



PRE-RETIREMENT GUIDE

FOR
POLICE AND FIRE
MEMBERS

www.nvpers.org



This document has been prepared for members of the Public Employees' Retirement System of Nevada to provide general information.

It is based on retirement law effective from the 74th session of the Nevada Legislature, 2007. This is not a legal document, nor is it intended to serve as a basis for legal interpretation. Official legal reference may be found in the Nevada Revised Statutes.

INTRODUCTION

As the time for your retirement approaches, we suggest some steps for you to consider in your pre-retirement planning. This is by no means all inclusive but will provide you with the information necessary to make an appropriate decision and assure the accurate and timely receipt of your benefit from the Public Employees' Retirement System (PERS) of Nevada. At the end of this booklet are checklists to help ensure that you take all the steps necessary in planning and processing your retirement.

HOW TO BEGIN PROCESSING YOUR RETIREMENT

It is best to notify PERS about six months prior to your intended retirement date. You should request a retirement estimate and application packet that must be completed to initiate your benefit. The estimate we provide will give an approximate amount of your retirement allowance within a reasonable range. The estimate will project your service time through your anticipated date of retirement. It will show allowances under each of the applicable options if we have the name and birth date of your beneficiary. Estimates may also be calculated, by you, through your PERS account on-line at www.nv.pers.org.

COUNSELING

Staff is available for counseling weekdays at PERS' offices in Carson City and Las Vegas. We also periodically visit other communities throughout the state. To discuss any aspect of your retirement in person, please schedule an appointment in one of our offices or for our next visit to your area.

RETIREMENT ELIGIBILITY

You are eligible to receive an unreduced retirement benefit with five years of service at age 65, with 10 or more years of police or fire service at age 55, with 20 or more years of police or fire service at age 50, with 25 years of police or fire service at any age, or with 30 years of service at any age. If you earn the

years of creditable service necessary to retire but have not reached the required age, you may retire with a benefit actuarially reduced by four percent of the unmodified benefit for each full year you are under the appropriate retirement age and an additional 0.33 percent for each additional month.

EFFECTIVE DATE OF RETIREMENT

Your retirement is effective the day after your last day of employment or the day your application reaches the Retirement System office, whichever is later. A third possible effective date is a future date you select, such as your 50th birthday, or sometime after your last day of employment. If your decision to retire is made close to the actual date, be sure to allow for mailing time (see the section on pitfalls).

IMPORTANT FACTORS DETERMINING YOUR BENEFIT AMOUNT

There are three basic factors involved in the calculation of your retirement benefit. These are service credit, average compensation, and selection of a retirement option.

Service Credit

The Retirement System keeps an ongoing record of your service based on information supplied by your public employer. Service is credited for years, months, and days actually worked based on employment records and contributions.

There are generally two ways to increase service credit – through purchase of service and repayment of refunded contributions.

Purchase of Service: If you have five years of credit in PERS, you may purchase up to five years of additional service at any time prior to retirement. The purchase price is calculated using the percentage factor based on your age and your current average compensation. Purchase of service may also be accomplished through the roll-in of funds from tax deferred accounts such as 401(a), 401(k) qualified pension trusts, 403(b) and 457 retirement savings plans and IRAs. Be sure to notify us no later than 30 days prior to your termination of employment if you wish to

purchase service before you retire.

Repayment of Refund: If you have received a refund of employee contributions and later return to work and reestablish active membership for at least six months, you may repay the refunded contributions and restore your service credit. Repayment, including interest at the actuarially determined rate, may be made in a lump sum or by monthly installments. Service will not be restored until repayment is made in full. Repayment of refunded contributions must be completed prior to your date of retirement.

To learn more about purchase of service or repayment of a refund, contact a PERS Counselor or visit our website, www.nvpers.org.

Average Compensation

Your average compensation is based on the 36 highest consecutive months of compensation as reported by your employer. If you have been under the Employer Pay Contribution Plan (EPC), your reported compensation will be increased by the appropriate factors to ensure that it is no less than had you contributed under the employee/employer contribution plan.

Please note that in calculating an estimate the 36-month period used to determine your average compensation will usually be the period ending with the last payroll reports received from your public employer and will not project your current salary through your anticipated retirement date.

Retirement Options

The Unmodified Retirement Allowance **(Option 1)** is the maximum allowance you can receive and pays you the full monthly benefit you have earned for your lifetime. You may designate your spouse at the time of retirement under this option to receive a benefit upon your death equal to 50% of the benefit you earned through the Police and Firefighters' Retirement Fund. **In order for your spouse to receive a benefit under this option, you must be contributing to PERS under the Employer Pay Contribution Plan prior to the termination of your employment.** After your death, your spouse's benefit will be effective upon his or her 50th birthday.

There are six additional options from which to choose. Each offers a benefit somewhat lower than the Unmodified Allowance but does afford a monthly benefit for your beneficiary after your death.

You may name anyone you wish as your beneficiary under Options 2 through 7. However, your spouse must consent to the plan selection and beneficiary designation. This is necessary because Nevada is a community property state, and the courts have determined that a retirement benefit is a substantial community asset.

There are many factors to consider in selecting an option. Some are:

- The amount and source of income from other retirement programs
- Employment which is or may be available to your beneficiary
- The amount and types of debts your beneficiary may be responsible for discharging after your death
- The type and amount of insurance, such as mortgage insurance and/or life insurance available to your beneficiary

The other retirement options are:

Option 2: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, the same allowance continues for the lifetime of the beneficiary.

Option 3: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, 50 percent of the allowance continues for the lifetime of the beneficiary.

Option 4: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, and beginning when the beneficiary reaches age 60, the same allowance continues for the lifetime of the beneficiary.

Option 5: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, and beginning when the beneficiary reaches age 60, 50 percent of the allowance continues for the lifetime of the beneficiary.

Option 6: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, a specific sum per month, as selected by the retired employee, will continue for the lifetime of the beneficiary. This amount may not exceed the monthly allowance paid to the retired employee.

Option 7: An actuarially reduced allowance for the lifetime of the retired employee. After the retired employee's death, and beginning when the beneficiary reaches age 60, a specific sum per month, as selected by the retired employee, will continue for the lifetime of the beneficiary. This amount may not exceed the monthly allowance paid to the retired employee.

Since Options 6 and 7 are based on an amount which you specify we do not normally provide an estimate for these options. If you wish to provide for a set amount to go to your beneficiary, contact PERS and indicate the amount. We will be happy to provide an estimate for these two options.

The reduction in Retirement Options 2 through 7 from the Unmodified Allowance is based on the age and life expectancy of the retired employee and beneficiary. On the following page is an example of benefits which would be available under the optional plans.

Example:

Benefit Calculation Formula Under Optional Plans

This example assumes you have 20 years of police or fire service (18 years earned before July 1, 2001 and 2 years earned after July 1, 2001) and an average monthly compensation of \$3,000. For the purpose of determining the actuarial reduction for Options 2 through 5, we will assume that you are 60 years old with a 52-year-old beneficiary.

$$\begin{aligned} \text{Service Credit} &= 18 \text{ years} \times 2.5\% = 45.00\% \\ &2 \text{ years} \times 2.67\% = 5.34\% \\ \text{Total Multiplier} &= 50.34\% \end{aligned}$$

$$\begin{aligned} \text{Average compensation} &= \$3,000 \\ \text{Unmodified Allowance} &= \$1,510 \end{aligned}$$

	Monthly Benefit You Will Receive	Monthly Amount Beneficiary Will Receive After Your Death
Unmodified	\$1,510	\$755*
Option 2 (77.17 percent of Unmodified Allowance)	\$1,165	\$1,165
Option 3 (87.11 percent of Unmodified Allowance)	\$1,315	\$658
Option 4 (79.18 percent of Unmodified Allowance)	\$1,196	\$1,196**
Option 5 (86.09 percent of Unmodified Allowance)	\$1,300	\$650**

* Spouse must be age 50

** Beneficiary must be age 60

Note: Federal Regulation prohibits paying a benefit to someone other than the spouse who is more than 10 years younger than the member under Option 2 and 4.

THE RETIREMENT APPLICATION PROCESS

Application

Prior to your date of retirement, you must file an application for retirement with PERS. Your application cannot be officially filed with your public employer. Retirement becomes effective the day after your last day of employment, the date the completed application is filed with the System, or the effective date indicated on the application, whichever is later.

You must select a retirement plan by signing in the appropriate space on the form in the presence of a notary public. Your spouse must also sign the form acknowledging the selection of the retirement plan and beneficiary designation. In addition, your spouse's signature must be notarized.

Should your beneficiary under one of the Options 2 through 7 predecease you, your allowance will be changed to the Unmodified option at the beginning of the next month upon receipt of a certified copy of your beneficiary's death certificate.

If for any other reason you wish to change to the Unmodified Option, you may do so with the consent of your spouse; however, **the change is not retroactive.** It is effective the first of the month following the date the form indicating the change is received in our office. You cannot change from the Unmodified Option to any other plan after you have retired. **If you retire under any of the options 2-7 and later revert to the Unmodified Option 1, you will forfeit the 50% spousal benefit available under the Unmodified Option 1. Since it is an irreversible decision to select the Unmodified Option, give it careful consideration.**

Once you have submitted your retirement application, PERS will send you an acknowledgement letter confirming the date the application was received, the effective date of your retirement and option you have selected. We will also advise you of any documentation still needed.

***Documentation for Proving
Birth Date and Name Changes
(Member and Beneficiary)***

Retirement allowances are based on the ages of the member and member's beneficiary. Therefore, when you retire, we need documents verifying your birth date, your beneficiary's birth date, and any name changes for both from name at birth to name at the present time.

**Any one of the following may be used
to establish birth date:**

- *Birth certificate*
- *Infant baptism certificate*
- *Delayed certificate of birth*

**Any two of the following may be used
to establish birth date:**

- *School age record*
- *Military service records*
- *Marriage record if birth date is shown*
- *Naturalization certificate if member's age is shown*
- *Transcript of record from U.S. Bureau of Census*
- *Family record in the family Bible*
- *Passport*
- *Notarized statement of knowledge of birth date*
- *Motor vehicle records*
- *Social Security records*
- *Voter registration records*
- *Any document over 10 years old if birth date is shown*

**The following may be used to document
name changes for a member
and / or beneficiary**

- *Marriage certificate*
- *Adoption papers*
- *Divorce papers if prior name is shown*
- *Child's birth certificate if mother's maiden name is shown*

If you have difficulty meeting this requirement prior to retirement, please contact us. We will be happy to work with you to satisfy this requirement.

Deductions

You may elect to have deductions made from your retirement allowance for continuation of the group health and life insurance, retired employee association membership dues, and federal income taxes.

If you plan to continue with medical insurance into retirement, you will be required to contact the administrator of that plan to complete the necessary forms and arrange for payroll deduction from your PERS check. Your plan administrator will notify us when they are ready for deductions to begin. If you later stop that insurance, be sure to let the insurance company know to stop the payroll deductions.

PERS is required to withhold federal income tax from your retirement allowance unless you instruct us in writing not to withhold monies for this purpose. If you elect to have federal income tax withheld, the System can calculate the tax based on marital status and the number of specified exemptions. We do not have the expertise on staff to advise you on tax matters. We suggest you seek the advice of a tax consultant if you have questions.

**PAYMENT OF
RETIREMENT BENEFITS**

Date of Payment

Your benefit will be mailed or electronically deposited to your bank account four working days before the end of each month. If your effective date of

retirement is on or before the 15th of the month, you will receive a benefit that month. If you retire after the 15th you will receive a benefit the next month, which will include payment for the last days of the previous month.

Time Schedule for Completion of Retirement Processing

It normally takes 90 days for final payroll information to be submitted by your public employer and then processed and posted to your account. As a result, the initial calculation of your allowance and payment will be a preliminary amount.

Within approximately six months of your effective date of retirement, a complete audit of your account, including all calculations, will be conducted by a staff member who has had no prior involvement with your account. We adhere to this procedure to avoid any possibility of compounding errors or overlooking any other factor relevant to your retirement. If there are any errors or additional salary postings, a recalculation of your benefit will be made. You will be fully informed if such an adjustment is necessary.

Although we take every safeguard against its occurrence, occasionally an overpayment of benefit is made. PERS is bound by law to recover overpayments. If this does happen, you will be contacted and provided a full explanation of the situation and of the rights and alternatives available to you.

Method of Payment

PERS offers and suggests direct deposit of your monthly benefit to your financial institution. Through this service, your allowance will be available to you four working days before the end of each month. Forms to initiate this type of payment are available upon request and on our website.

We can also mail your benefit check to your home four working days before the end of each month. We automatically mail your check to your home address unless you authorize us to set up a direct deposit.

Change of Address

It is important that we know where you are whether your benefit is mailed to your home or electronically deposited to your bank account. From time to time we mail items of importance and must be able to reach you. If you are writing to change your mailing address for correspondence only, be sure to tell us to continue your direct deposit to the bank. You should also notify your former public employer of any change of address if you are enrolled in their group insurance program. To help us serve you better, please include the last four digits of your Social Security number on all correspondence to PERS.

REEMPLOYMENT AFTER RETIREMENT

Many people take part-time or temporary employment after retirement. There are no restrictions regarding private employment or public employment outside Nevada. However, several things should be considered if you are thinking about returning to work for a public employer in Nevada.

1. If you enter into employment with a public employer in Nevada within the first 90 calendar days after your effective date of retirement, you will be required to forfeit your retirement allowance for the duration of that employment. There are provisions for a one-time, 30-day waiver during the first 90 days on an emergency basis. If you contemplate employment within the first 90 days after your retirement, both you and your public employer must notify PERS in writing in advance that it is an emergency situation and that you are the only qualified person available for the job. The PERS Executive Officer must approve the request in advance of your returning to work.

2. For employment after the first 90 days, there are different restrictions, depending on the conditions of that employment:

- You will be required to forfeit your retirement allowance from the first day that you are employed by a public employer in Nevada in a position eligible for membership that is half time or more. This forfeiture continues for the duration of that employment. We require notification in writing from both you and the public employer within ten days of your first day of employment.

- If you accept employment with a Nevada public employer in a position that is not eligible for membership, you may earn up to 50% of the average salary for regular members, as determined by the latest Actuarial Valuation, in any fiscal year without forfeiting your retirement benefits. This earning limitation applies to independent contracts as well as other positions not eligible for membership in PERS, such as positions of less than half time and substitute teaching. We require notification in writing from both you and your public employer within 30 days of your first day in this type of employment.

3. If you accept employment after retirement in a position which is eligible for membership, your benefit will be forfeited. You may choose to reenroll as a contributing member of PERS. If you do this and work less than five years you will earn a separate retirement allowance for this period of employment. When you retire, you must complete a form to resume your retirement. Your benefit earned as a result of the new employment will be added to your previous benefit. If your employment continues for five years or more, you may select a different option and beneficiary for the new benefit only.

4. If you reenroll and your employment continues for five years or more, you may select a different option and beneficiary for the new benefit only. Or you may be eligible to elect to have your benefit recalculated as if you had not previously retired. In this case, the additional credit earned during your reemployment would be added to your previous service credit. If you are eligible to and choose to have your benefit recalculated, you must reselect the same option and designate the same beneficiary as your original retirement selection. This option is available only during one period of employment after the original retirement. If you elect to do this, your benefit will be calculated as if you had not previously retired but had a break in service.

The election to combine the benefit is limited or may be unavailable if the initial benefit was paid under the unmodified allowance providing your spouse a portion of your benefit earned in an eligible police and fire position or the initial benefit was prohibited by the provisions of a Qualified Domestic Relations Order which complies with NRS 286.6703.

5. If you are chosen by election or appointment to fill an elective public office, you may continue to receive your retirement allowance unless you are serving in the same office in which you earned service credit as a member.

6. Retired employees who are reemployed by a Nevada public employer in a position for which there is a critical labor shortage may be exempt from any reemployment restrictions if you are receiving a benefit that is not reduced for early retirement or if at the time of reemployment you have reached the required age to receive an unreduced benefit. This applies only to positions that have been approved by the governing authority of the public employer as “critical labor shortage” positions and which must be recertified every two years as a critical labor shortage.

We cannot emphasize too strongly that employment after retirement with a public employer in Nevada can have serious effects on your retirement allowance. Contact a PERS Counselor prior to entering any employment or an independent contract with a public employer after retirement to discuss the conditions of that employment or contract to avoid any future problems.

SOME PITFALLS AND HOW TO AVOID THEM

Your effective date of retirement is the day after your last day of employment, the day your application is received in the PERS office, or the date requested on the application, whichever is latest. Be sure to allow sufficient time for your application to reach us. You must take the initiative here. No one will automatically do it for you, and no one including your public employer can file your retirement paperwork. It must be completed by you.

Your retirement allowance is paid first from the contributions which you personally made. After your personal contributions are exhausted, your allowance will be paid from PERS funds (employer contributions and interest earned from investments over the years).

The federal Tax Reform Act of 1986 eliminated the Three Year Basis Recovery Rule and made retirement allowances taxable from the first day of receipt. An exclusion is still allowed for personal contributions, but only a portion is excludable each year until you have outlived your "actuarial life expectancy" according to Internal Revenue Service tables. The percent excludable from federal income tax is determined by taking a ratio of your personal contributions to your anticipated lifetime earnings from the plan. The percent excludable from federal income tax is applied to your base benefit only. Post-retirement increases are 100% taxable.

In compliance with federal regulations, you will receive a 1099-R form from the System by January 31 of each year indicating how much of your retirement allowance is taxable. We will be happy to make income tax deductions for you as described in the section on "Deductions."

OTHER THINGS TO CONSIDER

Retirement is one of the most significant steps you will take in your life, and many decisions must be made. We at PERS are here to help in any way we can.

We strive to provide you with the foundation to make your transition as smooth as possible from the standpoint of your PERS benefit. Beyond this, there are many personal factors to consider, which only you can handle. The key is advance planning. To assist you, we are providing two checklists at the end of this booklet.

Your PERS benefit and Social Security

Your PERS benefit will not be affected by a Social Security benefit. However, a Social Security benefit may be affected because you receive a PERS pension. The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are the two Federal Government regulations that may reduce your Social Security benefit. We suggest you contact the Social Security Administration at 800-772-1213 or visit their website at www.ssa.gov for more information.

WHAT TO EXPECT AFTER RETIREMENT

Restrictions

Reemployment with a public employer in Nevada is restricted. Please refer to the Reemployment section in this booklet. If you are in doubt, check with PERS staff before entering into any type of employment with a Nevada public employer.

Post-Retirement Increases

As a general rule, once you have been retired for three full years, you are entitled to a post-retirement increase of 2% in each of the fourth, fifth and sixth years; 3% in the seventh, eighth and ninth years; 3.5% in the tenth, eleventh and twelfth years; 4% in the thirteenth and fourteenth years; and 5% each year thereafter. Post-retirement increases are due in the month following the month in which you retired. For example, if your retirement effective date is January 1, your post-retirement increase would be effective February 1, and paid with your February benefit at the end of February.

Occasionally, post-retirement increases are lower than the percentages listed above. This is because they are capped by the Consumer Price Index (All Items) average for the three preceding years. This limitation does not apply, however, if the purchasing power of your benefit has not kept pace with inflation during the period since your retirement.

**Checklist for Assistance in
Pre-Retirement Planning**

1. My effective date of retirement is: _____
2. The retirement option I have selected is: _____
3. Estimate of my PERS retirement allowance:
_____ Date received: _____
4. Repayment of previous refund: _____
Date completed: _____
5. Purchase of service credit: _____
Date completed: _____
6. File retirement application: _____
Date Sent: _____
7. Proof-of-birth-date and name-change
documentation: _____ Date sent: _____
8. I have researched the medical insurance
available: _____
9. Acknowledgment of applications: _____
Date received: _____
10. My first check will be mailed on: _____
11. The nontaxable portion of my retirement
allowance is: _____
12. My will was drawn and is located in a safe
place at: _____
13. My retirement years will be spent at:

14. My attorney was apprised of and is prepared
to handle any legal problems that may
occur: _____
15. I have considered my health and that of my
beneficiary: _____

**Checklist for
Pre-Retirement Financial Planning**

<u>Income</u>	<u>Monthly</u> (x 12 months =)	<u>Annual</u> <u>Total</u>
___ PERS benefit	\$ _____	\$ _____
___ Social Security	\$ _____	\$ _____
___ Other retirement	\$ _____	\$ _____
SUBTOTAL		
___ Part-time job	\$ _____	\$ _____
<u>Investments:</u>		
___ Stock dividends	\$ _____	\$ _____
___ Interest income	\$ _____	\$ _____
___ Rentals	\$ _____	\$ _____
___ Others	\$ _____	\$ _____
SUBTOTAL		
TOTAL INCOME		
	\$ _____	\$ _____

<u>Expenses</u>	<u>Monthly</u> (x 12 months =)	<u>Annual</u> <u>Total</u>
___ Food	\$ _____	\$ _____
<u>Lodging:</u>		
___ Rent	\$ _____	\$ _____
___ House payment	\$ _____	\$ _____
___ Home insurance (if not included in house payment)	\$ _____	\$ _____
___ Property taxes (if not included in house payment)	\$ _____	\$ _____
___ Utilities	\$ _____	\$ _____
___ Clothing	\$ _____	\$ _____
___ Auto/Transport	\$ _____	\$ _____
<u>Medical Insurance:</u>		
___ Group insurance	\$ _____	\$ _____
___ Medicare	\$ _____	\$ _____
___ Other	\$ _____	\$ _____
SUBTOTAL	\$ _____	\$ _____
___ Entertainment	\$ _____	\$ _____
SUBTOTAL	\$ _____	\$ _____
___ Income Tax	\$ _____	\$ _____
<u>Total:</u>	\$ _____	\$ _____
SUBTOTAL	\$ _____	\$ _____
TOTAL EXPENSES	\$ _____	\$ _____

For further information, contact your agency's retirement liaison officer or the PERS office.

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