

# MONTANA MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM



# PUBLIC EMPLOYEES' RETIREMENT BOARD

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# PREFACE

This handbook is a general summary of the benefits provided by the Montana Municipal Police Officers' Retirement System (MPORS) administered by the Montana Public Employees' Retirement Administration (MPERA). It is intended to give you an idea of what your benefits are and to acquaint you with MPORS. 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 MPORS member handbooks.

## MONTANA CODE

The law governing MPORS may be found in Title 19, Chapters 2 and 9, 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

- ◆ MPORS provides service retirement benefits, disability retirement benefits or survivor benefits, if eligible.
- ◆ You, your employer, and the state contribute toward your future retirement benefits.
- ◆ You may withdraw only your contributions (plus interest) if you leave MPORS-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 1974

MPORS is a public pension plan for Montana police officers employed by first and second-class cities, and other cities that adopt the plan. In 1974, the Legislature created MPORS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of July 1, 2018, membership of MPORS consisted of the following:

## MPORS MEMBERSHIP

Number of participating employees.....	32
Active plan members.....	787
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested.....	78
Non-vested.....	153
Retirees and beneficiaries receiving benefits:	
Service Retirements.....	748
Disability Retirements <sup>1</sup> .....	35
Survivor Benefits.....	32

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

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<sup>1</sup> Disability benefits are automatically converted to service benefits without recalculation upon the member reaching normal retirement age. As a result, this number includes only disability benefit recipients that have not been converted to a service retirement.

## WHAT IS MPORS?

The Municipal Police Officers' Retirement System (MPORS) 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 MPORS earns interest and helps pay for your benefits. MPORA 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.

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.

# MEMBERSHIP ENROLLMENT

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

MPORS membership is mandatory if you are a police officer employed by a first or second-class city, or a city who elected to join MPORS. In the case of a city that chooses coverage under MPORS, the city's existing police officers may elect to become members of MPORS within 90 days of the effective date of the city's election to join. All police officers hired after the effective date will be members of MPORS.

## DESIGNATION OF BENEFICIARY(IES)

As a new MPORS-covered employee, you were asked to complete a MPORS *Membership/Designation of Beneficiary* form to designate your beneficiary(ies) for your MPORS account.

Your spouse or dependent children are your **statutory beneficiaries**. You can also list one or more non-statutory beneficiary(ies) in case you die without a statutory beneficiary. A non-statutory beneficiary is eligible to receive any balance in your account, but cannot receive a monthly benefit.

Your beneficiary designation is important. It is necessary that you keep it up-to-date. Consider updating your beneficiary designation if you get married or divorced, become a parent or your beneficiary dies.

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

**MPERA must have your updated beneficiary designation before the 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.

## **TRANSFER OF MEMBERSHIP TO PERS**

An injured, non-vested member who transfers to a Public Employee Retirement System (PERS)-covered position in the same municipality will receive credit for all service and accumulated contributions (contributions and interest) previously credited with MPORS. The amount of employer contributions transferred will be equal to the amount that would have been contributed if the transferred service had been normal employment covered under PERS.

## **INELIGIBILITY FOR OTHER RETIREMENT PLANS**

An active member cannot be covered under any other mandatory retirement plan for police service. This includes any retirement plan to which an employer is required to contribute on the officer's behalf. This limitation does not apply to social security.



# CONTRIBUTIONS

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

## MEMBER CONTRIBUTIONS

All members must pay part of their gross pay to MPORS in the following amounts:

- ◆ 8.5% if you were first employed after June 30, 1979 and before July 1, 1997.
- ◆ 9% if you were first employed on or after July 1, 1997, and members who elected GABA coverage.

**Interest:** Your MPORS 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.

**Taxation:** Contributions made before July 1985 to MPORS 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 14.41% of their total MPORS-covered payroll to the pension trust fund.

## STATE CONTRIBUTION

The state of Montana contributes an amount equal to 29.37% of the total compensation paid to all active MPORS members each year. These contributions are made to the retirement trust fund by the State Auditor as provided in § 17-7-502, MCA.

**Employer contributions are not refundable** and provide “pooled” funds for retirement, disability, and death benefits.

## **SERVICE**

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

### **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 MPORS benefits.

### **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.

### **PART-TIME SERVICE**

If you work part-time, we will adjust either your service credit or your Final Average Compensation (FAC) 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.

## 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 statement to verify that all information is accurate.

**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 MPORS 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 MPORS-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.*

◆ **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 MPORS at the **actuarial cost**. You cannot buy service from another public retirement system that will make you eligible for retirement in MPORS until you receive a refund of the service from the other public system.

*Montana public service is both membership service and service credit.*

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.
  
- ◆ **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.*

**Limitations:** Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years.

**When purchasing service, the most recent service must be purchased first.**

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.

We will review the request and send you a cost statement and the necessary form for buying any eligible service.

**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.

# **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 MPORS 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.

## **CITY-COUNTY CONSOLIDATION**

If you are a law enforcement officer and transfer either to or from MPORS, or the Sheriffs' Retirement System (SRS), because of city-county consolidation, you are eligible for benefits if your combined service in MPORS and SRS satisfies the system requirements to which you last made contributions.

Eligibility for and calculation of disability retirement, death benefits, and refund of contributions are governed by the provisions of the retirement system to which you last made contributions. The service retirement benefit will be a combined benefit from both systems. Each part of the combined benefit will be calculated separately, based on your service credit in each system, and meeting the requirements of each system. Your beneficiaries, contingent annuitants, and survivors will also receive a combined benefit with each part based on the requirements of the respective system.

# CALCULATING YOUR RETIREMENT BENEFIT

## SERVICE RETIREMENT

Defined benefit retirement plans use a predetermined 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. Information in this handbook is based on 2017 law.

You are eligible for service retirement benefits when you complete:

- ◆ 20 years of membership service at any age; or
- ◆ 5 years of membership service and 50 years of age.

Your benefit is calculated based on:

- ◆ **Retirement Factor** - a percentage defined in law (currently 2.5%).
- ◆ **Years of Service Credit** - the amount of service you earned through employment (see page 10).
- ◆ **Final Average Compensation (FAC)**<sup>1</sup> - the average of your monthly compensation for the **last 36 months** of service.

The formula for a MPORS monthly service retirement benefit depends on your years of **membership service**, and years of **service credit**. The basic formula for a MPORS monthly service retirement is:

$$\text{Retirement Factor} \times \text{Years of Service Credit} \times \text{FAC}$$

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



# DEFERRED RETIREMENT OPTION PLAN (DROP)

The Deferred Retirement Option Plan (DROP) provides MPORS members who have at least 20 years of membership service with an additional retirement option. Participation in the DROP is optional. Your decision to participate is irrevocable.

## DROP PARTICIPATION

As an active MPORS member, the DROP allows you to begin accumulating your retirement benefit without terminating employment. You may elect a DROP period that can last from 1 to 60 months. While participating in the DROP, your monthly benefit payment, also known as the DROP accrual, remains in the MPORS trust fund in a separate DROP account. Your DROP account will grow while you continue to work and receive your regular pay.

You, your employer and the state will continue to pay regular contributions to MPORS while you participate in the DROP. However, you will not earn additional membership service or service credit. **As a DROP participant, you cannot receive a disability retirement, purchase service, receive service credit, or a refund.**

To participate in the DROP, please send a request to MPERA that includes your full name, social security number, mailing address, and date of birth. We will send you a DROP application along with a benefit estimate. If you decide to participate, complete the application and return it to us at least two weeks before the first day of the month you would like to start your DROP, along with a certified copy of your birth certificate.

**NOTE:** If you terminate MPORS-covered employment during the DROP period, your DROP benefit will be paid to you. In addition, payment of your monthly service retirement benefit will begin. The DROP period ends on the last day of the last full month of active employment.

## DISTRIBUTION OF DROP BENEFIT

After you terminate MPORS-covered employment and start receiving your MPORS monthly retirement benefit, your DROP benefit will be distributed to you as a lump sum or a direct rollover to an eligible retirement plan. If you do not designate a rollover within 60 days after termination of employment, your DROP benefit will be paid directly to you in a lump-sum. Required federal and state tax withholding will be withheld.

## DROP SURVIVORSHIP BENEFITS

If you die while participating in the DROP, your surviving spouse, or dependent children if you do not have a spouse, will receive your DROP benefit. Your surviving spouse or dependent children are also entitled to your monthly retirement benefit. If you have no surviving spouse or dependent children, then your designated beneficiary will receive the balance of your DROP account.

## MPORS-COVERED EMPLOYMENT AFTER DROP

You may continue to work in MPORS-covered employment after your DROP period ends, **but you will be considered newly hired for retirement plan purposes**. You will not receive your service retirement benefit or your DROP benefits while you continue to work. Your DROP account will continue to earn interest.<sup>1</sup> You will earn an additional retirement benefit based on your final average compensation and service credit earned after DROP participation. Your DROP benefit will remain based on your final average compensation before the DROP period began.

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<sup>1</sup> The interest rate will be fixed at the end of each fiscal year at the actuarially assumed rate of return.

# DISABILITY RETIREMENT

## ELIGIBILITY

Disability is the total inability to perform your work due to physical or mental incapacity. The disability does not have to be work-related but the disability must occur while employed in an MPORS-covered position. To qualify for a disability retirement, you must meet the following requirements:

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

## 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 final 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.

## 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.

## **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 the employing city; or
- ◆ You refuse to submit to a medical examination.

Upon notification of your eligibility to return to work, the employing city may request a medical or psychological review of your ability to return to work. If the Board's findings are upheld, the city must pay the cost of the review.

## **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.

## WORKING RETIREE

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

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

When you have received your benefit for at least 12 months, you become eligible for a GABA increase. 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 increases are greater than your GABA amount, then you will not receive a GABA increase.

The GABA applies to Service Retirement Benefits; Disability Retirement Benefits; and 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.

## MINIMUM BENEFIT ADJUSTMENT

MPORS members hired before July 1, 1997 could elect to be covered by GABA or a minimum benefit adjustment. Under the minimum benefit adjustment provision, your retirement benefit payment for each fiscal year may not be less than one-half of the base salary paid in the current fiscal year to a newly confirmed police officer in the city or town from which you retired.

## ANNUAL INCREASES FOR DROP PARTICIPANTS

After contributing to DROP for at least 12 months, if covered by GABA, you will receive a 3% GABA increase into your DROP account the following January.

If you did not elect GABA, you will receive the minimum benefit increases to your monthly DROP accrual (see above).

If you continue to work after the DROP period, you will not receive GABA increases during your period of post DROP employment.

# DEATH BENEFITS

## ACTIVE MEMBER

If you die as an **active member**, your surviving spouse (or dependent child(ren) if there is no surviving spouse) will receive benefits as stated below:

- ◆ If you have not completed 20 years of membership service, the monthly benefit will be equal to one-half of your final average compensation.
- ◆ If you have completed over 20 years of membership service, the monthly survivorship benefit must equal 2.5% of your final average compensation for each year of service credit.

If you do not have a spouse or dependant child, a lump-sum payment will be paid to your beneficiary.

## INACTIVE MEMBER

If you are an **inactive member** with less than 5 years of service, MPORS will pay a lump-sum death payment to your statutory beneficiaries. This death payment will be your accumulated contributions plus interest.

If you were vested (have five or more years of membership service), your surviving spouse will receive a monthly benefit for their lifetime. If you have no surviving spouse, your dependent child(ren) will receive a monthly benefit until they are no longer dependent. If you have neither a surviving spouse or dependent children, your beneficiary will receive a lump-sum payment of your accumulated contributions.

## RETIRED MEMBER

Your retirement benefit will be paid to your 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 child(ren).

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

## **DEATH BENEFIT CLAIM**

Upon notification of your death, MPERA will send a death benefit claim to your designated beneficiary or survivor. To claim a death benefit, the completed form must be returned 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 MPORS-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.**

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.

**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.

**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 MPORS-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.

**Remember . . .**

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

## **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.

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

## SUPPORT OBLIGATION

Your MPORS 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 MPORS 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 MPORS 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 MPORS defined benefit account before you retire and begin drawing benefits or take a refund.

# GLOSSARY OF TERMS

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

**ACTIVE MEMBER** - a member in an MPORS-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 MPORS.

**COMPENSATION** - a member's salary before any pre-tax deductions allowed by the Internal Revenue Code or state law are made. 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, overtime, holiday payments, shift differential payments or payments in lieu of sick or annual leave.

**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 final 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 unmarried 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 perform the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

**DROP** - Deferred Retirement Option Plan.

**DROP ACCOUNT** - the member's accumulated monthly DROP accruals, including any postretirement adjustments, plus interest.

**DROP PERIOD** - the period of time that a member irrevocably elects to participate in the DROP. It may not be less than one month or more than five years.

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

**EMPLOYER** - Any city that participated in a prior plan or that elects to join this retirement system.

**FAMILY LAW ORDER (FLO)** - an order from a court that may assign all or part of a participant's payment. (§ 19-2-907(2)(a), MCA)

**FINAL AVERAGE COMPENSATION (FAC)** - The monthly compensation of a member, averaged over the last 36 months of the member's service or, in the event a member has not been a member that long, over the period of membership. Excess earnings limits must be applied to the calculation of the final average compensation. (§19-2-1005, MCA)

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

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

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

**IRA** - an individual retirement account.

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

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

**MEMBERSHIP SERVICE** - the periods of service used to decide vesting and 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.

**PARTICIPANT** - a member, beneficiary, or survivor, who is receiving, or may receive, a benefit or payment from MPORS.

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

**REGULAR CONTRIBUTIONS** - the payments an active member must make to MPORS. 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 a retirement system.

**SERVICE CREDIT** - the periods in which you contribute the required money to MPORS. MPORA uses service credit to calculate the amount of your benefit.

**STATUTORY BENEFICIARY** - the surviving spouse or dependent child is the statutory beneficiary.

**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.

**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 CALCULATIONS

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

## SERVICE RETIREMENT EXAMPLE

### KENNY

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

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

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

Kenny will receive a monthly benefit of \$1,500, plus GABA 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) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student.

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 remaining balance in his account.

## AGE 50 RETIREMENT EXAMPLE

If you have at least five years of membership service, and terminate service prior to becoming eligible for a service retirement benefit, you may elect to leave your accumulated contributions on deposit. When you reach 50 years of age, you are eligible to receive a service retirement benefit.

### WANDA

Age at Termination.....	40
Service Credit.....	15 years
Final Average Compensation (FAC).....	\$2,500 per month
Account Balance at Retirement.....	\$25,495

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

$$0.025 \times 15 \times 2,500 = \$937.50 \text{ per month}$$

Because Wanda is not yet 50 years of age and has less than 20 years of service credit, she is not eligible to draw a retirement benefit. She will become eligible to receive \$937.50, plus GABA increases, per month when she reaches age 50. When she dies, a monthly benefit equal to the amount of her benefit will be paid to her surviving spouse for life. If she has no surviving spouse, her benefit will continue to a dependent child (or children, collectively) until there is no dependent child. A dependent child is one who is unmarried and either under the age of 18 or under the age of 24 and attending an accredited post-secondary educational institution as a full-time student.

If there is no surviving spouse or dependent child, and if Wanda had not received benefits equal to at least \$25,495 (her account balance at retirement) by the time of her death, her designated beneficiary would receive a lump-sum payment of the remaining balance in her account.

# STATE OF MONTANA

Steve Bullock, Governor

## PUBLIC EMPLOYEES' RETIREMENT BOARD (PERB)

### **PERB 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**

##### **Marty Tuttle**

Active DC Plan Member  
Clancy

Appointed July 2015  
Re-Appointed March 2019  
Term Expires April 2024  
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##### **Robyn Driscoll**

Member At Large

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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  
Bill Holahan..... Chief Legal Counsel  
Patricia Davis..... Member Services Bureau Chief  
Hollie Resler ..... Fiscal Services Bureau Chief  
Ann Reber ..... Editor

### **CONTACTING MPERA**

If you have any questions about the Municipal Police Officers' Retirement System (MPORS), 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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