or older) are subject to federal and state income tax withholding. A federal income tax flat rate of 25%, rather than the amount per the Federal withholding tables, may be used at the employee's request.

State withholding rate. The current state income tax withholding rate for unpaid wages, vacation payoff and accumulated unused sick leave paid upon retirement is 5.0%. However, if no regular wages have been paid in the calendar year in which the vacation and sick leave payment is made, tax withholding on the vacation and sick leave payment must be computed as if it were a regular wage payment made under a miscellaneous payroll period.

Social Security withholding. Unpaid wages and vacation leave paid to the employee upon retirement are subject to Social Security withholding. Payments for accumulated unused sick leave are also subject to Social Security withholding if the employee is retiring due to age as opposed to disability. Payments for accumulated sick leave made to employees who retire due to a disability are excluded from Social Security wages.

Retirement withholding. If an employee is enrolled in the State retirement plan at the time of retirement, any payment made for unpaid wages, vacation pay, and accumulated unused sick leave is subject to retirement withholding. If the employee is enrolled in the School retirement plan, payment for vacation pay and accumulated unused sick leave is not subject to retirement withholding.
**FINAL CHECK**

Q. What do I need to know about my final check?

A. Your final check will include any wages due for actual days worked or paid leave used, plus the payoff for any unused vacation leave (any age) and if age 55 or older, one-fourth of your accumulated unused sick leave, not to exceed 480 hours. The rate of payment is based on your regular pay rate at the time of your retirement.

Your final check is usually processed within a couple weeks of your last day, as long as your final timesheet is submitted and approved on a timely basis. Your final check will be direct deposited.

**RESIGNATION**

Q. What is the protocol for submitting my resignation? How much notice do I need to provide?

A. Although there are some circumstances that allow otherwise, it is preferred that employees submit their resignation in writing to their supervisor, either by letter or e-mail. The original copy of the resignation letter should be forwarded to HR by the supervisor for the employee's personnel file. Receipt of the resignation letter by HR triggers separation activities such as:

- Notification to State Personnel to send COBRA information to the employee's home address;
- Preparation for payment of unused vacation leave (any age) and sick leave (55 or older only). A final timesheet must be received before the final payout can be processed by Central Accounting.
- Completing the exit interview form and/or scheduling an exit interview with Amy Spellman in Human Resources.

Although there are no specific requirements in the NDE Personnel Rules and the bargaining agreement, it is professional courtesy to provide at least two weeks notice. Employees in professional positions should provide at least three weeks notice. Leadership Council Members and other upper-level administrators should provide at least one month notice, but more is strongly encouraged.

**RECOGNITION**

Q. When I retire, will I be recognized with a reception or other events?

A. Employees who have been employed with NDE, and leave at age 55 or older may be recognized in the following ways:
Plaque or alternative gift honoring years of service;
- Reception (cake, coffee, punch); and
- Meals costs for retiree and one guest for privately held recognition activities planned, funded and implemented by the team.

How you are recognized is up to you. Discuss your preferences with your supervisor. Any and all of the recognitions listed above are optional.

**ACCESS TO RETIREMENT FUNDS**

**Q. Can anyone other than I access funds in my State or School retirement account?**

**A.** Generally, no. The IRS could access funds for back taxes and a judge may split retirement funds in a divorce property settlement. However, the state cannot borrow from employees’ retirement funds, and the funds cannot be attached in lawsuits or bankruptcy proceedings.

**Q. When am I vested in my retirement plan?**

**A. State plan.** If you are under age 55 you are vested after three years of plan participation. You are immediately vested, regardless of the number of years employed by the State, if you:

1. are age 55 or older;
2. become disabled; or
3. die.

**School plan.** You must have five years of service in the School Plan in order to vest and be eligible for a retirement benefit. If you have less than five years service at termination, you would only receive a refund of your contributions plus interest. The exception is if you terminate employment at age 65 or older but you must have at least one-half year of service and would receive an unreduced retirement benefit. If you terminate employment before age 65 with less than five years of service, you are eligible for a refund of only your contributions plus interest.

**Q. Under what circumstances can I access my State retirement savings?**

**A. State plan.** Payment from your State retirement account may be made when you:

1. retire (cease employment on or after age 55);
2. terminate (cease employment prior to age 55);
3. become disabled; or
4. die. If you terminate prior to age 55, and are not vested, you can access only your employee contributions. If vested, you can access your employee contributions plus the state matching contributions at any age upon termination. However, if you terminate and are not yet age 55, you would have to wait until age 59½ to withdraw the funds without being subject to early withdrawal tax penalties of 10% federal and 5% state.

**School plan.** Payment from your School retirement account may be made when you:

1. terminate employment (see also answer above);
2. become disabled; or
3. die.

**Deferred Compensation Plan.** Payment from your DCP account may be made when you:

1. terminate employment;
2. die; or
3. experience an unforeseen emergency;
(4) have an account balance of less than $5,000 and have not contributed during the prior two years; or, (5) become age 70½, whether employed or not employed.

**Unforeseeable emergency** means a severe financial hardship resulting from:

a) Sudden and unexpected illness or accident of the participant or his/her dependents.

b) Loss of participant’s property due to casualty.

c) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

Emergency withdrawals are not allowed for foreseeable personal expenses which would normally be budgeted for, such as: 1) down payment for a house; 2) purchase or repair of an automobile; 3) college or other educational expenses; 4) normal monthly bills; 5) payment of loans; or 6) federal or state taxes.

**Q. Are emergency withdrawals allowed under a retirement plan other than the Deferred Compensation Plan (DCP)?**

A. No, only DCP Emergency Withdrawals are considered.

**Q. If I want to make a DCP emergency withdrawal request, what do I need to do?**

A. Complete a Deferred Compensation Plan Change Form to discontinue your DCP contributions if you have not done so already. Visit (1221 “N” St., Suite 325, Lincoln), write (P.O. Box 94816, Lincoln, NE 68509-4816) or call (402-471-2053 or 1-800-245-5712) Nebraska Public Employees Retirement Systems (NPERS) to obtain request guidelines and a request form. Complete and return the request form to NPERS. The request will be reviewed by the Public Employees Retirement Board at its next monthly meeting. The response time may be 30 days or less. However, if the paperwork is incomplete or additional information is required, the response time may be longer.

**Q. Can I borrow from my State retirement account?**

A. No, nor may the funds be used as loan collateral since they are not assignable. The money is held in trust and is immune from execution, garnishment, attachment, bankruptcy, insolvency or any other process of law.

**Q. Can I roll-over my State or School retirement funds to a qualified plan while I am still working for the State?**

A. No. You must terminate employment first.
Q. When I terminate employment, can I keep my retirement funds in the School or State Retirement Plan?

A. **School Plan.** If you terminate employment before you become eligible for monthly retirement benefits, you may leave your account on inactive status basis and continue to earn regular interest until such time as you become eligible for a benefit. (Deferring your account beyond the point where you are eligible to begin drawing an unreduced benefit will only result in losing out on monthly benefit payments.)

**State plan.** You may defer payments until no later than April 1 following the year you reach age 70½.

Q. When I retire or terminate employment, do I have to keep my retirement funds in the State Retirement System?

A. No. In general, you have the following options whether you are in Defined Contribution or Cash Balance:

- Deferral (leave it in the State account per above time limits)
- Withdrawal (direct or rollover)
- Monthly annuity
- Combination

The Defined Contribution Plan allows systematic withdrawals (e.g., monthly, quarterly, semi-annual, annual) and has no limit on the number of withdrawals, so long as there is still money in your account. You can make only one direct withdrawal or rollover in the Cash Balance Plan and any remaining funds must be used for an annuity.

**DISABILITY**

Q. What rules govern disability retirement under the State and School plans?

A. **State plan.** Disability retirement allows retirement from the State prior to age 55. You must apply for disability retirement within one year of the date you ceased employment. A medical exam is required. Retiring due to disability allows continuation of health insurance through the State and there is no 10% early withdrawal tax penalty. Distribution options are the same as for “regular” retirement. See the State Plan booklet for more information.

**School plan.** You must apply for disability retirement within one year from the date your employment ends due to the disability, if your disability is non-work related (within five years if your disability is work related). A medical exam is required. Disability benefits are calculated in the same manner as regular retirement benefits.
There is no age reduction of the annuity calculation, but your “actual age factor” will be based on the distribution option you select. The options are the same as for “regular” retirement. See the School Plan booklet for more information.

If disability retirement is approved, you will qualify for payment for one-fourth of your accumulated unused sick leave, not to exceed 480 hours.

REHIRE

Q. How are my retirement benefits affected when I am rehired by the State?

A. The answer varies based on the amount of time that has elapsed since the termination date.

Employee is rehired within 120 days of their termination date. The employee must continue to participate in the retirement plan and repay any payout they may have received. This also includes any employee who is rehired as a temporary employee. Employees who are rehired within 120 days of their termination date will resume their membership in the same retirement benefit (Defined Contribution or Cash Balance) under which they were formerly participating.

Employee is rehired 121 or more days but less than 5 years from their termination date. The employee must participate in Cash Balance upon hire. The employee may elect to repay any payout they received. Employees who are rehired on a temporary basis cannot participate in the retirement plan. All funds an employee may have in the Defined Contribution Plan shall be transferred to the Cash Balance Plan.

Employee is rehired 5 years or more from their termination date. The employee is treated as a new employee. Employees who are rehired on a temporary basis cannot participate in the retirement plan. Employees who are rehired 121 days or more from their termination date shall participate in the Cash Balance Plan. All funds an employee may have in the Defined Contribution will be transferred to Cash Balance Plan.

Retired Employees. Employees who retire (at least age 55) and are rehired are treated as a new employees as long as they have more than a 120-day break in service. Employees who are rehired 121 days or more from their termination date must participate in Cash Balance. All funds an employee may have in Defined Contribution will be transferred to Cash Balance.
HEALTH INSURANCE

Q. Can I retain health insurance through the state when I retire? Does the age at which I retire affect my options?

A. If you leave your job, you can keep the insurance offered by the State for 18 to 36 months, depending on your situation. Your right to obtain this extended coverage is guaranteed by the federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Because you pay the total cost of the insurance through COBRA, it isn’t always the most cost effective option. Shop the market to compare group insurance available through your spouse’s employer or check the cost and coverage of private policies. COBRA is a good idea if you can’t get coverage elsewhere, or if the coverage is the cheapest and best that you can obtain. See below for more information about COBRA options and their relationships to your age at retirement.

Under age 55. If you are under age 55 and terminate from State employment, COBRA will allow you to continue health, dental, and vision coverage through the State’s group plan for up to 18 months. However, you will pay the total cost (employee and employer share) plus 2% extra to cover administrative costs.

Fifty-five to sixty-five. Once you reach age 55, you may retire and continue all eligible benefits until the first of the month in which you turn 65. You are eligible to continue medical, dental, vision, EAP, and medical flex benefits if you are covered by these benefits on your last day of employment with the State of Nebraska.

Sixty-five or older. If you retire, are age 65 or older, and on Medicare Part A or Part B or both, you will be offered 18 months of COBRA coverage at employee and employer cost plus a 2% administration fee. A copy of the Medicare card must accompany either the COBRA termination form sent from the agency or the application to enroll into COBRA.

A “Certificate of Creditable Coverage” will be issued to present to any company for supplemental coverage.

Q. What insurance coverages can I maintain through COBRA?

A. In addition to continuing health insurance under the COBRA plan you are also eligible to continue dental and vision coverage. Medical flex spending can be continued only until the end of the current plan year. A retiree may continue their Medical Flexible Spending Account if contributions have exceeded their claims, and may be continued only until the end of the current plan year. An employee may have future contributions deducted from a final paycheck (tax-sheltered) or by electing COBRA (not tax-sheltered). COBRA payments will include a 2% administrative charge.
Q. Are COBRA options affected if I am disabled?

A. If you are disabled, your COBRA rights last for 29 months, if the disability was approved by the Social Security Administration before age 55. The premium for the last 11 months is 150% of the active employee total premium.

Q. How does the cost of retiree insurance compare to the rate I pay as a permanent employee?

A. Employees who are age 55 or older and retire from State service may continue health, dental, vision, and EAP coverage in the State group plan until they become eligible for Medicare. The employee is responsible for the entire cost of the premium (employee and employer portions).

Q. How is insurance coverage affected for a spouse of an employee who retires when they reach age 65?

A. If the employee leaves state government prior to the age of 65 and takes the Retiree Insurance for themselves and the spouse, the Retiree Insurance would end for the retiree the first day of the month he or she turns 65. At that time the state will offer the dependent COBRA for up to 36 months of coverage or until the first of the month the dependent turns 65. However, if the employee leaves state government when he or she is 65 years of age or older, then the State offers only 18 months of coverage to everyone covered under the plan.

LIFE INSURANCE

Q. Can I continue life insurance after I separate from the state?

A. Yes. Employees have the option to convert all or any part of their Basic or Supplemental term life insurance upon termination of employment or loss of coverage. The employee is responsible for submitting the information to the life insurance carrier along with payment if they choose to convert the life insurance. The conversion of life insurance must be done within 31 days of the termination of life insurance with the State of Nebraska group plan. Any life insurance that is converted will be converted to whole life insurance. Premiums are based on your age at the time of conversion.

Q. Are there any special life insurance provisions if I resign due to health reasons?

A. Yes. If you become disabled before age 60, and while insured, the term life insurance will continue as long as you are disabled without further payment of premium. To be considered disabled, you must be unable to do any work for pay or profit. Proof of disability acceptable to the insurance company must be submitted. The first proof must be given: (a) after the disability has lasted six months; and (b) filed within the 12th month of disability. Proof must be given each year thereafter within 3 months prior to the anniversary of the first proof. Click on the following link to the Term Life Insurance Plan Description for more information.
Q. When should I contact Social Security to apply for retirement benefits?

A. You should contact Social Security about three to six months before your Social Security retirement date to determine what forms you need to fill out and which documents you will need to apply for retirement benefits.

Q. How do I apply for Social Security retirement benefits?

A. You can apply for retirement benefits online. Go to the Social Security Benefit Application. You can also apply by calling the Social Security Administration (SSA) toll-free at 1-800-772-1213. SSA representatives can make an appointment for your application to be taken over the telephone or at any convenient Social Security office.

If you are deaf or hard of hearing, you may call SSA’s toll-free TTY number, 1-800-325-0778, between 7 A.M. and 7 P.M., Monday through Friday.

Q. What information will I need to apply for Social Security benefits?

A. Depending on your circumstances, you will need some or all of the documents listed below. But do not delay applying for benefits because you do not have all the information. If you do not have a document you need, the SSA can help you get it.

- Social Security number;
- Birth certificate;
- W-2 forms or self-employment tax return for last year;
- Military discharge papers if you had military service prior to 1968;
- Spouse's birth certificate and Social Security number if he or she is applying for benefits;
- Children's birth certificates and Social Security numbers, if you are applying for benefits for them;
- Proof of U.S. citizenship or lawful alien status if you (or a spouse or child applying for benefits) were not born in the U.S.; and
- Name of your bank and your account number so your benefits can be directly deposited into your account.
Q. What is the full retirement age for Social Security?

A. It depends on when you were born. The full retirement age for Social Security benefits is currently 65 if you were born in 1937 or earlier. You can retire sooner, but your monthly benefits will be reduced. For example, if you were born in 1938, you may receive full benefits at age 65 years and 2 months; but, if you were born in 1960 you cannot receive full Social Security benefits until age 67. If you were born in 1960 or later, you can start receiving benefits at 62, but you will get 30% less than if you wait until 67 – not 20% less, like those retiring today. See the chart on the next page for more information.

Age To Receive Full Social Security Benefits

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<th>Year of Birth</th>
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<td>1960 and later</td>
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Q. Should I begin my Social Security benefits at age 62 or at my full retirement age (FRA)?

A. If you wait until your full retirement age to begin collecting Social Security payments, your monthly retirement checks will be higher. Most Americans retiring now can begin drawing full benefits at age 65. If you start drawing benefits at age 62, your payments will be 20% smaller, but you will get 36 more monthly checks than you would if you waited the additional three years. If you start drawing benefits before your FRA, your earnings over $14,160 (in 2011) will reduce your benefit $1 for every $2 you earn over the limit.

Q. Are Social Security benefits offset by distributions from State retirement?

A. No. Social security is paid on earned income and you’ve already paid social security on your retirement contributions.

Q. How are Social Security benefits affected when I work?

A. While you are working, your earnings will reduce your benefit amount only until you reach your full retirement age. A formula is used to determine how much your benefit must be reduced.

- If you are under full retirement age for the entire year, $1 is deducted from your benefit payments for every $2 you earn above the annual limit. For 2011, that limit is $14,160.
In the year you reach full retirement age (FRA), $1 in benefits is deducted for every $3 you earn above a different limit, but only earnings before the month you reach your full retirement age are counted. For 2011, this limit is $37,680.

Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings.

If you are not already receiving benefits, be sure to contact the SSA at the beginning of the year you reach full retirement age. Even if you are still working, you may be able to receive some or all of your benefits for the months before you reach full retirement age.

Q. How are Social Security benefits affected by taking benefits before the retirement age based on my year of birth?

A. If your full retirement age is older than 65 (that is, you were born after 1937), you still will be able to take your retirement benefits at age 62, but the reduction in your benefit amount will be greater than it was previously. Here’s how it works. If your full retirement age is 67, the reduction for starting your benefits at age:
  • 62 is about 30 percent;
  • age 63 is about 25 percent;
  • age 64 is about 20 percent;
  • age 65 is about 13 and 1/3 percent; and
  • age 66 is about 6 and 2/3 percent.

As a general rule, early retirement will give you about the same total Social Security benefits as full retirement over your lifetime, but in smaller amounts to take into account the longer period you will receive them.

The earliest a person can start receiving Social Security retirement benefits will remain age 62. If you delay your retirement until after you reach full retirement age, your benefit will increase but you will not receive as many payments.

Q. Do I have to pay income tax on my Social Security benefits?

A. About one-third of people who get Social Security have to pay income taxes on their benefits.

• If you file a federal tax return as an “individual,” and your combined income (sum of AGI + nontaxable interest + one-half of soc.sec. benefits) is between $25,000 and $34,000, you may have to pay taxes on 50 percent of your Social Security benefits. If your combined income* is more than $34,000, up to 85 percent of your Social Security benefits is subject to income tax.
• If you file a joint return, you may have to pay taxes on 50 percent of your benefits if you and your spouse have a combined income* that is between $32,000 and $44,000. If your combined income* is more than $44,000, up to 85 percent of your Social Security benefits is subject to income tax.
• If you are married and file a separate return, you probably will pay taxes on your benefits.
Q. What is Medicare?

A. Medicare is a federal Health Insurance Program for:
   - People 65 years of age and older.
   - Some people with disabilities under age 65.
   - People with End-Stage Renal Disease (permanent kidney failure requiring dialysis or a transplant).

Medicare has two parts: (1) Part A – Hospital Insurance, and (2) Part B – Medical Insurance. Most people don't have to pay for Part A but pay monthly for Part B.

Q. What is the difference between Medicare Part A and Medicare Part B?

A. Medicare, the federal government’s health care program for older people, is split into two parts: Medicare Part A and Medicare Part B. Everyone 65 or over is eligible for Medicare Part A, which covers the first 60 days of hospital bills per year (minus a deductible). It also pays for skilled nursing care (but not for custodial care, such as help with daily dressing, eating or bathing). And it covers the next 30 days per year, minus a co-payment, and up to 60 nonrenewable Lifetime Reserve Days. You have already paid for this coverage in your Social Security taxes, so you’re automatically entitled to it at age 65.

Medicare’s Part B is available for an additional fee. Part B covers some or all of your doctor bills, most outpatient mental-health services, physical, occupational and speech therapy; and most part-time skilled home health care. You can sign up for Part B coverage only during specific enrollment periods.

Q. When am I eligible for Medicare?

A. Medicare generally covers you when you’re age 65 or older. It may also cover you if you are under 65 and disabled or if you have permanent kidney failure. You automatically qualify for Medicare coverage if you have met the work requirements to receive Social Security benefits or if you can claim benefits on the account of someone else, such as a spouse or a deceased spouse.

Q. When should I sign up for Medicare, if I plan to retire at age 65?

A. If you plan to retire at age 65, sign up for Medicare during the three months before you reach age 65 to avoid any waiting period for Part B coverage. If you did not choose Part B when you first became eligible, the cost of Part B may go up 10% for
each full 12-month period that you could have had Part B but didn’t sign up for it, except in special cases. You may have to pay this penalty as long as you have Part B.

You can sign up for Part B from three months before you turn 65 to three months after you turn 65. To sign up, call the Social Security Administration at 1-800-772-1213 or visit or call your local Social Security office to sign up.

**General Enrollment Period.** If you didn’t sign up for Medicare Part B when you first became eligible, you may be able to sign up during the General Enrollment Period. This period runs from January 1 through March 31 of each year. During this time, you can sign up for Medicare Part B at your local Social Security office. Your Medicare Part B coverage will start on July 1 of the year you sign up.

**Q. If I plan to keep working beyond age 65, can I delay Medicare Part B enrollment without paying higher premiums?**

**A.** Yes. In certain cases, you can delay your Medicare Part B enrollment without having to pay higher premiums. If you didn’t take Medicare Part B when you were first eligible because you or your spouse were working and had group health plan coverage through you or your spouse’s employer or union, you can sign up for Medicare Part B during a Special Enrollment Period. You can sign up:

- Anytime you are still covered by the employer or union group health plan through your or your spouse’s current or active employment, or
- During the 8 months following the month the employer or union group health plan coverage ends, or when the employment ends (whichever is first). If you are disabled and working (or you have coverage from a working family member), the Special Enrollment Period rules also apply.

**Special Enrollment Period Effective Date.** If you enroll in Medicare Part B while covered by the group health plan or during the first full month after coverage ends, your Medicare Part B coverage starts on the first day of the month you enroll. You also can delay the start date for Medicare Part B coverage until the first day of any of the following 3 months. If you enroll during any of the 7 remaining months of the Special Enrollment Period, your Medicare Part B coverage begins the month after you enroll.

**Remember:** If you do not enroll in Medicare Part B during your Special Enrollment Period, you’ll have to wait until the next General Enrollment Period, which is January 1 through March 31 of each year. You may then have to pay a higher Medicare Part B premium because you could have had Medicare Part B and did not take it.

**Q. What does the “primary insurance” status represent?**

**A.** Sometimes, you may have other insurance that pays your health care bills first, while Medicare pays second. Medicare is the secondary payer when the following insurance is available: Auto Insurance, Homeowners Insurance, Commercial Insurance Plans, Group Health Plans under certain conditions, Black Lung Benefits and Worker’s Compensation.
Q. I enrolled in Medicare Parts A and B but am still working (or went back to work). I did not realize my employer group health insurance was the primary payer. Can I drop Part B now and enroll in Part B again when I retire? Will I have to pay higher premiums when I enroll in Part B again?

A. If you are working and covered by your employer group health insurance, your Part B benefits may be of limited value to you as long as your group health insurance is the primary payer of your medical bills. If you have Medicare Part B and decide to drop it while you are working and covered by your employer group health insurance, you can sign up for Medicare Part B again during your Special Enrollment Period. As long as you enroll in Part B during your Special Enrollment Period, you will not have to pay a higher Part B premium.

The Social Security Administration handles Medicare enrollments. If you want to drop your Part B coverage or have more questions about enrolling in or dropping Medicare Part B, you should call the Social Security Administration at 1-800-772-1213, or visit the Medicare web site.

Q. I want to add Part B to my Medicare. When can I do that?

A. You can sign up for Medicare Part B:
1) When you first enroll in Medicare (your Initial Enrollment Period). Your Initial Enrollment Period starts 3 months before you turn age 65 and lasts for 7 months.

2) January 1 - March 31 of each year (your General Enrollment Period). If you enroll in Part B during a General Enrollment Period, it will be effective July 1 of the year in which you apply. Your Medicare Part B premium may go up 10 percent for each 12 month period that you could have had Medicare Part B, but did not take it.

3) If you didn't take Medicare Part B when you were first eligible because you or your spouse were working and had group health plan coverage through your or your spouse's employer or union, you can sign up for Medicare Part B during a Special Enrollment Period.

You can sign up for Medicare Part B:
- Anytime you are still covered by the employer or union group health plan through you or your spouse's current or active employment, or
- During the 8 months following the month the employer or union group health plan coverage ends, or
- When the employment ends (whichever is first).

Q. I am approaching age 65 but want to keep working for NDE. Do I need to file any paperwork for Medicare?

A. See the above question.
Q. How do I evaluate whether to stay on State insurance or go the route of Medicare Part B and Medigap insurance?

A. You should compare coverages, premium costs, and how long you plan to continue to work for the State after you turn age 65.

In 2011, there are three “standard” premium levels for individuals with a modified adjusted gross income of $85,000 or less and joint filers with $170,000 or less. The standard premiums for 2011 are:

- $115.40 for those who become effective in 2011 or who do not currently draw a Social Security check;
- $110.50 for those who became effective during 2010;
- $96.40 for those who became effective prior to January 1, 2010.

The premium is indexed for inflation, and typically increases each year. However, there is a “hold-harmless” clause which states that if there is not a cost of living increase for Social Security benefit payments, your Part B premium is frozen at your current level.

Your monthly premium will be higher if you file an individual income tax return and your modified adjusted gross income (MAGI) is more than $85,000, or if you file a joint income tax return and your MAGI is more than $170,000.

Q. How do I pay for Medicare Part B?

A. If you choose to enroll in Medicare Part B, the premium is usually taken out of your monthly Social Security payment. In that case, you won’t get a bill for your premium. If you don’t get a social security check, Medicare sends you a bill for your Medicare Part B premium every three months.

Q. What deductibles and coinsurance apply to Medicare in 2011?

A. Part A. Part A pays for inpatient hospital, skilled nursing facility, and some home health care. For each benefit period Medicare pays all covered costs except the Medicare Part A deductible (2011 = $1,132) during the first 60 days, and coinsurance amounts for hospital stays that last beyond 60 days and no more than 150 days.

For each benefit period you pay:
- A total of $1,132 for a hospital stay of 1-60 days.
- $283 per day for days 61-90 of a hospital stay.
- $566 per day for days 91-150 of a hospital stay (Lifetime Reserve Days).
- All costs for each day beyond 150 days

Skilled Nursing Facility Coinsurance
- $141.50 per day for days 21 through 100 each benefit period.

Part B. Part B covers Medicare eligible physician services, outpatient hospital services, certain home health services, and durable medical equipment subject to a
deductible of $162.00 per year. You pay 20% of the Medicare-approved amount for services after you meet the $162.00 deductible.

Q. What is Medigap insurance?

A. Medigap policies are sold by private insurance companies and are intended to pay for some of the medical expenses that Medicare doesn’t. You can tailor your policy to cover deductibles, outpatient prescriptions, or the cost of long hospital or skilled nursing home stays. Medigap insurance is guaranteed renewable as long as you pay your premiums.

Q. Where can I find information on the Medicare prescription drug plans?

A. For assistance in selecting a plan and enrolling, go the Medicare Prescription Drug Plan Finder, a website of the Center for Medicare and Medicaid Services (CMS). For information on extra help in paying for prescription drug costs if you have limited income and resources, see Help With Medical and Drug Costs.

Q. What is HIPAA and what are its benefits?

A. The Health Insurance Portability and Accountability Act (HIPAA) of 1996 protects your insurability. Before this law, if you lost insurance coverage for some reason, losing a job for example, you could be required to prove insurability before obtaining new coverage. For most people, this wasn’t a problem. If, however, you had chronic health problems or if your health deteriorated while you were covered, it was a serious problem. You could live in constant fear of losing your job and, as a result, your health insurance. Now, if you have been insured for the past 12 months, a new insurance company cannot refuse to cover you and cannot impose preexisting conditions or a waiting period before providing coverage.

Helpful Websites

Click on the links below for more information. These resources were used to compile this document.

Medicare
Medicare and You 2011
Nebraska Public Employees Retirement Systems

Savings Fitness: A Guide to Your Money and Your Financial Future

Social Security
  How Work Affects Your Benefits
  Plan Your Retirement
  Social Security Frequently Asked Questions

State Personnel - Benefits

Taking The Mystery Out Of Retirement Planning

USA.gov for Seniors

Women and Retirement Savings

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Disclaimer

This publication does not contain exhaustive information on any of the topics addressed. In the event of any conflict between this information and that provided for in the NDE-NAPE/AFSCME bargaining agreement, NDE Personnel Rules or other state administrative rules, the laws and administrative rules shall prevail.

Thank you to Jan Fox of NPERS for her initial review of this document.