

MONTANA  
FIREFIGHTERS'  
UNIFIED  
RETIREMENT  
SYSTEM



PUBLIC EMPLOYEES  
RETIREMENT  
BOARD

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# PREFACE

This handbook is a general summary of the benefits provided by the Firefighters' Unified Retirement System (FURS). It is intended to give you an idea of what your benefits are and to acquaint you with FURS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change. This handbook is not a final source of the law and rules. **IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** Information in this handbook is based on 2017 law. If this handbook differs with the law or rules, the law or rules will apply. This handbook replaces all previous FURS member handbooks.

## MONTANA CODE

The law governing FURS may be found in Title 19, Chapters 2 and 13, Montana Code Annotated (MCA). References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis.

- ◆ MCA is available online at: [http://www.leg.mt.gov/bills/mca/title\\_0190/chapters\\_index.html](http://www.leg.mt.gov/bills/mca/title_0190/chapters_index.html)
- ◆ The ARM is available at [mtrules.org/](http://mtrules.org/)

## OVERVIEW

- ◆ FURS provides service retirement benefits, disability retirement benefits and survivor benefits in some cases.
- ◆ You and your employer both contribute toward your future retirement benefits.
- ◆ You may withdraw only your contributions (plus interest) if you leave FURS-covered employment and don't retire. **Employer contributions are not refundable.** If you withdraw your contributions, you will lose your right to any future retirement benefit.

# RETIREMENT SECURITY FOR OUR MEMBERS SINCE 1981

The FURS is a public pension plan for Montana firefighters employed by first and second-class cities, and cities that elected to adopt the plan. The 1981 Legislature created FURS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. Membership of FURS consisted of the following as of June 30, 2017:

## FURS MEMBERSHIP

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The Public Employees' Retirement Board (Board), is an independent, seven-member board appointed by the Governor and confirmed by the Senate. The Board administers FURS, eight other retirement systems, and the State's 457(b) Deferred Compensation Plan. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms we, us, MPERA, and the Board interchangeably.

The Montana State Firemen's Association serves as an advisor to the Board in matters relating to FURS. The association may review all medical and legal information relating to individual benefits, if written permission to release the information is obtained from the member or the member's survivor. (§ 19-13-115, MCA)

\* Disability benefits are automatically converted to service benefits without recalculation upon the member reaching normal retirement age. (§ 19-2-406(5), MCA)

## WHAT IS FURS?

FURS is a defined benefit retirement system. The monthly benefit you receive upon retirement is based on your years of service and your highest average compensation. Benefits and contributions are set by law, protected by the Montana Constitution and only the Legislature may change them.

Money you contribute to FURS earns interest and helps pay for your benefits. MPERA tracks your contributions individually and credits interest to you, although we combine the funds from all accounts in a trust fund, which is invested by the Board of Investments. Income earned is reinvested in the trust fund. Only the Retirement Board can authorize payment from the trust fund. Current law limits payments from the trust fund to benefits and refunds for members or their survivors. In addition, the Retirement Board must pay administrative expenses from the investment earnings.

(§§ 19-2-408 and 19-2-505, MCA; Montana Constitution, Art. VIII, § 13)

Every year, an actuary evaluates the trust fund's capability to pay the benefits promised to members. Before each legislative session, the Board reviews the sufficiency of the benefits and advises the Legislature. (§§ 19-2-403 and 19-2-405, MCA; Montana Constitution, Art. VIII, § 15)

# MEMBERSHIP

The following information will explain your membership, contributions, and service in FURS.

## MEMBERSHIP ENROLLMENT

Membership is mandatory in FURS if you are a full-paid firefighter employed by a first or second-class city; or a city or rural fire district that elected to join FURS. In the case of a city or fire district choosing coverage under FURS, existing firefighters can elect to become a member of FURS within 90 days of the effective date of the city's or district's election. If you were hired after the effective date, you are required to be a member of FURS.

(§§ 19-13-301, 19-13-210, MCA)

## DESIGNATION OF BENEFICIARY(IES)

If you are married, your spouse or dependent children are your statutory beneficiaries. As a new FURS-covered employee, you were asked to complete a FURS *Membership/Designation of Beneficiary* form to designate one or more nonstatutory beneficiaries for your FURS account. After you completed the information, your payroll clerk (or human resource person) sent it to MPERA. (§19-13-902, MCA ; ARM 2.43.2104)

**NOTE:** MPERA requests that you name another beneficiary in case you die without a statutory beneficiary. A non-statutory beneficiary is eligible to receive any balance in your account, but does not receive a monthly benefit. (§19-13-902, MCA )

Your beneficiary information is important. It is necessary that you keep it up-to-date. Some reasons to update your information are marriage, divorce, birth of a child, or death of a beneficiary. When you need to update your information, ask your payroll clerk for a new FURS *Membership/Designation of Beneficiary* form or go to our website at [www.mpera.mt.gov](http://www.mpera.mt.gov) and download a form. After you complete it, return it to MPERA.

**You should update your membership card whenever you have a life-changing event.**

**Updates to beneficiary information will take effect when received by MPERA. Any beneficiary change is not effective until the form is received in our office.<sup>1</sup>** (§§ 19-2-801, MCA; ARM 2.43.2104)

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<sup>1</sup> If you are prohibited from changing your current beneficiary designation by a temporary restraining order (TRO) issued under § 40-4-121, MCA, such a change will not be effective while the TRO is valid.

## **OPTIONAL MEMBERSHIP**

FURS membership is optional if you are a part-paid firefighter. As a part-paid firefighter, you may elect membership in FURS within 90 days of first becoming a part-paid firefighter. After becoming an active member, you must remain a member until you terminate service as a firefighter.

(§ 19-13-301(3), MCA)

## **INELIGIBILITY FOR OTHER RETIREMENT PLANS**

If you are an active member of FURS, you cannot be covered under any other mandatory retirement plan. This includes any retirement plan to which an employer is required to contribute on your behalf. (§ 19-13-302, MCA)



## CONTRIBUTIONS

You, your employer and the state of Montana pay contributions to FURS. The following section explains contributions to FURS and what is expected of you and your employer.

### MEMBER CONTRIBUTIONS

All members must pay part of their gross compensation to FURS. The current contribution rate is as follows:

- ◆ If you were hired after June 30, 1997, you contribute 10.70%.
- ◆ If you were hired before June 30, 1997, and elected the Guaranteed Annual Benefit Adjustment (GABA), you contribute 10.70%.
- ◆ If you were hired prior to July 1, 1997 and did not elect GABA, you contribute 9.50%. (§ 19-13-601, MCA)

**Interest:** Your FURS account earns interest each month. The interest credited to your account will not affect the amount of your monthly retirement benefit. All interest credited is tax-deferred. (§ 19-2-303(1), MCA)

**Taxation:** Contributions made before July 1985 to FURS were taxed. If you have taxed money on account, then part of your refund or monthly benefit will not be taxed when you take a lump sum refund or retire.

Contributions made after July 1985, are made tax deferred. This means state and federal taxes are not paid until you receive the money as a benefit or refund.

### EMPLOYER CONTRIBUTIONS

Your employer contributes an amount equal to 14.36% of their total FURS-covered payroll to the pension trust fund. **Employer contributions are not refundable** and provide “pooled” funds for service retirement, disability retirement, and survivor benefits. (§ 19-13-605, MCA)

### STATE CONTRIBUTIONS

The state of Montana annually contributes an amount equal to 32.61% of the total compensation paid to all active FURS members each year. (§§ 17-7-502, and 19-13-604, MCA)

# SERVICE

The amount of time you work and contribute to FURS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a FURS-covered position, whether you work full- or part-time, any purchases of service and your highest average compensation.

## MEMBERSHIP SERVICE

We use membership service to determine if you are eligible for vesting, retirement, or other FURS benefits. You earn one month of membership service for any month you contribute to FURS, regardless of the number of hours you worked or the pay you received during that month.

(§ 19-2-702, MCA)

## VESTING

You are “vested” after you accumulate five years of membership service. Once vested, you are entitled to any retirement benefits for which you are eligible. If you withdraw your accumulated contributions, you are no longer vested and you will give up your right to any FURS benefits.

(§§ 19-2-601, 19-13-301(5), MCA)

## SERVICE CREDIT

We use service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get one month of service credit. If you work less than 160 hours, you will receive proportional service credit. For example, if you work 80 hours you would earn one-half of a month of service credit. However, if you work at least 2,080 non-overtime hours in a fiscal year and are reported as working less than 160 hours in any months during that year, you will receive one full year of service credit. Service credit is granted when you are paid, not when it is earned.

(§ 19-2-701, MCA; ARM 2.43.2105 - 6, 2.43.2109, 2.43.2302)

## PART-TIME SERVICE

If you work part-time, we will adjust either your service credit or your Highest Average Compensation (HAC) at retirement. We adjust one or the other to prevent a double reduction of your benefit. You will not see the adjustment to your service credit until retirement. (ARM 2.43.2105(4))

## ANNUAL BENEFIT STATEMENT

Each July, we will send you an Annual Benefit statement with your account information. Carefully review your annual statement to verify all the information is correct.

Carefully review  
your annual  
statement to verify  
all the information is  
correct.

**NOTE:** We will correct mistakes in your account or service when identified and verified. Mistakes will not bind us to pay a benefit for which you are not eligible.

### PURCHASE OF SERVICE

If eligible, you can purchase some types of service that will count as membership service. Your total membership service will not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different.

**Eligibility:** As a FURS member, you can purchase service at any time before retirement. Purchasing service may enhance your retirement benefit.

**Types of service you can purchase:** You **do not** need to be vested (have five years of membership service) to purchase the following types of service:

- ◆ **Refunded Service:** If you leave your job and request a refund of your accumulated contributions (contributions plus interest) and later return to a FURS-covered position, you can purchase the refunded service at anytime prior to retirement if you are an active member. You must be vested to purchase refunded service if you are inactive. To purchase the refund, you must repay the accumulated contributions you received and pay the interest that would have been credited to your account had the refund not taken place.

*Refunded service is both membership service and service credit.*  
(§ 19-2-603, MCA; ARM 2.43.2317)

- ◆ **Montana Public Service:** If you refunded (or you are eligible to receive a refund) from other public service employment with the state of Montana or a political subdivision, you may be eligible to purchase that service in FURS at the **actuarial cost**. You cannot buy service from another public retirement system that will make you eligible for retirement in FURS until you receive a refund of the service from the other public system.

*Montana public service is both membership service and service credit.*  
(§ 19-2-715, MCA; ARM 2.43.2317)

You **must be** vested (have five years of membership service) to purchase the following types of service:

- ◆ **“One-for-Five” Service:** For each five-year period of membership service, you can buy one year of service credit. You may buy up to five years of “One-for-Five” years. You could also buy less than a full year. “One-for-Five” service is not membership service and cannot be used to make you eligible to retire or to purchase other types of service. (§ 19-13-405, MCA; ARM 2.43.2318)
- ◆ **Military/Reserve Military Service:** At any time prior to retirement, you may purchase up to five years of your active military or reserve military service at the actuarial cost. You can purchase reserve military time prior to your separation from the services in the reserves. You cannot purchase military time if you are receiving a retirement benefit from the military or from another retirement system or plan, for that time. Reserve military service cannot be purchased if you have already received service credit under USERRA for that time period.

*This service is both membership service and service credit.*  
(§§ 19-13-403, 19-2-707, MCA; ARM 2.43.2315 2316)

**Limitations:** Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years. (§ 19-13-406, MCA)

**When purchasing service, your most recent service must be purchased first.** (ARM 2.43.2308)

If you are ready to purchase service, you need to request a cost statement from MPERA.

**Requesting a cost statement:** At your request, MPERA will prepare a cost statement which provides the amount required to purchase service as well as your payment options. To make a request, send us the following information:

- ◆ your full name (including any former names),
- ◆ Person Account ID;
- ◆ current employer;

- ◆ a current mailing address, and
- ◆ the type of service you wish to buy.

Also, send with your request any documents that relate to the service, including:

- ◆ the approximate dates of service,
- ◆ your current retirement system, and
- ◆ the name of the employer for whom service was performed.

**Cost statements  
are only valid for 30  
days.**

We will review the request and send you a cost statement and the necessary form for buying any eligible service. ([ARM 2.43.2301](#))

**Paying for service purchases:** You can pay for a service purchase in one lump-sum within 30 days of the date of your cost statement, or make monthly payments. Service purchases are subject to interest if not paid as a lump-sum.

If you are an **active member**, you can make monthly payments by pre-tax payroll deduction. You can also purchase service by rolling over funds from an eligible retirement plan.

Inactive vested members, active members not paid monthly, or active members who wish to pay in a lump-sum can send payments directly to MPERA. Payments made directly to MPERA are not pre-tax. If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase contract will terminate and your service purchase to date will be prorated.

We will track your monthly payments in an additional contribution account until you complete the service purchase contract. We will then transfer the money to your regular account and credit your account with the service. If you do not complete payments on your service purchases before you retire, the service credit will be prorated based on the amount paid.

([§§ 19-2-704 and 708, MCA](#); [ARM 2.43.2301](#))

# **BENEFITS**

This section explains how to qualify for retirement, the payment options available, and how to calculate your benefit.

## **ELIGIBILITY**

To receive benefits under the FURS Defined Benefit Retirement Plan, you will need to fulfill certain age and service requirements. Eligibility varies for service and disability retirement.

Retirement benefits are payable directly to you. Once you are eligible to retire and begin taking a retirement benefit, you will receive your retirement benefit for your lifetime.

## **APPLYING FOR RETIREMENT**

Approximately five years before you plan to retire, we recommend you attend an interactive webinar presented by MPERA. This will give you a detailed look at the retirement process and your options. The webinar schedules are available on our website, or for your convenience you can watch the “Steps to Retirement” video which is also available on our website.

At least three months before you plan to retire, contact us for an official Defined Benefit Estimate Request. The Benefit Estimate will give you an approximate amount of your monthly benefit.

At least thirty days before you plan to retire, you must complete the retirement application forms that accompanied your benefit estimate and return them to MPERA.

Once we have received and processed your completed forms, you will be considered retired on the first day of the month following your termination. Your first and subsequent benefit will be paid on the last working day of the month.

## CALCULATING YOUR RETIREMENT BENEFIT

Defined benefit retirement plans use a defined formula to calculate your benefit. You will be eligible to receive benefits upon meeting certain requirements. Benefits are based on the law in effect at the time of your termination from employment; therefore, some information found here may not apply in specific cases.

### SERVICE RETIREMENT

You are eligible for service retirement benefits when you complete 20 years of membership service at any age, or you have 5 years of membership service and are 50 years of age. (§19-13-701, MCA)

The factors used to calculate your lifetime benefit are:

- ◆ **Years of Service Credit** - the amount of service you earned through employment (see page 10).
- ◆ **HAC<sup>1</sup>** - (Highest Average Compensation) the average of your highest consecutive 36 months of compensation.
- ◆ **Retirement Factor** - a percentage defined in law currently 2.5% that determines how much of your HAC you receive for each year of service credit.

The basic formula for a FURS monthly service retirement is:

$$2.5\% \times \text{Years of Service Credit} \times \text{HAC}^1$$

If you were hired before July 1, 1981 and did not elect to be covered under GABA, your benefit will be the greater of the benefit calculated using the formula above; or

- ◆ **For members with less than 20 years of membership service:** 2% of your highest monthly compensation (HMC) for each year of service credit; ( $2\% \times \text{HMC} \times \text{Years of Service Credit}$ )
- ◆ **For members with 20 or more years of membership service:** 50% of your HMC plus 2% of your HMC for each year of service credit over 20 years. For example, if your highest monthly compensation was \$3,000 and you retired with 24 years of service credit, the calculation would be  $(0.5 \times \$3,000) + (0.02 \times \$3,000 \times 4)$  (§ 19-13-701(2), MCA)

<sup>1</sup> For members hired on or after July 1, 2013, HAC will be capped at 110% on compensation earned during the highest average compensation period.

## DISABILITY RETIREMENT

Disability is the total inability even with reasonable accommodation to perform your work due to physical or mental incapacity. The disability does not have to be work-related. To qualify for a disability retirement, you must meet the following requirements:

- ◆ must occur while you were employed in a FURS-covered position, and
- ◆ be of permanent or extended and uncertain duration.

(§§ 19-2-303(20), and 19-13-802, MCA)

### DISABILITY BENEFIT

If you are disabled **before earning 20 years** of membership service, you will receive a disability retirement benefit equal to one-half your highest average compensation.

If you are disabled **after earning more than 20 years** of membership service, you will receive a disability retirement benefit calculated at the same rate as a service retirement benefit. This benefit may not be less than half your HAC. (§ 19-2-303 and 19-13-803, MCA)

### DISABILITY REVIEWS

At its discretion, the Board may review the medical condition of any member receiving a disability benefit. Periodic reviews are performed to determine if the member still qualifies for disability retirement. The Board may require the recipient of a disability retirement benefit to undergo a medical examination at the Board's expense.

If the Board determines you are no longer disabled, you must be reinstated to the position you held immediately before retirement or to a position comparable in pay and benefits with duties within your capacity, whichever is first available. If you become an active member within 30 days of being notified of reinstatement, you will be considered to have been continuously employed during the time of your disability. (§§ 19-13-804 and 805, MCA)

### DISABILITY BENEFIT CANCELLATION

The Board will cancel your disability retirement in the following cases:

- ◆ You are no longer totally disabled and have been offered a position with your employer; or
- ◆ You refuse to submit to a medical examination.

Upon notification of your eligibility to return to work, your employer may



request a medical or psychological review of your ability to return to work. If the Board's findings are upheld, your employer must pay the cost of the review. (§§ 19-13-804 and 805, MCA)

## PAYMENT OF DISABILITY BENEFIT

Unless canceled by the Board for reasons described above, your disability benefit will be paid for the rest of your life. Upon your death, the benefit will be paid to your surviving spouse or dependent child. This is the same as provided for under a service retirement benefit.

In addition, you (or your survivors) will receive applicable benefit increases, such as GABA. (§ 19-13-803, MCA)

## WORKING RETIREE

If you retire on or after July 1, 2017, you may work in an FURS-covered position for less than 480 hours during a calendar year. If your yearly income from the FURS-covered position exceeds \$5,000, your retirement benefit will be reduced \$1 for each \$3 you earn over the limit. Income earned from non-FURS employment does not apply to your earnings limit.

If you exceed the 480 hour working retiree limit, you will become an active member of FURS once again. We will stop your retirement benefit and you will start paying membership contributions.

**Benefit upon second retirement:** starting the month following your termination of active FURS-covered service, you will be eligible to begin receiving the same retirement benefit amount paid to you prior to returning to active service (postretirement benefit increases will not accrue on suspended retirement benefits during your active service). In addition:

- ◆ if you accrued less than 5 years of service credit after you returned to active service, you will receive a refund of the accumulated contributions associated with that additional service.
- ◆ if you accrued 5 or more years of service credit after you returned to active service, you will be eligible for a second retirement benefit for that additional service based on the laws in effect as of your rehire date.

When you are ready to retire for the second time, notify MPERA.

# ADDITIONAL INFORMATION

## BENEFIT INCREASES

The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible**.

If you were an active member of FURS before July 1, 1997, you could choose to be covered under GABA. If you elected GABA, or you became an active member on or after July 1, 1997, you will be eligible for a 3% GABA. ([§ 19-13-1010\(3\), MCA](#))

Before you receive an increase under GABA, you need to have received your benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment that following January. For example: If you retire on July 1, 2018 you will meet the 12-month requirement on July 1, 2019. You will then receive your first GABA increase beginning with your January 1, 2020 benefit.

Other events which increase your benefit will reduce the amount you will get from GABA. If the other increases are greater than your GABA amount, then you will not receive a GABA increase.

GABA applies to:

- ◆ Service Retirement Benefit
- ◆ Disability Retirement Benefit
- ◆ Survivorship Benefit

GABA **does not apply** to a person receiving the lump-sum death payment as an annuity.

## MINIMUM RETIREMENT BENEFIT INCREASES FOR NON-GABA ELECTORS

If you have at least ten years of service, and did not choose to be covered under GABA, you will receive a minimum retirement benefit adjustment. Your minimum retirement benefit, disability retirement benefit, or survivorship benefit may not be less than one-half of the current base salary paid to a newly confirmed active firefighter in the city or town where you were last employed as a firefighter. ([§ 19-13-1007, MCA](#))

# DEATH BENEFITS

## ACTIVE MEMBER

If you die as an active member, your surviving spouse (or dependent child if you do not have a surviving spouse) will receive the following benefits:

### Less than 20 years of membership service

The monthly survivorship benefit will be equal to one-half of your Highest Average Compensation.

### More than 20 years of membership service

The monthly survivorship benefit is the benefit amount to which you were entitled on the date of your death.

If you do not have a spouse or dependent child, a lump-sum payment will be paid to your beneficiary. (§19-13-902, MCA)

## INACTIVE MEMBER

As an inactive member with more than 20 years of membership service, your survivor is entitled to the benefit amount you were entitled to on the date of your death.

## RETIRED MEMBER

Your retirement benefit will be paid to your surviving spouse upon your death. If you do not have a surviving spouse, or your surviving spouse dies while receiving the benefit, the benefit will be paid to your surviving dependent children.

If you have no surviving spouse or dependent children, your designated beneficiary will receive your remaining account balance (the sum of your contributions plus interest on the date of your retirement, minus any retirement benefit payments you had received). If you have no designated beneficiary, the amount will then be paid to your estate.

(§ 19-13-704(3); 19-13-803(2); 19-13-902 and 19-13-903, MCA)

## DEATH BENEFIT CLAIM

Upon notification of your death, MPERA will send a death benefit claim form to your surviving spouse, dependent child, or designated beneficiary. To claim a death benefit, your beneficiary must return the completed form to MPERA along with a certified copy of your death certificate. (ARM 2.43.2902)

## REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your FURS-covered employment, you can leave your money on account to continue to earn interest and later receive a retirement benefit; or you can receive a refund of your accumulated contributions (your contributions plus interest). **Employer contributions are not refundable.** (§ 19-2-602, MCA and ARM 2.43.2901)

To receive a refund after you terminate, you can download a refund application from our website or request one from our office. You need to complete the application and send it to MPERA. (§ 19-2-602, MCA)

**Processing a Refund:** We cannot process your refund before we receive your completed application and your final payroll information. This process may take over four weeks from the date you get your last paycheck.

**Mandatory Refunds:** If you are not a vested member (see page 10) IRS regulations require that we distribute your contributions to you as follows.

- ◆ If you have less than \$200 in accumulated contributions, you will be sent a lump sum refund to the address we have on file. No taxes are withheld.
- ◆ If you have between \$200 and \$1,000 in accumulated contributions, you can request a refund application from MPERA. The application allows you to request a lump-sum sent directly to you, or to rollover your contributions to another eligible plan. Rolling your contributions to another plan protects the tax-deferred status of your contributions. The application must be returned within **90 days** of your termination.

If you do not request a rollover within 90 days, your contributions will be refunded directly to you with the required federal income tax withheld.

**Optional Refund:** If you have more than \$1,000 in accumulated contributions, you may leave your contributions on account and continue to earn interest. (§ 19-2-602, MCA and ARM 2.43.2901)

**NOTE:** If you receive a refund greater than \$200 directly, the IRS requires us to withhold 20% for federal income tax purposes. You may also be subject to an additional 10% penalty if you withdraw your account before you reach age 59½. Montana state income tax can be withheld if requested.

**Return to Work After Receiving a Refund:** If, after receiving a refund, you return to a mandatory FURS-covered position, you will again become a member. We will consider you a new member without credit for the refunded service. You may reinstate the refunded service through a service purchase. For more information on purchase of service, see page 11.

(§ 19-2-603, MCA)

**Remember . . .**

**Once you withdraw the money from your account, your membership ends. You have lost your right to any benefit from FURS.**

## **TAXES ON BENEFITS**

Some or all of your retirement benefit will be subject to federal and state income taxes. Generally, you must pay taxes on any part of your benefit that is based on contributions that were not taxed (made pre-tax) during your working career. You have not paid income tax on contributions after July 1, 1985, or service purchases made through payroll deductions after 1999.

You may change your federal and state withholding at any time by completing and submitting a Tax Withholding Certificate form. These are available from our office by request. If you do not request otherwise, we will base withholding rates on current federal and state tax laws.

### **TAX STATEMENTS**

Once you are retired and receiving a benefit, MPERA will send you Federal Form 1099R each year. The 1099R will show the gross and the taxable portion of the benefit you received during the past calendar year along with any state or federal taxes withheld during the year.

### **TAX ADVICE**

Contact a tax professional for up-to-date information about state and federal taxes specific to your benefit.

### **TAXES ON REFUNDS**

The pre-tax portion of your accumulated contributions is subject to state and federal taxes when refunded directly to you in a lump-sum.

If you choose to have the refund paid directly to you, IRS regulations require us to withhold 20% for federal taxes. Refunds taken before the age of 59 ½ are subject to an additional 10% penalty for early withdrawal. (IRC § 72(t)). You may avoid paying the 20% withholding tax and the 10% early withdrawal penalty by “rolling-over” the taxable part of your refund into an IRA or other eligible retirement plan immediately, as a direct rollover, or within 60 days. You will receive Federal Form 1099R with your refund or direct rollover for tax purposes.

**If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into an eligible retirement plan.**

## **ASSIGNMENT OF BENEFITS**

In most circumstances your retirement benefit is protected from attachment and cannot be assigned to or acquired by a third party. (§19-2-1004, MCA)

However, the IRS may place a levy against your benefit for unpaid taxes and there are a few circumstances when your retirement benefit may be subject to attachment or assignment. If you have a court-ordered support obligation your benefits may be subject to an execution or income withholding order. A court may also assign all or a portion of your FURS benefits to an alternate payee (usually a former spouse) pursuant to a Family Law Order (FLO).

### **SUPPORT OBLIGATION**

Your FURS benefits are subject to execution and income withholding for the payment of support obligations. A writ of execution or income-withholding order may not require a type of benefit, option, or payment not available to you or an amount or duration of payment greater than that available to you. This means we cannot make any payments from your FURS defined benefit account to satisfy a support obligation before you retire and begin drawing benefits or take a refund. (§ 19-2-909, MCA)

### **FAMILY LAW ORDER (FLO)**

A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that we pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require us to pay \$500 per month until a set sum of \$20,000 has been paid. Or, the FLO may require us to pay 50% of your monthly benefit to your alternate payee for as long as you get a benefit. The FLO may also require you to choose a specific beneficiary.

A FLO may not require FURS to make payments for a type of benefit that is not available to you or an amount or length of payment greater than that payable to you. This means a FLO cannot require any payments from your FURS defined benefit account before you retire and begin drawing benefits or take a refund. (§ 19-2-907, MCA)

# GLOSSARY OF TERMS

**ACCUMULATED CONTRIBUTIONS** - any regular and additional contributions made by a member plus interest earned.

**ACTIVE MEMBER** - a member in a FURS-covered job, making the required contributions, and properly reported for the most current reporting period.

**ACTUARIAL COST** - the amount determined by the Board in a uniform and non discriminating manner to represent the present value of the benefits derived from the additional service credited based on the most recent actuarial valuation for the system and the age, years until retirement, and the current salary of the member.

**ADDITIONAL CONTRIBUTIONS** - a member's payments to purchase various types of optional service credit. The cost is based on actuarial rates derived from an annual evaluation.

**BENEFICIARY** - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

**BENEFIT** - a service or disability retirement payment or survivorship payment provided by FURS.

**COMPENSATION** - a member's salary before any pre-tax deduction allowed by the Internal Revenue Code or state law. Compensation does not include bonuses provided after July 1, 2013 that are one time, temporary payments in addition to and not considered part of base pay.

- ◆ For full-paid firefighters, the regular remuneration, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid to a member out of funds controlled by an employer before any deductions are made.
- ◆ For part-paid firefighters of a city of the second class, 15% of the regular remuneration excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to a newly confirmed full-paid firefighter of the city that employs the part-paid firefighter.
  - ◇ If the city does not employ a full-paid firefighter, 15% of the average



regular remuneration, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to all newly confirmed, full-paid firefighters employed by cities of the second class.

**COMPENSATION LIMIT** - For a member hired on or after July 1, 2013, the following amounts of excess earnings in the calculation of a member's highest average compensation are **not** included:

- ◆ for the first year included in the calculation, any compensation that is greater than 110% of the compensation paid to the member in the previous year; and
- ◆ for each subsequent year included in the calculation, any compensation that is greater than 110% of the compensation included in the calculation for the previous year.

**DEPENDENT CHILD** - A child of a deceased member who is not married and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

**DISABILITY** - total physical or mental incapacity of a member to do the essential functions of the member's job even with reasonable accommodations. The member must become disabled while an active member, and the disability must be permanent or of an extended or uncertain period.

**EMPLOYEE** - a person employed by a FURS employer in any capacity and the employer pays the person's salary.

**EXCESS EARNINGS** - the difference, if any, between reported compensation and the limits provided in [§ 19-2-1005\(2\)](#) used to calculate a member's highest average compensation.

**FAMILY LAW ORDER (FLO)** - an order from a court that may assign all or part of a participant's payment.

**FIREFIGHTER** - a person employed as a full-paid or part-paid firefighter by an employer.

**FULL-PAID FIREFIGHTERS** - a person employed as a firefighter under [§ 7-33-4106, MCA](#).

**GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)** - a benefit increase, if and when a member is eligible.

**HIGHEST AVERAGE COMPENSATION (HAC)** - the monthly compensation of a member averaged over the highest consecutive 36 months of membership service. Lump-sum payments for sick leave, banked holiday time and annual leave may not be added to a single month's pay. HAC may include termination payments, but only if they replace regular pay on a month for month basis. Excess earnings limits must be applied to the calculation of the highest average compensation.

**INACTIVE MEMBER** - a member who ends FURS-covered employment and does not withdraw his or her FURS account.

**LUMP-SUM PAYMENT** - an amount, which may include interest, that is payable instead of monthly benefits.

**MEMBER** - any person with contributions and service on account with FURS. Persons receiving FURS retirement benefits are also members.

**MEMBERSHIP SERVICE** - the periods of service used to determine vesting and eligibility for retirement or other benefits.

**MINIMUM RETIREMENT DATE** - the first day of the month coinciding with or immediately following if none coincides, the date on which a member both becomes age 50 and completes five years of membership service.

**PART-PAID FIREFIGHTER** - a person, other than a full-paid firefighter, employed by a city of the second class under [§ 7-33-4106, MCA](#) who receives compensation in excess of \$300 a year for service as a firefighter.

**REFUND** - a withdrawal of the accumulated contributions in a member's FURS account. By taking a refund, the member gives up all rights to any other benefits from FURS.

**REGULAR CONTRIBUTIONS** - the payments an active member must make to FURS. The payments are a percentage of the member's monthly pay and are made pre-tax.

**RETIREMENT BENEFIT** - the monthly payment to a member, for life, following service or disability retirement.

**RETIREMENT or RETIRED** - the status of a member who ends active service and receives a monthly benefit.

**SERVICE** - employment of an employee in a position covered by the retirement system.

**SERVICE CREDIT** - the periods in which the required contributions are made to FURS. MPERA uses service credit to calculate the amount of your benefit.

**STATUTORY BENEFICIARY** - The surviving spouse or dependent child of a FURS deceased member.

**SURVIVING SPOUSE** - the spouse married to a member at the time of the member's death.

**SURVIVOR** - a surviving spouse or dependent child of a deceased member.

**SURVIVORSHIP BENEFIT** - monthly payments for life to the statutory beneficiary of a deceased vested member.

**TERMINATION OF EMPLOYMENT or TERMINATION OF SERVICE** - means the member left the employment relationship with the employer for at least 30 days, has no verbal or written agreement to return to work, and has been paid all compensation due, including but not limited to payment of accrued annual and sick leave. Upon termination, the member will cease to accrue benefits attributable to that employment.

**VESTED MEMBER or VESTED** - the status of a member with at least five years of membership service. A vested member is entitled to a retirement benefit when they meet the minimum service and/or age provision.

# SAMPLE BENEFIT CALCULATION

The following are sample benefit calculations. These calculations are for educational purposes only and do not cover all scenarios.

## SERVICE RETIREMENT EXAMPLE: KENNY

Age At Retirement .....	45
Service Credit.....	20 years
Highest Average Compensation (HAC) .....	\$3,000 per month
Account Balance at Retirement.....	\$35,450

### Benefit Formula: 2.5% x Service Credit (years) x HAC

$$0.025 \times 20 \times \$3,000 = \$1,500$$

Kenny will receive a monthly benefit of at least \$1,500, plus the Guaranteed Annual Benefit Adjustment (see page 18) increases when eligible, for life. If he dies, a monthly benefit equal to the amount of Kenny's benefit will continue to his surviving spouse for life. If he has no surviving spouse, the benefit will continue to a dependent child\* (or children, collectively).

In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least \$35,450 (his account balance at retirement) by the time of his death, his designated beneficiary would receive a lump sum payment of the balance in his account.

\* A dependent child is one who is unmarried and under the age of 18, or under 24 and attending an accredited post-secondary educational institution as a full-time student.

# STATE OF MONTANA

Steve Bullock, Governor

## PUBLIC EMPLOYEES' RETIREMENT BOARD

### ***Mission Statement***

*The Montana Public Employees' Retirement Board, as fiduciaries, administers its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.*

#### **PRESIDENT**

#### **VACANT**

Retired PERS Member  
Helena  
Appointed  
Term expires  
[@mt.gov](mailto:@mt.gov)

#### **VICE PRESIDENT**

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# MPERA

## **MPERA Mission Statement**

*The Montana Public Employee Retirement Administration efficiently provides quality benefits, education, and service to help our plan members and beneficiaries achieve a quality retirement.*

### **EXECUTIVE OFFICERS**

Dore Schwinden ..... Executive Director  
Melanie Symons ..... Chief Legal Counsel  
Patricia Davis ..... Member Services Bureau Chief  
Hollie Koehler ..... Fiscal Services Bureau Chief  
Ann Reber ..... Editor

### **CONTACTING MPERA**

If you have any questions about the Municipal Police Officers' Retirement System (FURS), call or e-mail us. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m. except on designated state holidays.

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Helena Area (406) 444-3154

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