

The background of the page is a photograph of the Montana State Capitol building. The building is a large, light-colored stone structure with a prominent central dome. In front of the building stands the Cavalier statue, which depicts a man on horseback holding a rifle. The scene is set on a green lawn with some bushes in the foreground. The sky is clear and blue.

# **MONTANA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

**Member Handbook  
For The  
Defined Benefit  
Retirement Plan**

# TABLE OF CONTENTS

PREFACE.....	4
MONTANA CODE	
OVERVIEW	
RETIREMENT SECURITY FOR OUR MEMBERS SINCE 1945 .....	5
PERS DEFINED BENEFIT MEMBERSHIP	
WHAT IS PERS? .....	6
MEMBERSHIP ENROLLMENT .....	7
DESIGNATION OF BENEFICIARY(IES)	
OPTIONAL MEMBERSHIP	
WORKING RETIREE MEMBERSHIP	
EXCLUSION FROM PERS MEMBERSHIP	
CONTRIBUTIONS.....	11
MEMBER CONTRIBUTIONS	
EMPLOYER CONTRIBUTIONS FOR FISCAL YEAR 2017	
STATE CONTRIBUTIONS	
SERVICE.....	13
MEMBERSHIP SERVICE	
VESTING	
SERVICE CREDIT	
PART-TIME SERVICE	
ANNUAL BENEFIT STATEMENT	
PURCHASE OF SERVICE	
BENEFITS.....	18
ELIGIBILITY	
APPLYING FOR RETIREMENT	
CALCULATING YOUR RETIREMENT BENEFIT	
SERVICE RETIREMENT	
EARLY RETIREMENT	
MONEY PURCHASE BENEFIT	
DISABILITY RETIREMENT.....	21
EFFECTIVE DATE OF DISABILITY RETIREMENT BENEFIT	
DISABILITY BENEFIT	
OLD DISABILITY LAW	
EARNINGS LIMIT	
DISABILITY REVIEWS	
DISABILITY BENEFIT CANCELLATION	

## Table of Contents (cont)

CIRCUMSTANCES AFFECTING BENEFITS.....	24
PERS WORKING RETIREES	
BENEFIT ON SECOND RETIREMENT	
INVOLUNTARY TERMINATION	
INDEPENDENT CONTRACTORS	
TEMPORARY POSITIONS	
RETIREMENT AND DISABILITY PAYMENT OPTIONS.....	28
OPTION 1	
OPTION 2	
OPTION 3	
CHANGING YOUR OPTION IF YOU ELECTED 2 OR 3	
OPTION 4	
ADDITIONAL INFORMATION .....	32
BENEFIT INCREASES	
DEATH BENEFITS .....	33
DEATH BEFORE RETIREMENT	
DEATH AFTER RETIREMENT	
DEATH BENEFIT CLAIM	
REFUND OF CONTRIBUTIONS.....	35
TAXES ON BENEFITS .....	37
TAX STATEMENTS	
TAX ADVICE	
TAXES ON REFUNDS	
ASSIGNMENT OF BENEFITS .....	38
SUPPORT OBLIGATION	
FAMILY LAW ORDER (FLO)	
GLOSSARY OF TERMS .....	40
STATE OF MONTANA.....	44
PUBLIC EMPLOYEES' RETIREMENT BOARD	
MPERA	
SAMPLE CALCULATIONS.....	46
SERVICE RETIREMENT EXAMPLE	
EARLY RETIREMENT EXAMPLE	

# PREFACE

This Public Employees' Retirement System (PERS) Member Handbook is a general summary of the benefits provided 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 PERS. 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.** If this handbook differs with the law or rules, the law or rules will apply. This handbook replaces all previous PERS member handbooks.

## MONTANA CODE

The law governing PERS may be found in Title 19, [Chapters 2 and 3](#), 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://leg.mt.gov/bills/mca/title\\_0190/chapters\\_index.html](http://leg.mt.gov/bills/mca/title_0190/chapters_index.html)
- ◆ The ARM is available at <http://mtrules.org/>

## OVERVIEW

- ◆ PERS provides service retirement benefits, disability benefits or survivor benefits, if eligible.
- ◆ You and your employer contribute to your future retirement benefits.
- ◆ You may withdraw only your contributions (plus interest) if you leave PERS-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 1945

PERS is a public pension plan for employees of the state, university system, and local governments. The 1945 Legislature created PERS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. Unless another state plan covers the position, PERS will cover all state and university workers. Local governments may contract with the Public Employees' Retirement Board (Board), to cover their workers under PERS. Membership of PERS consisted of the following as of June 30, 2017:

## PERS DEFINED BENEFIT MEMBERSHIP

Participating employers.....	539
Active plan members.....	29,395
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested.....	3,677
Non-vested.....	16,659
Retirees and beneficiaries receiving benefits:	
Service Retirements.....	21,181
Disability Retirements <sup>1</sup> .....	161
Survivor Benefits.....	463

The Board, an independent, seven-member board appointed by the Governor and confirmed by the Senate, administers PERS, eight other retirement systems, and the State's 457(b) Deferred Compensation Plan. MPERA does the day-to-day work. This handbook uses the terms we, us, MPERA, and the Board 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. (§ 19-2-406, MCA)

## WHAT IS PERS?

PERS 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, and protected by the Montana Constitution and only the Legislature may change them.

Money you contribute to PERS earns interest and helps pay for your benefits. MPERA tracks your contributions individually and credits interest to you. We combine the funds from all member accounts in a trust fund, which is invested by the Montana 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 pays 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 makes recommendations to the Legislature. (§§ 19-2-403 and 19-2-405, MCA; Montana Constitution, Art. VIII, § 15)

# MEMBERSHIP ENROLLMENT

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

PERS membership is mandatory if you work in a full-time PERS-covered position. Exceptions for certain positions are described on the next page. Membership will continue until you end your employment in all PERS-covered positions.

## DESIGNATION OF BENEFICIARY(IES)

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

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

You can designate any persons, charitable organization, estate, or trust (for the benefit of a living person) you wish as a beneficiary(ies). Beneficiaries are either primary or contingent. Contingent beneficiaries will receive a payment or a benefit only if no primary beneficiary survives you. You designate your beneficiaries on a *PERS Designation of Beneficiary* form and give it to your payroll clerk. The clerk will send it to us. If you are an inactive member, go to our website and download a new form. (§ 19-2-801, MCA; ARM 2.43.2104)

Your beneficiary information is important. It is necessary that you keep it up-to-date. Consider updating your designation if you get married or divorced, become a parent or your beneficiary dies. Your beneficiary information is printed on your Annual Benefit Statement, which is mailed to you every July. Review the statement carefully. If your beneficiary information is outdated, please update it as soon as possible. (§ 19-2-801, MCA; ARM 2.43.2104)

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

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

## OPTIONAL MEMBERSHIP

New employees in the following positions have the option to become members of PERS: (§ 19-3-412 and 413, MCA)

- ◆ Elected officials of state or local government who are paid on a salary or wage basis, or are receiving PERS retirement benefits.
- ◆ Employees scheduled to work less than 960 hours per fiscal year (cumulative if working in more than one PERS position).
- ◆ Employees directly appointed by the Governor.
- ◆ Employees of the legislative branch, working 10 months or less, performing work related to the legislative session.
- ◆ Chief administrative officers of a city or county.
- ◆ Employees of a county hospital or rest home.

If you decline membership, you cannot later become a member of PERS while still employed with the same employer but in a different optional position.

If you are a new employee and PERS membership is optional for your position, you can choose to become a PERS member by:

- ◆ Completing an Optional Membership Election form, and
- ◆ Filling out a PERS *Designation of Beneficiary* form

**You**, not your employer, will decide if you should be a member. If you wish to decline membership in PERS, you will still need to complete the *Optional Membership Election* form, and return it to MPERA whether or not you choose PERS membership. If you do not complete and file an *Optional Membership Election* form within 90 days, you waive membership in PERS.

When you complete your PERS *Designation of Beneficiary* form and *Optional Membership Election* form, your payroll clerk will send them to MPERA. Once you become a member, the same laws and rules as any other member will also apply to you.

**Your Optional  
Membership election is  
irrevocable.**



You are a member if you have contributions and service on account with PERS. Once a member, you cannot withdraw from PERS even if you will work less than 960 hours in the coming year. Even if you terminate employment and later accept a job for which membership is optional, you will be required to continue your membership if you have funds on account. In other words, once you become a member, your membership will continue even if you later accept employment in an optional position. (§§ 19-3-401 and 19-3-412, MCA)

**Your membership continues as long as you have contributions and service on account.**

### **WORKING RETIREE MEMBERSHIP**

As a retired member of PERS, you may work in a PERS-covered position without becoming an active member as long as you adhere to the working retiree hour and wage limits.

Before starting in a PERS-covered job, you will need to:

- ◆ verify you have no written or verbal agreement to return to your employer;
- ◆ accepted one benefit check before accepting a PERS-covered job; and
- ◆ be retired for at least 90 days.

PERS retirees working as independent contractors or through temp agencies in PERS-covered positions are subject to working retiree limitations.

If you do not want to be subject to working retiree hour and wage limits, you can choose to end your retirement and once again become an active PERS member. To return to active service, you will need to complete a new membership form. Upon receipt, we will stop paying your benefit. Notify us when you are again ready to retire and we will calculate your new benefit. (§§ 19-3-1105 and 19-3-1106, MCA)

## EXCLUSION FROM PERS MEMBERSHIP

The following types of employees are **not** eligible to become PERS members:

- ◆ Inmates or residents of state institutions or correctional institutions.
- ◆ Persons in state institutions mainly for training, but who receive compensation.
- ◆ Independent contractors (except PERS retirees).
- ◆ Persons who receive credit for their current employment in any other public retirement plan, except Social Security.
- ◆ Court commissioners, elected officials, or members appointed to boards or commissions who serve part-time and receive only per diem.
- ◆ Full-time students working at and attending the same public school, community college, or unit of the state university system.
- ◆ Substitute teachers or part-time teachers's aides who may elect to join the Teacher's Retirement System (TRS).

(§ 19-3-403, MCA)

# CONTRIBUTIONS

You and your employer pay contributions to PERS. The following section explains these contributions and what is expected of you and your employer.

## MEMBER CONTRIBUTIONS

All members must pay part of their gross compensation to PERS. The current contribution rate for members is 7.9%. This rate will be reduced to 6.9% when the annual valuation determines the amortization period is below 25 years. (§ 19-3-315, MCA)

**Interest:** Your PERS 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. All interest credited is tax-deferred.

**Taxation:** Contributions paid to PERS before July 1985 were taxed. If you have taxed money on account, part of your monthly benefit or refund will not be taxed.

Contributions paid to PERS 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.

## EMPLOYER CONTRIBUTIONS FOR FISCAL YEAR 2018

- ◆ State and University employers contribute 6.90% of their total PERS-covered payroll, plus an additional 1.67% to the pension trust fund, for a total of 8.57%.
- ◆ Local government employers contribute 6.80%, plus an additional 1.67% with the State contributing 0.10% for a total of 8.57%.
- ◆ School district employers pay 6.80% of their total payroll each month plus an additional 1.40% with the State contributing 0.37% for a total contribution of 8.57%.

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

(§§ 19-3-112, 19-3-316 and 19-3-319, MCA)

## **STATE CONTRIBUTIONS**

### Funding of PERS through natural resources

Beginning July 1, 2014, and each July 1 thereafter, PERS will receive approximately \$15 million from the unallocated portion of coal tax severance collections.

Beginning July 1, 2014, and each July 1 until 2019, PERS will receive up to \$21 million of interest income from the coal tax permanent fund. In Fiscal Year 2020, interest income contributions are capped at \$24 million.  
(§15-35-108, MCA)

# SERVICE

The amount of time you work and contribute to PERS affects the amount of your retirement benefit. Your monthly benefit will depend on the number of years you work in a PERS-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 PERS benefits. You earn one month of membership service for any month you contribute to PERS, 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 PERS benefits. (§§ 19-2-303(56) and 19-2-601, 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 earn 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 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**.

(§ 19-2-701, MCA; ARM 2.43.2105-6, 2.43.2109 and 2.43.2302.; ARM 2.43.2114)

## PART-TIME SERVICE

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

## ANNUAL BENEFIT STATEMENT

Each July, we 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 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

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

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

**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 PERS-covered position, you can purchase the refunded service at anytime prior to retirement if you are an active member. You must be vested to purchase refunded service if you are inactive. To purchase the refund, you must repay the accumulated contributions you received and pay the interest that would have been credited to your account had the refund not taken place.

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

- ◆ **Retroactive:** Retroactive service is service with a PERS-covered employer that wasn't credited to PERS at that time. If you have retroactive service, you may buy all or a part of that service.

*Retroactive service is both membership service and service credit.*  
(§ 19-3-505, MCA)

- ◆ **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 PERS at **actuarial cost**. You cannot buy service from another public retirement system that will make you eligible for retirement in PERS until you receive a refund of the service from the other public system. You must be an active PERS member to be eligible to purchase this service.

*Montana public service is both membership service and service credit.*  
(§ 19-2-715, MCA; 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 counts as both membership service and service credit.*  
(§ 19-3-504, MCA; ARM 2.43.2323)

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

- ◆ **“One-for-Five” Service:** For each five-year period of membership service, you can buy one year of service credit. You may buy up to five years of “One-for-Five” years. You could also buy less than a full year. “One-for-Five” service is not membership service and cannot be used to make you eligible to retire or to purchase other types of service.

(§ 19-3-513, MCA; ARM 2.43.2318)

- ◆ **Military/Reserve Military Service:** At any time prior to retirement, you may purchase up to five years of your active military or reserve military service at the actuarial cost. You can purchase reserve military time prior to your separation from service 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.*  
(§§ 19-2-707, and 19-3-503, MCA; ARM 2.43.2315 and 2316)

- ◆ **Volunteer in a U.S. Service Program:** You may purchase up to five years of your volunteer service in a United States service program, such as the Peace Corps. You can also purchase any documented, successfully completed required term of service in the Americorps Vista, Americorps National Community Conservation Corps; or any other National and Community Service Act (NCSA) program that requires the volunteer to enroll for a specific term of service.

*This service is both membership service and service credit.*

(§ 19-3-515, MCA)

- ◆ **Other Public Service:** You may buy service covered by another state, local or federal government retirement system. If you received a refund of your account with another system, you may buy up to five years of that service in PERS. You may also buy the service if it occurred before the employer adopted a public retirement system. Also, you may only count it as service credit if your last five years of service are with a PERS employer. (§§ 19-3-510, and 19-3-512 MCA)

**Limitations:** Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years. (§ 19-3-514, MCA)

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

If you are ready to purchase service, you must request an official cost statement.

**Requesting a cost statement:** A cost statement will tell you the amount you would be required to pay for the service you are interested in buying. To make a request, you will need to provide the following information in writing:

- ◆ 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.

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



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

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

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

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

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. These are not made 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 the service credit will be prorated based on the amount paid.

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

# BENEFITS

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

## ELIGIBILITY

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

Retirement benefits are payable directly to you. The benefit option you choose at retirement may also provide for a continued survivor benefit. 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. 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.

At least 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.

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

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

Your benefit is calculated based on:

- ◆ **Retirement Factor** - a percentage based on your years of service defined in law.

- ◆ **Years of Service Credit** - the amount of service you earned through employment (see page 13).
- ◆ **HAC<sup>1</sup>** - (Highest Average Compensation) is the average of a set number of highest consecutive months of salary, depending on when you were hired. **For members hired on or after July 1, 2013**, HAC will be capped at 110% on compensation earned during each year of the highest average compensation period. (§ 19-2-1005, MCA)

## **SERVICE RETIREMENT**

### **Members hired before July 1, 2011:**

To qualify for a service retirement, you must meet the following age or service requirements:

- ◆ Age 60 with at least five years membership service;
- ◆ Attain age 65 while employed; regardless of years of membership service
- ◆ 30 years of membership service at any age.

Your PERS retirement benefit is based on your highest consecutive 36 months of compensation. This does not have to be your last 36 months of employment. (§ 19-3-901, MCA).

If you have the following years of membership service:

**Less than 25 years:**  $1.7857\% \times \text{Years of Service Credit} \times \text{HAC}$

**25 years or more:**  $2\% \times \text{Years of Service Credit} \times \text{HAC}$

### **Members hired after July 1, 2011**

To qualify for a service retirement, you must meet the following age or service requirements:

Age 65 with at least five years membership service; or

Age 70 and in active service.

Your PERS retirement benefit is based on your highest consecutive 60 months of compensation. This does not have to be your last 60 months of employment. (§§ 19-3-108, 19-3-901, and 19-3-904, MCA).

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<sup>1</sup> If you were hired **before** July 1, 2011, your HAC is 36 months. If you were hired **after** July 1, 2011, your HAC is 60 months.

If you have the following years of membership service:

**More than 5 and less than 10:**  $1.5\% \times \text{Years of Service Credit} \times \text{HAC}$

**Less than 30 more than 10:**  $1.7857\% \times \text{Years of Service Credit} \times \text{HAC}$

**30 years or more:**  $2\% \times \text{Years of Service Credit} \times \text{HAC}$

### **EARLY RETIREMENT**

Members hired before July 1, 2011 are eligible for an early retirement benefit with either:

- ◆ Age 50 with at least five years membership service; or
- ◆ 25 years of membership service at any age.

For early retirement, MPERA will reduce the amount of your service retirement benefit by an Early Retirement Factor (ERF). The ERF depends upon how many years it will take you to reach age 60, or 30 years of membership service.

Members hired on or after July 1, 2011 are eligible for an early retirement benefit upon reaching age 55 with at least five years membership service.

The ERF will depend on how many years it will take you to reach age 65.

(§§ 19-3-902 and 19-3-906, MCA)

### **MONEY PURCHASE BENEFIT**

PERS also has a money purchase benefit available instead of a benefit calculated by the defined formula. The money purchase benefit is also a lifetime monthly benefit.

When you request a retirement estimate, we will calculate your benefit using both the defined benefit formula and the money purchase benefit methods. You will receive the larger of the two benefits. Additional contributions to purchase service, plus interest, will also be used in the calculation of this benefit.

# DISABILITY RETIREMENT

## Eligibility

To qualify for a disability retirement, you must meet the following requirements:

- ◆ Your disability must occur during your active membership.
- ◆ You must be a vested member (have at least five years of membership service).
- ◆ Your disability must be permanent, or at least of extended and uncertain duration.
- ◆ Your disability must totally prevent you from doing the essential functions of your job even with reasonable accommodation.
- ◆ Your employer has defined the essential elements of your job and shown reasonable accommodation was attempted for the disabling condition(s) in compliance with the Americans with Disabilities Act.

## **EFFECTIVE DATE OF DISABILITY RETIREMENT BENEFIT**

You should apply for the disability retirement benefit while you are still an active member, or within 120 days after termination of your PERS employment. You will need to prove your disability occurred during PERS employment. If you are approved for a disability retirement benefit, it will go into effect the day after you terminate your employment. To receive disability retirement benefits, you will need to terminate all current PERS-covered employment.

If you terminate your employment and apply for the disability retirement benefit after four months have passed, you will need to prove your disability occurred before you terminated **and** that it has been continuous from when you terminated. (§§ 19-2-406 and 19-3-1002, MCA)

## DISABILITY BENEFIT

### Eligible members hired before July 1, 2011

The PERS disability retirement benefit is based on your highest consecutive 36 months of compensation. This does not have to be your last 36 months of employment. (§ 19-3-108, MCA)

Less than 25 years membership service:

$$1.7857\% \times \text{Years of Service Credit} \times \text{HAC}$$

25 years or more membership service:

$$2\% \times \text{Years of Service Credit} \times \text{HAC}$$

### Eligible members hired on or after July 1, 2011

The PERS disability retirement benefit is based on your highest consecutive 60 months of compensation. This does not have to be your last 60 months of employment. (§ 19-3-108, MCA)

More than 5 years but less than 10 years of membership service:

$$1.5\% \times \text{Years of Service Credit} \times \text{HAC}$$

10 or more but less than 30 years of membership service:

$$1.7857\% \times \text{Years of Service Credit} \times \text{HAC}$$

30 years or more membership service:

$$2\% \times \text{Years of Service Credit} \times \text{HAC}$$

**NOTE:** This is the same formula used to calculate your service retirement benefit except there is no reduction in the benefit amount for early retirement. A disability retiree may elect any of the four benefit payment options available to service retirees (see page 28). (§ 19-3-1008, MCA)

## OLD DISABILITY LAW

Members who joined PERS before February 24, 1991 could choose disability coverage under the old disability law. This choice had to be made in writing on or before December 31, 1991. Under the old law, a disabled member with at least five years of membership service could receive a monthly benefit equal to the larger of the following:

- ◆  $0.90 \times (1.7857\% \times \text{Years of Service Credit} \times \text{HAC})$ ; or
- ◆  $0.25 \times \text{HAC}$

Contact us if you are uncertain whether you are covered under the old law.

## EARNINGS LIMIT

While receiving a disability benefit, you can earn income (other than from PERS-covered employment), but your benefit will be reduced if the amount of your benefit plus your income together exceed the monthly amount you were earning when you became disabled. For any month that your other income plus your disability retirement benefit is more than the limit, MPERA will reduce your benefit \$1 for every \$1 your earnings are over the limit. After receiving a disability retirement benefit for 36 months, the board will annually adjust your limit for inflation. (§ 19-3-1103, MCA)

The earnings limit applies to income you earn from employment in a position that is not covered by PERS. If you accept a PERS-covered job, we will reinstate you to active service and cancel your disability 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. (§ 19-3-1015, MCA)

## DISABILITY BENEFIT CANCELLATION

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

- ◆ You are no longer disabled; or
- ◆ You accept another PERS-covered job; or
- ◆ You refuse to submit to a current medical exam or provide updated medical records. (§§ 19-3-1015 and 19-3-1104, 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 recalculated. Converting to a service retirement will end medical reviews and eliminate the disability earnings limit. If you accept a PERS-covered job after conversion, your earnings limits will be the same as for all other service retirees.

# CIRCUMSTANCES AFFECTING BENEFITS

## PERS WORKING RETIREES

As a retiree, you might wish to work in a job covered by PERS. However, you cannot have an agreement with your previous employer (either written or verbal) to come back to work after you retire and you must be retired for more than 90 days before you take a PERS-covered position as a working retiree, including work performed through a temp agency or as an independent contractor.

If you return to work before a 90 day break in service, you become an active member, your retirement will be cancelled and your benefits must be repaid to MPERA.

If you return to work **after** a 90 day break, and:

- ◆ If you are less than age 65, and work in PERS-covered employment in excess of 960 hours, your benefit will be reduced \$1.00 for each \$1.00 earned from PERS covered employment and any other concurrent non-PERS covered employment with the same employer. The limit applies to each calendar year. MPERA reduces benefits only if you exceed the limit.
- ◆ If you are age 65 or older, but less than age 70½, the limit is either 960 hours or an earning limitation, whichever is higher. The earning limitation is equal to your HAC adjusted for inflation. The sum of your retirement benefit and all PERS-associated earnings must be less than the earnings limitation (HAC adjusted for inflation). Earnings from other sources will not apply to the limit. Both limits apply to a single calendar year and we only reduce benefits for those years that your hours or earnings exceed the limit. Your benefit will be reduced \$1.00 for each \$1.00 earned from employment exceeding the limit.
- ◆ If you are age 70½ or older, there are no hours or earnings limits.

These limits apply to PERS retirees who return to PERS-covered employment. If you are unsure if PERS covers the position, ask potential employers before you start work.

If you return to full-time employment in a PERS-covered position, your retirement benefit will be cancelled and you become an active member.



## **BENEFIT UPON SECOND RETIREMENT**

If your initial retirement date is **before** January 1, 2016:

- ◆ If you accrue less than two years of service credit during your reemployment, your contributions will be refunded to you in the first month following your termination and you will begin to receive the same retirement benefit amount paid immediately prior to returning to employment.
- ◆ If you accrue more than 2 years of service credit during your reemployment, you will receive a recalculated retirement benefit based on provisions enacted after your initial retirement.

If your initial retirement date is **on or after** January 1, 2016:

- ◆ If you accrue less than five (5) years of service credit during your reemployment your contributions will be refunded to you at your final termination and your initial retirement benefit will be reinstated at the same amount paid immediately prior to returning to active service.
- ◆ If you accrue more than 5 years of service credit during the reemployment, your original benefit will be reinstated at the amount paid immediately prior to returning to active service and a second benefit will be calculated for the new service credit based on the laws in effect as of your rehire date.

Please be aware that Guaranteed Annual Benefit Adjustment (GABA) increases will not accrue on your suspended retirement benefits when your return to full-time employment. (§§ 19-3-1105 and 1106, MCA)

## **INVOLUNTARY TERMINATION**

If you are an employee of the State or university system, involuntarily terminated, and eligible for service or early retirement under PERS, there is a special provision that requires the State and university system to pay a part of the cost of buying additional service for employees. Termination could be the result of reorganization, closure of an agency, or a reduction in force (RIF). You will need to waive any other benefits that you may be eligible for under the State Employee Protection Act. The provision allows you to receive up to three years of additional service if you are eligible; but the State may only pay part of the cost.

If you accept the additional service, then special restrictions besides those previously discussed will apply. You may work in the same jurisdiction for 959 hours in a PERS-covered position or for only 599 hours in a position

covered under any of the other public retirement systems. All state agencies and units of the university system are the same jurisdiction which is the State of Montana. Local government units are separate.

If you exceed the limit, you will forfeit the additional service. We will recalculate your benefit without the additional service credit.

(§§ 19-2-706 and 19-3-908, MCA)

**Example:** If you are eligible for early or service retirement and are involuntarily terminated from a state agency due to reorganization, you may decide to retire and the state will pay part of the cost of buying three years of additional service. You can accept lesser service, or pay the additional amount to receive three full years.

Later, if you accept a PERS-covered position with a state agency, we will apply the 959-hour limit. After 959 hours, you will lose the additional service. We will recalculate your benefit without the employer paid share of the three years of additional service. If you were to return to work in another retirement system, the 599-hour limit would apply. After 599 hours, we will recalculate the benefit without the additional service.

## INDEPENDENT CONTRACTORS

Starting on July 1, 2013, PERS retirees working as independent contractors in a PERS-covered position are subject to the working retiree limitations.

An independent contractor is an individual engaged in an independent trade, occupation, profession, or business who works under contract; and who is free from control or direction when performing services under the contract. Generally, factors that determine whether services are free from control or direction include, but are not limited to, the following:

- ◆ Exercise of control - contractor control of the means by which the work is done shows independence.
- ◆ Furnishing of equipment - contractor-furnished equipment shows independence.
- ◆ Method of payment - payment based on hours shows employment rather than independence.

If you are not an independent contractor but an employee, you are subject to the above limits. Since 2005, Montana law has required independent contractors to either have an independent contractor exemption certificate, or purchase workers' compensation insurance coverage for themselves.

Failure to obtain the exemption or insurance may result in your being treated as an employee subject to these limits.

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limits.

(§ 39-71-417, MCA; ARM 2.43.1302)

### **TEMPORARY POSITIONS**

PERS retirees working in PERS-covered positions through a professional employer arrangement, an employee leasing agreement, or a temporary service contractor (temp agency) are also subject to working retiree limitations. See page 25.

# RETIREMENT AND DISABILITY PAYMENT OPTIONS

At retirement, PERS offers four benefit payment options. The option you choose determines whether or not the benefit continues to someone else (a **contingent annuitant**) after your death. If you choose an option to provide income for someone after you die, your monthly retirement benefit will be reduced. The reduction depends upon the option you choose, your age and the age of your named contingent annuitant. (§ 19-3-1501, MCA)

**Generally, once you receive and accept your first benefit payment, you cannot change your retirement option, except under specific circumstances as described on page 30.**

## OPTION 1

Option 1 provides a monthly benefit for your lifetime only and is the largest monthly amount you can choose. Option 1 is also the basis for calculating all other options. The benefit is computed using the defined benefit formula described on page 19.

Upon your death, your designated beneficiary will receive any balance left in your account. That balance will be your contributions plus interest available at retirement, minus the total benefits already paid to you. All Option 1 monthly benefit payments end upon your death.

## OPTION 2

To calculate a benefit for Option 2, your Option 1 benefit is multiplied by an actuarial factor<sup>1</sup> based on both your age and your **contingent annuitant's** nearest whole age at your retirement.

Option 2 provides a monthly benefit to you for your lifetime. When you die, your **contingent annuitant** will receive the same monthly benefit for the rest of their life, subject to annual benefit increases. Upon his/her death after receipt of any benefits, your remaining account balance, if any, will revert to the PERS trust fund. You may not change your option election or your contingent annuitant except in limited circumstances (see page 30). If

<sup>1</sup> For more information regarding option factors, see Board Admin 09 on our website at [mpera.mt.gov](http://mpera.mt.gov) and the Administrative Rules of Montana.

you have not timely filed a request to elect a new option or name a different contingent annuitant, your account balance will be distributed to your beneficiary or estate.

**Option 2 provides the same benefit amount to your contingent annuitant for their lifetime.**

The benefit amount of Option 2 is less than Option 1 because the lifetime value of your benefit is spread over two lives instead of one.

**According to IRS regulations, if the age difference between you and your non-spouse contingent annuitant is greater than ten years, you may not select Option 2. This limit does not apply to a spouse.**

### OPTION 3

Option 3 will provide a monthly benefit to you for your lifetime. When you die, your **contingent annuitant** will receive **one-half of that amount** for the rest of their life, subject to annual benefit increases. Upon his/her death after receipt of any benefits, your remaining account balance, if any, will revert to the PERS trust fund. You may not change your option election or your contingent annuitant except in limited circumstances (see next page). If you have not timely filed a request to elect a new option or name a different contingent annuitant, your account balance will be distributed to your beneficiary or estate.

**Option 3 provides one-half of the benefit amount to your contingent annuitant for their lifetime.**

The benefit amount of Option 3 is less than Option 1 because the lifetime value is spread over two lives instead of one. The Option 3 factor is based on both your age and your contingent annuitant's age at your retirement date. However, because the contingent annuitant receives only one-half of your benefit, your Option 3 benefit would be larger than the Option 2 benefit. Your Option 3 benefit is calculated by multiplying the Option 1 benefit by an Option 3 factor. The Option 3 factor is based on both your age and your contingent annuitant's age at your retirement date.

## CHANGING YOUR OPTION IF YOU ELECTED 2 OR 3

There are only two circumstances under which you can change your Option 2 or Option 3 payment or contingent annuitant. You may only change if:

- ◆ your original contingent annuitant dies; or
- ◆ you and your contingent annuitant divorce and there is no **Family Law Order** in place, giving your contingent annuitant the right to receive part of your benefit.

Under these conditions, if you had selected either Option 2 or 3 when you retired, you may:

- ◆ revert to the higher Option 1 retirement benefit that was available at the time of your retirement, plus any guaranteed annual benefit adjustments (GABA) you have received; or
- ◆ change your benefit Option and name a new contingent annuitant; or
- ◆ keep the same Option and name a new contingent annuitant.

To change your payment option or contingent annuitant, you must designate a new contingent annuitant or payment option in writing, **within 18 months** of the death of or divorce from the contingent annuitant. Please note your retirement benefit calculation will change if you select Option 1. Also, if you select a new contingent annuitant your benefit amount will change because the calculations are based on your age and your new contingent annuitant's age at the time of the election. Contact us to receive an estimate of the new benefit and an application form. (§ 19-3-1501, MCA)

**To change Option 2 or 3, you must inform MPERA within 18 months of the qualifying event.**

## OPTION 4

Option 4 will provide a continuing benefit to one or more contingent annuitants. As with all options, you will receive the monthly benefit for **your life**. If you die before the end of the “certain” or guaranteed period, your contingent annuitant will receive the benefit for the balance of the guaranteed period. If you name more than one contingent annuitant, they will receive the continuing benefit payment, divided equally, for the remainder of the guaranteed period. Payments to the contingent annuitant(s) will stop when the guaranteed period ends.

This benefit has two alternatives:

- ◆ **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. The 10-year period begins on your effective date of retirement. You will receive this benefit for life. If you die before the 10-year period ends, then your contingent annuitant(s) will receive the same benefit for the remainder of the 10-year period.
- ◆ **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The 20-year period begins on your effective date of retirement. You will receive this benefit for life. If you die before the 20-year period ends, then your contingent annuitant(s) will receive the same benefit for the remainder of the 20-year period.

You can change your Option 4 contingent annuitant designation after retirement at will. Contingent annuitant(s) receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

**NOTE:** The Option 4 benefit will be calculated using Option 4 factors which are based on **your age only**.

# ADDITIONAL INFORMATION

## BENEFIT INCREASES

The Guaranteed Annual Benefit Adjustment (GABA) may increase your retirement benefit if you are eligible.

Before you receive an increase under GABA, you need to have received your benefit for at least 12 months. Once eligible, you may receive your first increase in your retirement benefit payment that following January. For example: If you retire on July 1, 2015, you will meet the 12-month requirement on July 1, 2016. You may then receive your first GABA increase beginning with your January 1, 2017 benefit.

The GABA applies to:

- ◆ Service Retirement Benefit;
- ◆ Early Retirement Benefit;
- ◆ Disability Retirement Benefit; and
- ◆ Survivorship Benefit.

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

After you have received retirement benefits for at least 12 months, your benefit should increase in January of each year. The percent of increase for PERS members hired:

- ◆ before July 1, 2007 - 3%
- ◆ between July 1, 2007 and June 30, 2013 - 1.5%
- ◆ on or after July 1, 2013 - “sliding scale” ranging from 0% to 1.5% as provided in HB 454 (2013). ([§ 19-3-1605, MCA](#))



# DEATH BENEFITS

## DEATH BEFORE RETIREMENT

If you die while a PERS member, your designated beneficiary(ies) can receive either a lump-sum payment or a monthly survivorship benefit.

### Lump-sum Payment

Payment will be the sum of:

- ◆ your accumulated contributions; and
- ◆ an amount calculated as  $\frac{1}{2}$  multiplied by your last twelve months of pay multiplied by the lesser of six or your years of service credit, plus interest on the amount above to the first day of the month when the payment is made.

This lump-sum death payment will be paid if your death occurs in any of the following cases:

- ◆ While in active service.
- ◆ Within six months after a disability benefit begins.
- ◆ If disabled continuously since leaving active service, when you are not receiving a disability retirement benefit.
- ◆ If the member dies while inactive.

A beneficiary can choose to receive the payment as a lump sum or a fixed monthly annuity payment.

### Non-Increasing Annuity

The fixed monthly annuity payment is guaranteed for life. The amount of the monthly payment will not change. Increases (such as GABA) that may apply to other monthly benefits will not apply to monthly annuity payments. To receive the monthly annuity payment, your beneficiary must send a written election to the Board.

### Survivorship Benefit

Generally, a beneficiary eligible to receive a service death payment can choose to receive a survivorship benefit instead. A survivorship benefit is calculated based on the value of a vested member's potential benefit if the member had not died before receiving the benefit.

A survivorship benefit is also a monthly payment for life, but may be more than the monthly annuity payment. Benefit increases such as the GABA which do not apply to death annuity payments, do apply to the survivorship benefit.

**To receive a survivorship benefit, a beneficiary must apply within 90 days after receiving notice they are eligible for a death payment.**

## **DEATH AFTER RETIREMENT**

If you were receiving an Option 1 benefit, and you die before receiving benefits equal to your account balance, your beneficiary will receive your remaining account balance. Your remaining account balance is your contributions, plus interest to date of retirement, minus any benefit payments you received. Your designated beneficiary may request the lump-sum payment be received as an annuity.

If you chose Options 2, 3 or 4, see Payment Options for details on death benefits.

## **DEATH BENEFIT CLAIM**

Upon notification of your death, MPERA will send a death benefit claim to your designated beneficiary. To claim a death benefit, the beneficiary must return the completed form to MPERA along with a certified copy of your death certificate. ([ARM 2.43.2902](#))

(§§ 19-3-1201; 19-3-1202; 19-3-1203, 19-3-1204; and 19-3-1205, MCA)

## REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your PERS-covered employment, you can leave your money on account to continue to earn interest; 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. 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 13), 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 taxes can be withheld if requested.

**Return to Work After Receiving a Refund:** If, after receiving a refund, you return to a mandatory PERS-covered position, you will again become a member. We will consider you a new member. You may reinstate the refunded service through a service purchase. For more information on service purchases, see page 14. ([§ 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 PERS.**

## **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 made on or after July 1, 1985 or service purchases you made through payroll deductions after the year 1999.

You will be asked to make withholding elections for federal and/or Montana state income tax on your benefit at the time you apply for retirement. You may change your withholding elections at any time by completing and submitting a new Tax Withholding Certificate form available online at the MPERA website.

### **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**

Tax laws that apply to retirement benefits change frequently. Contact a tax professional for specific, up-to-date information about state and federal taxes.

### **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. Depending on your personal circumstances, the amount withheld may not cover all taxes you may owe on the refund. Refunds taken before age 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 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 PERS benefits to an alternate payee (usually a former spouse) pursuant to a Family Law Order (FLO).

### **SUPPORT OBLIGATION**

Your PERS 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 PERS 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.

A FLO may not require PERS 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 PERS 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 PERS-covered position, 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 nondiscriminatory 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 current salary of the member.

**ADDITIONAL CONTRIBUTIONS** - a member's payments to purchase various types of optional service credit.

**ANNUITY** - equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

**BENEFIT** - a service, early or disability retirement or survivorship provided by PERS.

**CONTINGENT ANNUITANT** - a person the retired member names to receive a continuing benefit after the member's death.

**CONTRACTING EMPLOYER** - a political subdivision or governmental entity of the state that contracts with the Board to cover its employees under PERS.

**COMPENSATION** - the pay an employee receives before deducting taxes or social security in accordance with [§ 19-3-108, MCA](#). After July 1, 2013, bonuses are excluded.

**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.

**DESIGNATED BENEFICIARY** - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

**DISABILITY** - total physical or mental incapacity of a member to do the essential functions of the member's job even with reasonable accommodations required by the ADA, for a permanent or extended and uncertain duration.

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

**EMPLOYER** - the state, its university system, or political subdivisions that contract with the Board to cover their employees under PERS.

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

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

**GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)** - a benefit increase, based on an annual actuarial valuation of the PERS trust fund, provided to offset inflation.

**HIGHEST AVERAGE COMPENSATION (HAC)** - a member's highest average monthly compensation during a set period of consecutive months of membership service. Lump-sum payments for sick leave, banked holiday time and annual leave may not be added to a single month's pay. Your 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 as provided by the compensation limit.

**INACTIVE MEMBER** - a member who terminates PERS-covered employment and does not withdraw his or her PERS accumulated contributions.

**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 the PERS. Persons receiving retirement benefits based on previous service credit are also members.

**MEMBERSHIP SERVICE or YEARS OF SERVICE** - the periods of service used to determine vesting and eligibility for retirement or other benefits. You get 1 month membership service for any month you contribute to PERS, if you work any time during that month. If you contribute anything, you get membership service for the whole month.

**NORMAL RETIREMENT AGE** - the age at which a member is eligible to immediately receive a retirement benefit from PERS without disability and without a reduction. Eligibility is based on the member's age, length of service, or both.

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

**REFUND** - a withdrawal of all the accumulated contributions in a member's PERS account. This does not include employer contributions. By taking a refund, the member gives up all rights to any other benefits from the PERS.

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

**REGULAR INTEREST** - (1) Interest earned on the payments made to a member's account. This rate is set by the Board and is tax-deferred. (2) The interest rate charged for monthly service purchase payments. The rates for (1) and (2) may or may not be the same.

**RETIREMENT BENEFIT** - the monthly payment to a member, for life, following early, 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 of time for which the required contributions have been made to PERS and that are used to calculate retirement benefits or survivorship benefits.

**SURVIVORSHIP BENEFIT** - monthly payments for life to the beneficiary of a vested member who died while an active member.

**TERMINATION or TERMINATION OF SERVICE** - means the member has left the employment relationship for at least 30 days, has no written or verbal agreement to return, 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 retirement benefits when he or she meet the minimum service or age provision.

# STATE OF MONTANA

Steve Bullock, Governor

## PUBLIC EMPLOYEES' RETIREMENT BOARD

### ***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**

#### **VACANT**

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

#### **VICE PRESIDENT**

#### **Maggie Peterson**

Investment Management  
Anaconda  
Appointed June 2014  
Term expires April 2019  
[maggie.peterson@mt.gov](mailto:maggie.peterson@mt.gov)

#### **Pepper Valdez**

Active Public Employee  
Billings  
Appointed July 2015  
Term expires April 2020  
[pepper.valdez@mt.gov](mailto:pepper.valdez@mt.gov)

#### **Timm Twardoski**

Member At Large  
Helena  
Appointed April 2016  
Term expires April 2021  
[tim.twardoski@mt.gov](mailto:tim.twardoski@mt.gov)

#### **Julie McKenna**

Active Public Employee  
Helena  
Appointed July 2015  
Term expires April 2017  
[julie.mckenna@mt.gov](mailto:julie.mckenna@mt.gov)

#### **Mary Tuttle**

Active DC Plan Member  
Clancy  
Appointed July 2015  
Term expires April 2019  
[mary.tuttle@mt.gov](mailto:mary.tuttle@mt.gov)

#### **Mike McGinley**

Member at Large  
Dillon  
Appointed April 2013  
Term expires April 2018  
[mike.mcginley@mt.gov](mailto:mike.mcginley@mt.gov)

# MPERA

## **MPERA Mission Statement**

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

## **EXECUTIVE OFFICERS**

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

## **CONTACTING MPERA**

If you have any questions about the Public Employees' Retirement System (PERS), 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.

### **Telephone**

(877) 275-7372  
(406) 444-3154

### **Mailing Address**

P.O. Box 200131  
Helena, MT 59620-0131

### **Office Address**

100 North Park Ave  
Suite 200  
Helena, MT 59601

**Email** - [mpera@mt.gov](mailto:mpera@mt.gov)

**Web Site** - <http://mpera.mt.gov>

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## **ALTERNATE ACCESSIBLE FORMATS**

MPERA will provide alternate accessible formats of this document upon request. For an alternative accessible format of this information, please contact us.

# SAMPLE CALCULATIONS

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

## SERVICE RETIREMENT EXAMPLE WANDA

Age At Retirement .....	65
Membership Service .....	18 years
Service Credit .....	18 years
Highest Average Compensation (HAC) .....	\$1,750 per month
Account Balance at Retirement .....	\$28,796
Contingent Annuitant's Age .....	65

### Option 1 Formula: 1.7857% x Service Credit x HAC

$$1.7857\% \times 18 \times \$1,750 = \$562.50/\text{month}$$

Because Wanda has 18 years of Membership Service, the 1.7857% factor is used. Under Payment Option 1, Wanda will receive a monthly benefit of \$562.50, plus GABA increases when eligible, for life. Upon her death, monthly payments will cease. If the total benefits paid to Wanda are less than her balance at retirement (\$28,796), the balance will be paid in a lump-sum to her designated beneficiary.

### Option 2 Formula: Option 1 Amount x Option 2 Factor

$$\$562.50 \times 0.8327 = \$468.39 \text{ per month}$$

If Wanda elects Option 2, she will receive a monthly benefit of \$468.39, plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant the same amount Wanda was receiving, plus increases when eligible, for life.

### Option 3 Formula: Option 1 Amount x Option 3 Factor

$$\$562.50 \times 0.9087 = \$511.14 \text{ per month}$$

If Wanda elects Option 3, she will receive a monthly benefit of \$511.143 plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant one-half of the amount Wanda was receiving, plus increases when eligible, for life.

**Option 4 Formula:**

The 10-year and 20-year periods begin on the effective date of your retirement. **Factors used for 10-year or 20-year periods are based only on the retiree's age.**

**10-Year certain: Option 1 Amount x Option 4 10-year Factor**

$$\mathbf{\$562.50 \times 0.9701 = \$545.68 \text{ per month}}$$

If Wanda chooses the 10-year certain payment option, she will receive monthly payments of \$545.68 plus GABA increases when eligible, for life. If she dies before the 10-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Wanda dies after the 10-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

**20-Year certain: Option 1 Amount x Option 4 20-year Factor**

$$\mathbf{\$562.50 \times 0.8859 = \$498.32 \text{ per month}}$$

If Wanda chooses the 20-year certain payment option, she will receive monthly payments of \$498.32 plus GABA increases when eligible, for life. If she dies before the 20-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 20-year period. If Wanda dies after the 20-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

