

RETIREMENT NEWS

NEBRASKA PUBLIC EMPLOYEES RETIREMENT SYSTEMS | OCTOBER 2025

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Learn, Plan, and Prepare New Videos for School Employees

We know retirement planning can sometimes feel overwhelming. That's why NPERS is always looking for new ways to make your benefits easier to understand by offering more resources. To support you on your journey, we've created four new videos designed specifically for School employees. These short, easy-to-follow videos will walk you through important aspects of your retirement plan so you can feel confident about your present and future. All four of these videos are now available on NPERS website at npers.ne.gov. You can also go to NPERS [YouTube channel](#) to watch the same videos.

1. The Benefit Estimator ([watch now](#))

Planning ahead starts with knowing what to expect. This video walks you step-by-step through NPERS' Benefit Estimator tool, which allows you to generate a personalized estimate of your retirement benefits. Whether retirement is around the corner or years away, this tool can help you see how different retirement dates might affect your monthly benefit so that you can feel more than prepared.

2. The Rule of 85 ([watch now](#))

Do you know about the Rule of 85? This special provision may allow you to retire earlier without reducing your monthly benefit if your age, plus years of service, is equal to or greater than 85. Our video breaks down exactly how the rule works and provides examples to help you determine how to meet the rule.

3. Purchasing Service Credit ([watch now](#))

Are you looking for ways to reach retirement eligibility sooner or increase your monthly benefit amount with additional years of service? The Purchase of Service video explains how the process works, what types of service may be eligible, provides a walkthrough of NPERS online Purchase of Service Estimator, and outlines how this option might fit into your retirement strategy and timeline.

4. Employer Reporting Workshop ([watch now](#))

Accurate employer reporting ensures your service and salary are correct. This workshop provides important updates and clarifications for employer payroll staff. While primarily aimed at administrators, members may also find it helpful to understand how reporting affects their retirement record.

LB645 Changes School Plan Contribution Rates

On May 6, 2025, Governor Jim Pillen signed **LB645** into law, which **changes contribution rates** for the School Employees Retirement System (“the Plan”). The contribution rates for members, employers, and the State of Nebraska will now depend on the **funded status** of the Plan, as determined by the independent, third-party **actuarial valuation report**.

Contribution rates changed on **July 1, 2025**, for employees, employers, and the State. LB645 specifies that **contribution rates shall be calculated as of July 1 each year** and will be based on the actuarial value of assets in the Plan from the most recent actuarial valuation report presented to the Public Employees Retirement Board (“the Board”). Generally, the Board receives the Plan’s actuarial valuation report each **November**. The funded status in that report will determine the contribution rates **implemented July 1** of the following year.

Funded Status	Employee	Employer	State
100% or above	7.25%	7.32%	0.0%
At least 98% but less than 100%	8.00%	8.08%	0.7%
At least 96% but less than 98%	8.75%	8.84%	0.7%
Less than 96%	9.75%	9.85%	2.0%

IMPORTANT: This rate is **subject to change every fiscal year** (July 1) based on the most current actuarial valuation report.

As of the most recent actuarial valuation report presented to the Board on November 18, 2024, the funded status of the Plan was 99.91%. **Therefore, on July 1, 2025, the new contribution rate for employees will be 8.00% and the employer contribution rate will be 8.08%.**

Salary Capping Explained: The Why & The How

When it comes to your benefit calculation in the School Retirement Plan, many factors are taken into consideration, things like service credit, vesting, compensation and your age when you take your benefit. NPERS also fields questions regarding how “salary capping” could affect a benefit.

Capping exists to discourage individuals from creating unusually high earnings leading up to the year of retirement for the purpose of inflating their monthly benefit. This practice, which disproportionately impacts a member’s benefit and the School Plan trust, is commonly known as salary spiking.

To curtail this practice, an 8% Salary Cap is applied to the last five years of compensation when benefits are calculated. A member may assume that capping applies only to their three or five highest years of compensation, that is not the case. Salary capping applies to your final five years of employment.

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Salary Capping Explained: The Why & The How

Starting with your termination date, we count backwards 12 months, establishing your first year. We'll do that 4 more times to establish your five-year capping period. We then count back one more year, a sixth year, to establish your base year. Your base year is what we're going to use to determine whether there's been an increase of greater than 8% during your final five years.

Here's an example:

	Actual	% Increase	Capping	Retirement
Base Year	\$50,000	N/A	No	\$50,000
Year 1	\$53,000	6%	No	\$53,000
Year 2	\$58,500	10%	Yes	\$57,240
Year 3	\$62,400	8%	Yes	\$61,819
Year 4	\$64,900	5%	No	\$64,900
Year 5	\$68,000	5%	No	\$68,000

We see in the chart in year 2, the individual in question received a 10% raise in their actual salary. At this point, capping would kick in, so for retirement calculation purposes, year 2 would be figured at \$57,240. Then in year 3, our individual's actual salary increased by 8% from the year before, but their salary was still capped for retirement purposes. Why is that? While the actual increase was only 8% and would not seem to be subject to capping, the actual increase was 9% more than the previous year's retirement calculation of \$57,240, so capping would still apply. However, in year 4, when our member's actual increase is 5% (and less than 8% more than the previous year's retirement calculation), capping would no longer apply.

State Patrol: Knowing What Counts

Life is hard to plan without knowing what you can count on, and that's where NPERS comes in. We're here to help you understand what you can count on as you prepare for retirement.

A Nebraska State Trooper's retirement benefit is based on a formula. We take the Trooper's **Final Average Salary** and multiply it by **3% for every year of creditable service**, up to a **maximum of 75%**.

But you may be wondering, *"How do I calculate my final average salary? And what exactly counts as creditable service?"* We're glad you asked!

The first step is to determine **creditable service** and then calculate the Trooper's **final average salary** earned during that period.

Creditable service is granted when a Trooper is a contributing member of the retirement plan and receives regular wages for services rendered, including paid sick, vacation, or holiday leave.

However, external sources of income, such as **workers' comp**, cannot be included because they are not considered regular wages and do not include contributions toward the retirement plan.

Next, we review the Trooper's **salary** derived from that creditable service.

Regular pay includes used vacation, sick, and holiday leave. However, **unused** sick or vacation leave that is converted to cash **cannot** be included in retirement salary for any officer who became employed on or after **January 4, 1979**. Likewise, for employees hired on or after **July 1, 2016**, compensation does not include unused holiday compensatory time converted to cash.

When we understand what counts as regular pay versus outside income, the Trooper's retirement equation becomes much clearer and helps every Trooper plan with confidence. Still curious? Go to npers.ne.gov to run benefit estimates to see what your retirement funds will look like monthly!

Annuity Rate Change

The annuitization rate/Interest rate, is being reduced from 7% to 6.75%, effective January 1, 2026. This change comes after a detailed review by the actuaries and was evaluated and recommended by the Public Employees Retirement Board's (PERB) Actuarial Optional Forms Factor Committee. Their recommendation was presented to and approved by the PERB during the August 18, 2025, meeting. The updated rate reflects current actuarial assumptions and broader economic conditions, helping ensure that benefit calculations and related factors remain fair and accurate going forward. The new rate will take effect on January 1, 2026, and will apply to all relevant annuitization and interest rate calculations from that date on.



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NEBRASKA SCHOOL, JUDGES & PATROL | OCTOBER 2025

Retirement Planning Seminars

Thank you for your continued interest and support in NPERS' Retirement Planning Seminars. **We're pleased to share that both 2025 School Plan sessions have filled to capacity, and registration is now closed.** The strong response reflects the value members place on preparing for retirement and engaging with the resources NPERS provides.

If you weren't able to secure a spot this year, don't worry, **additional School Plan seminars are already being planned for Spring 2026.** We encourage you to check the NPERS Seminars page regularly for [upcoming dates and registration details](#). NPERS also offers [retirement plan videos](#) on our website covering many of the same topics presented in person. These videos are a great way to stay informed and continue learning about retirement. Your enthusiasm and participation help make these educational opportunities a continued success, and we look forward to seeing you at a future session!