

Montana
Highway Patrol
Officers'
Retirement System



Member
Handbook

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PREFACE

This handbook is a general summary of the benefits provided by the Montana Highway Patrol Officers' Retirement System (HPORS). It is intended to give you an overview of your retirement benefits and to acquaint you with HPORS. 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 HPORS member handbooks.

MONTANA CODE

The law governing HPORS may be found in Title 19, Chapters 2 and 6, 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.
- ◆ ARM is available at: <http://www.mtrules.org/>.

OVERVIEW

- ◆ HPORS provides service retirement benefits, disability benefits or survivor benefits in some cases.
- ◆ You, your employer and the state contribute to your future retirement benefits.
- ◆ You may withdraw only your contributions (plus interest) if you leave HPORS-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 MEMBERS SINCE 1971

The Highway Patrol Officers' Retirement System (HPORS) is a public pension plan for Montana highway patrol officers including supervisory personnel. The 1971 Legislature created HPORS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of June 30, 2017, membership of HPORS consisted of the following:

HPORS MEMBERSHIP

Number of participating employers = 1

Active plan members including DROP = 237

Inactive plan members entitled to but not yet receiving benefits or a refund:

Vested = 16

Non-vested = 17

Retirees and beneficiaries receiving benefits:

Service Retirements = 253

Survivor Benefits = 86

Disability Retirements¹ = 6

The Public Employees' Retirement Board is an independent, seven-member board appointed by the Governor and confirmed by the Senate. The Board administers HPORS, 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.

¹ Disability benefits are automatically converted to service benefits without recalculation upon the member reaching normal retirement age. (§ 19-2-406, MCA)

WHAT IS HPORS?

HPORS 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 HPORS 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 HPORS.

Membership is mandatory in HPORS for all Montana highway patrol officers, including supervisory personnel. (§ 19-6-301, MCA)

DESIGNATION OF BENEFICIARY(IES)

If you are married, your spouse or dependent children are your statutory beneficiaries. As a new HPORS-covered employee, you were asked to complete a HPORS *Membership / Designation of Beneficiary* form to designate one or more nonstatutory beneficiary(ies) for your HPORS account. After you completed the information, give it to your payroll clerk (or human resource person) to return to MPERA. (ARM 2.43.2104)

You should update your beneficiary information whenever you have a life-changing event.

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 will not receive a monthly benefit.

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 *HPORS Membership / Designation of Beneficiary* form or go to our website at www.mpera.mt.gov and download a copy. (§ 19-2-801, MCA and ARM 2.43.2104)

MPERA must have your updated beneficiary designation before any changes take effect. We will print your beneficiary information on your Annual Benefit Statement, which will be mailed to you every July. Review the statement carefully. If your beneficiary designation or other information is incorrect, please update it as soon as possible. (§ 19-2-801, MCA; ARM 2.43.2104)

CONTRIBUTIONS

You, the State of Montana, and the Montana Department of Justice pay contributions to HPORS. The following explains contributions to HPORS and what is expected of you and your employer.

MEMBER CONTRIBUTIONS

Members must pay the following percentage of their gross pay to HPORS. (§ 19-6-402, MCA)

- ◆ before July 1, 2013.....9.05%
- ◆ from July 1, 2013, through June 30, 2014..... 10.05%
- ◆ from July 1, 2014, through June 30, 2015..... 11.05%
- ◆ from July 1, 2015, through June 30, 2016..... 12.05%
- ◆ from July 1, 2016..... 13.05%

Interest: Your HPORS account earns interest each month. Although you would receive your interest if you withdraw your account, if you retire the interest credited to your account will not affect the amount of your monthly retirement benefit. Interest will be credited on service purchase payments at the same rate as regular contributions. All interest credited is tax-deferred.

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

Purchase of Service: To purchase refunded or other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are made before taxes if you authorize payment by a payroll deduction contract. You may also rollover funds from an eligible plan or make cash payments directly to MPERA. (§§ 19-2-704 and 19-2-708, MCA)

EMPLOYER CONTRIBUTIONS

Starting July 1, 2013, the State contributes an amount equal to 38.33% of its total HPORS-covered payroll to the pension trust fund. (§ 19-6-404, MCA)

- ◆ 28.15% is paid by the Department of Justice as provided in § 17-7-502, MCA.
- ◆ 10.18% is paid from the General Fund.

Employer contributions are not refundable and provide “pooled” funds for service retirement, disability retirement, and survivor benefits. (§ 19-6-404, MCA)

SERVICE

The amount of time you work and contribute to HPORS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a HPORS-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 HPORS benefits. You earn one month of membership service for any month you contribute to HPORS, regardless of the number of hours you worked or the pay you received during that month.

VESTING

For members hired before July 1, 2013: You are “vested” after you accumulate five years of membership service.

For members hired on or after July 1, 2013: You are “vested” after you accumulate 10 years of membership service.

After you are 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 HPORS benefits. (§§ 19-2-601, and 19-6-301, 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 and 2.43.2302)

PART-TIME SERVICE

If you work only part-time, we will adjust either your service credit or Highest Average Compensation (HAC) when calculating your benefit. We adjust one or the other to prevent a double reduction. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will see this adjustment only when retiring.

ANNUAL BENEFIT STATEMENT

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

NOTE: We must correct mistakes in your account or service when identified and verified. Mistakes will not bind MPERA 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 an HPORS member, you can purchase various types of service at any time before retirement. Purchasing service may enhance your retirement benefit.

Types of service that can be purchased: You **do not** need to be vested (have the required years of membership service, see page 10) 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 HPORS-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 and ARM 2.43.2317)

- ◆ **Montana Public Service:** You may buy previous service (for which you are eligible to receive a refund) from other retirement systems administered by MPERA. Other public service employment with the state or a political subdivision of the state may also qualify. You cannot buy service from another public retirement system that will make you eligible for retirement until you receive a refund of the service from the other public system. You must be an active HPORS member to be eligible to purchase this service.

Montana Public Service is both membership service and service credit. (§ 19-2-715, MCA and ARM 2.43.2317)

- ◆ **Absence Due to Illness or Injury:** You can purchase time that you are absent from work due to a work-related injury or illness if you did not refund your account. The time which can be purchased may not exceed five years. If you are eligible and pay the contributions and interest, the absence will count as both membership service and service credit.

Upon return to work, you and your employer need to file a written application to buy the time. MPERA needs to receive certification the injury was work-related within one year of your return to work.

This service is both membership service and service credit. (§ 19-6-810, MCA; ARM 2.43.2323)

You **must be** vested (see page 10) to purchase the following services:

- ◆ **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. (§§ 19-6-801; 19-2-707, MCA; ARM 2.43.2315 and 2316)

- ◆ **Out-of-State Law Enforcement Service:** You may purchase one year of out-of-state law enforcement employment for each year of service credit, up to a maximum of five years. You may not purchase the service if you are eligible to receive a retirement benefit in another system or plan for that same service. *This service may not be used as membership service to allow a member to purchase military service. Also, it cannot be used in calculating a member's retirement benefit unless the last five years of service credit were earned in an HPORS-covered position.* (§19-6-803, MCA)
- ◆ **“One-for-Five” Service:** For each five-year period of membership service, you can buy one year of service credit up to five years. You may also buy less than a full year. “One-for-Five” service is not membership service and can not be used to make you eligible to retire or to purchase other types of service. The total service credit on your annual statement will not include the “One-for-Five” service purchased; however, it will be added to your service credit when we calculate your retirement benefit. (§19-6-804, MCA; ARM 2.43.2318)

Limitations: Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years, but it can be any combination of the above service. (§ 19-6-805, MCA)

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

Contact us if you would like to know approximately how much purchasing service may cost. If you are ready to purchase service, request an official cost statement.

Requesting a cost statement: At your request, we will prepare a cost statement with the amount required to purchase service and your payment options. To fulfill the request, we will need the following information:

- ◆ your full name (including any former names),
- ◆ a current mailing address,
- ◆ person account ID,

- ◆ current employer, and
- ◆ the type of service you wish to buy.

You should also send 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. We will review the request and send you a cost statement and the necessary forms for buying any eligible service. Please be aware, a cost statement is only valid for 30 days. ([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.

GENERAL RETIREMENT INFORMATION

To receive retirement benefits under the HPORS Defined Benefit Retirement Plan, you will need to fulfill certain age and service requirements. Once vested, (see [page 10](#)) HPORS pays a retirement benefit after you reach the minimum age or service requirement.

Retirement benefits will be 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. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security.

BENEFICIARIES

Your surviving spouse is the beneficiary of your retirement benefit. Upon your death he or she will receive the same benefit paid to you for his or her life. If you do not have a surviving spouse, your benefit will continue to your dependent children, until they are no longer dependent. A dependant child is a child of a deceased member who is not married and:

- ◆ is under 18 years of age, or
- ◆ is under 24 years of age and a full-time student enrolled in an accredited postsecondary educational institution.

If you do not have a surviving spouse or dependent child(ren) at the time of your death, your designated beneficiary would then be eligible to receive the balance in your account. You can designate any persons, charitable organization, your estate, or a trust (for the benefit of a living person) as a beneficiary(ies).

**Keep your designated beneficiaries current.
Change your beneficiaries by filing a new membership card with MPERA.**

As an active member, you can change your beneficiary designation by completing an HPORS *Membership/Designation of Beneficiaries* form. Give the completed document to your payroll clerk who will send it to us.

If you are an inactive member, you can go to our website, download a new form and mail it directly to us with your updated information.

Retired members who wish to change beneficiaries must contact us for the proper forms.

Any beneficiary change is not effective until the new form is received in our office.* (§§ 19-2-801, MCA)

NOTE: Advise your beneficiary to contact MPERA for complete details about benefits upon your death.

APPLYING FOR RETIREMENT

Five years before you plan to retire, we recommend you attend the “Ready to Retire” interactive webinar. This will give you a detailed look at the retirement process and your options. The webinar schedule is available on our website. Or you can watch the “Steps to Retirement” video at your convenience.

Three months before you plan to retire, you need to contact us for an official Defined Benefit Estimate Request. This will give you an approximate amount of your monthly benefit and allow you to plan your retirement accordingly.

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

FOR MORE INFORMATION ABOUT RETIREMENT,

GO TO MPERA.MT.GOV.

* If your current designation is subject to a temporary restraining order issued under § 40-4-121, MCA, changes will not be effective.

CALCULATING YOUR RETIREMENT BENEFIT

Defined benefit retirement plans use a set or defined formula to calculate your benefit. 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 lifetime service retirement benefits when you complete 20 years of membership service at any age. (§§ 19-6-501, 19-6-502, MCA)

The formula for a monthly service retirement benefit in HPORS is:

$$2.6\% \times \text{Years of Service Credit} \times \text{HAC}$$

The factors used to calculate your benefit are:

- ◆ **Years of Service Credit** - the amount of service you earned.
- ◆ **HAC*** - (Highest Average Compensation) is the average of your highest consecutive 36 months of compensation.
- ◆ **A Factor** - the factor determines how much of your highest average compensation you get for each year of service credit. Starting July 1, 2013, the factor is 0.026 (2.6%) for all members.

EARLY RETIREMENT

If you were hired before July 1, 2013, after having completed 5 years of membership service but before reaching normal retirement age, you can apply for an early service retirement benefit. The benefit is the actuarial equivalent value to a service retirement based on a retirement age of 60.

If you were hired on or after July 1, 2013, after having completed 10 years of membership service but before reaching normal retirement age, you can apply for an early service retirement benefit. The benefit is the actuarial equivalent value to a service retirement based on a retirement age of 60.

(§ 19-6-503, MCA)

* 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

If you become disabled, you may be entitled to a disability retirement benefit. Disability means the inability to perform your work due to physical or mental incapacity, even with reasonable accommodation. The disability does not have to be work-related, but the disability must occur while employed in an HPORS-covered position and be of permanent or extended and uncertain duration. The monthly disability retirement benefit will begin on the day following your termination from service. (§§ 19-2-303, 19-2-406 and 19-6-601, MCA. ARM 2.43.2602)

DISABILITY BENEFIT

Line of Duty: If you become disabled as a direct result of service **in the line of duty** and have less than 20 years of membership service, you may receive a disability retirement benefit equal to one-half of your Highest Average Compensation (HAC).

If you have more than 20 years of membership service, you may receive a disability retirement benefit equal to 2.6% of your HAC for each year of service credit. (§ 19-6-601, MCA)

Non-Duty Related: If you become disabled outside of work, you may receive a non-duty disability retirement benefit. This disability benefit is the actuarial equivalent of the service retirement benefit standing to your credit at that time. You must be vested to receive a non-duty related disability.

DISABILITY REVIEWS

At its discretion, the Board may review the medical condition of any member receiving a disability benefit. Periodic reviews are performed to decide 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. (§ 19-6-612, MCA)

DISABILITY BENEFIT CANCELLATION

The Board will cancel your disability retirement if you are no longer disabled; or you refuse to submit to a current medical exam or provide updated medical records. (§ 19-6-612, MCA)

Contact us for complete details about disability benefits and how to apply.

NOTE: If you are still disabled when you reach normal retirement age, we will convert your disability retirement to a service retirement. The benefit amount will not be adjusted. Converting to a service retirement will end medical reviews.

WORKING RETIREE

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

If you exceed the 480 hour working retiree limit, you will become an active member of HPORS 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 HPORS-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.

HPORS DEFERRED RETIREMENT OPTION PROGRAM (DROP)

Senate Bill 238 established the HPORS DROP, effective October 1, 2015.

DROP PARTICIPATION

If you are an active member of HPORS with at least 20 years of membership service, you have the opportunity to participate in the DROP. The DROP allows you to begin accumulating your retirement benefit without terminating employment for up to 60 months. If you are eligible and choose to join the DROP, while you are working your monthly retirement benefit and your HPORS employee contributions will go into your individual DROP account.

Your employer and the state will pay the regular contributions to HPORS. You will not earn additional membership service or service credit.

DISTRIBUTION OF DROP BENEFITS

If you terminate employment at the end of your DROP Period you will begin receiving your HPORS monthly retirement benefit. At that point, you will receive your DROP Benefit as a lump sum payment or a direct rollover to another eligible retirement plan (as allowed by the IRS). If you do not designate a distribution method within 60 days after termination of employment, your DROP benefit will be paid in a taxable lump sum less required withholding for taxes.

If you become disabled during the DROP Period, you will not be eligible for HPORS disability benefits. If you terminate your service, your service retirement benefit will be paid to you rather than to your monthly DROP Account. You will also be eligible to receive your DROP benefit.

DROP SURVIVOR BENEFITS

If you die before the end of your DROP Period, your surviving spouse or dependent children are entitled to your DROP Benefit and a survivorship benefit. If you do not have a surviving spouse or dependent children, your designated beneficiary receives the balance of your retirement account and a lump-sum payment of the DROP Benefit.

HPORS-COVERED EMPLOYMENT AFTER DROP

You may continue to work after your DROP Period ends and remain vested in HPORS. Upon termination of employment, you will receive your initial HPORS monthly retirement benefit; an additional benefit based on your service credit and highest average compensation earned after DROP participation; and your DROP Benefit. Your DROP account will earn an interest rate equal to the actuarial assumed rate of return, which is fixed at the end of each fiscal year.

ADDITIONAL INFORMATION

BENEFIT INCREASES

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

Highway patrol officers who were active members of HPORS before July 1, 1997 could elect to be covered under GABA. Members who elected GABA, and those who became active members on or after July 1, 1997, will receive GABA retirement benefit increases.

For members hired before July 1, 2013: GABA ensures an increase of 3% over the previous year's benefit. 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 members hired on or after July 1, 2013: GABA ensures an increase of 1.5% over the previous year's benefit. Before you receive an increase under GABA, you need to have received your benefit for at least **36 months**. Once eligible, you will receive your first increase in your retirement benefit payment that following January.

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. (§19-6-711, MCA)

The GABA applies to:

- ◆ Service Retirement Benefits
- ◆ Early Retirement Benefits
- ◆ Disability Retirement Benefits
- ◆ Survivorship Benefits

GABA also applies to recipients, other than members, such as survivors. It **does not apply** to a person receiving the lump-sum death payment as an annuity.

Members do **not** receive GABA on their accrued DROP retirement benefit (see page 20). GABA starts January 1 immediately following retirement for initial and subsequent benefits.

MINIMUM RETIREMENT BENEFIT INCREASES FOR NON-GABA ELECTORS

If you were hired before July 1, 1997 and did not elect to be covered under the Guaranteed Annual Benefit Adjustment (GABA), a minimum retirement benefit increase is provided for you or your survivor if one of the following conditions are met:

- ◆ You are retired, aged 55 or older, and not currently employed in a position covered by another Montana public retirement system.
- ◆ You are retired and receiving a disability retirement benefit.
- ◆ You are a recipient of a survivorship benefit.

The minimum annual amount payable to eligible recipients is:

2% x Years of Service Credit

x

Current base salary of a probationary highway patrol officer.

Monthly benefits for non-GABA members are increased each July if the amount of the benefit falls below the statutory guaranteed minimum. The annual increase may not exceed 5% of the current monthly benefit paid to you or your survivor. The maximum monthly benefit paid may not exceed 60% of the current base compensation of a probationary highway patrol officer. ([§ 19-6-707, MCA](#))

DEATH BENEFITS

ACTIVE MEMBER

If you die as a **direct result of injuries received in the course of service**, your surviving spouse or dependant child is entitled to a monthly survivorship benefit equal to 50% of your HAC.

If you die in a **non-duty related death**, your surviving spouse or dependant child is entitled to a survivorship benefit that is the actuarial equivalent to an early retirement benefit.

If you have neither a surviving spouse nor dependent child, your designated beneficiary will receive a death payment of your accumulated contributions (contributions plus interest). (§§ 19-6-901, 19-6-902, and 19-6-903, MCA)

INACTIVE MEMBER

If you die as an inactive, **vested** member (see page 10), your surviving spouse or dependant child may be able to receive a monthly survivorship benefit for their lifetime. (§ 19-6-902, MCA)

If you die as an inactive, **non-vested member**, MPERA will pay a lump-sum death payment to your surviving spouse, dependant child or beneficiary. This death payment will be your accumulated contributions.

RETIRED MEMBER

Your retirement benefit will be paid to your surviving spouse. If you do not have a surviving spouse, or your surviving spouse dies before 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. (§ 19-6-505, 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.

REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your HPORS-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 HPORS-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 HPORS.

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.

NOTE: Duty-related disability benefits may be fully or partly exempt from income tax until normal retirement age, when the benefit converts, without recalculation to a taxable service retirement.

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.

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 HPORS benefits to an alternate payee (usually a former spouse) pursuant to a Family Law Order (FLO).

SUPPORT OBLIGATION

Your HPORS 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 HPORS defined benefit account to satisfy a support obligation before you retire and begin drawing benefits or take a refund.

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 \$12,000 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 in the event of no statutory beneficiary survivors.

A FLO may not require HPORS 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 HPORS defined benefit account before you retire and begin drawing benefits or take a refund. (§§ 19-2-907 and 19-2-909, MCA)

GLOSSARY OF TERMS

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

ACTIVE MEMBER - a member in a HPORS-covered job, who is making the required contributions, and is 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 under an installment contract.

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 or survivorship provided by HPORS.

COMPENSATION - the pay an employee receives before deducting taxes or social security in accordance with [§ 19-6-101, MCA](#). 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.

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.

CREDITED SERVICE or SERVICE CREDIT - the periods of time for which the required contributions have been made to HPORS and that are used to calculate retirement benefits or survivorship benefits

DEPENDENT CHILD - A child of a deceased member who is not married and:

- ◆ under 18 years of age,
- ◆ under 24 years of age and is a full-time student enrolled in an accredited post-secondary educational institution.

DISABILITY - total physical or mental incapacity of a member to perform the essential functions of the member's job even with reasonable accommodations.

DROP - Deferred Retirement Option Plan.

DROP ACCOUNT - the member's accumulated monthly DROP accruals, including any post-retirement adjustment, plus interest.

DROP PERIOD - the period of time that a member irrevocably elects to participate in the DROP. It may be from one month up to a maximum of 60 months (five years). The DROP Period will begin on the first day of a month and end on the last day of a month.

EMPLOYEE - a person employed by a HPORS employer as a highway patrol officer or supervisory personnel in any capacity and the employer pays the person's salary.

EMPLOYER - the Department of Justice, a state agency.

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.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

HIGHEST AVERAGE COMPENSATION (HAC) - the member's average monthly compensation received for any three years (36 months) of continuous service. Lump-sum payments for sick leave, 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. **For members hired on or after July 1, 2013**, HAC will be capped at 110% on compensation earned during the highest average compensation period.

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

IRA - an individual retirement 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 HPORS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service that are used to determine eligibility for retirement or other benefits.

MONTHLY DROP ACCRUAL - the amount equal to the monthly benefit that would have been payable to the participant had the participant terminated and retired.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

REFUND - a withdrawal of all the member's contributions and interest in a member's HPORS account.

REGULAR CONTRIBUTIONS - the payments an active member must make to HPORS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST -

- ◆ the interest credited to a member's account at rates set by the Board. This interest is tax-deferred.
- ◆ the amount charged to buy service on a monthly payment plan.

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 a retirement system.

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

SURVIVOR - a surviving spouse or dependent child of the 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 the required years of membership service. A vested member is entitled to retirement benefits when he or she meets the minimum service or age provision.

SAMPLE BENEFIT CALCULATIONS

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

SERVICE RETIREMENT - 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: 2.6% x Service Credit (years) x HAC

$$0.026 \times 20 \times \$3,000 = \$1,560$$

Kenny will receive a monthly benefit of at least \$1,560, plus the Guaranteed Annual Benefit Adjustment (see page 20) 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). 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. (§ 19-6-101(2), MCA)

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.

EARLY RETIREMENT - WANDA

Age At Retirement = 55

Service Credit = 15 years

Highest Average Compensation (HAC) = \$2,500 per month

Account Balance at Retirement = \$25,495

Wanda is vested but has less than 20 years of membership service. She may receive an early retirement benefit. The retirement benefit would be calculated using an early retirement factor:

2.6% x Years of Service Credit x HAC x Early Retirement Factor

Scenario 1: Wanda retires at age 55 and immediately draws a retirement benefit.

$$0.026 \times 15 \times \$2,500 \times 0.6191 = \$603.00$$

Wanda will receive a monthly benefit of \$603.00 plus GABA increases when eligible, for life.

Scenario 2: If Wanda stops working at age 55, but waits until age 57 to draw a benefit, her benefit would be:

$$0.026 \times 15 \times \$2,500 \times 0.7473 = \$728.00$$

Wanda would receive a monthly benefit of \$728.00 plus GABA increases when eligible, for life.

Scenario 3: If Wanda stops working at age 55, but waits until she was age 60, her retirement benefit would not be reduced by an early retirement factor. Her benefit would be calculated as follows:

$$0.026 \times 15 \times \$2,500 = \$975.00$$

Survivor and beneficiary benefits would be paid for an early retirement benefit the same as for a service retirement benefit.

STATE OF MONTANA

Steve Bullock, Governor

PUBLIC EMPLOYEES' RETIREMENT BOARD

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.

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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.

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