

Montana Public Employee Retirement Administration

PERS Steps to Retirement

Let's get started

- Our goal is to help you better understand your PERS Defined Benefit Retirement Plan.
- How much retirement income it may provide.
- How does your PERS benefit fit in with other parts of your retirement puzzle?
- Finally, the steps of the retirement process.



Welcome to MPERA

- MPERA administers 8 different retirement systems for public employees throughout Montana.
- MPERA's board consists of 7 governor-appointed members who serve as trustees and fiduciaries of the systems.
- The Public Employee Retirement System (PERS) is the largest system with approximately 29,000 members and 533 participating employers statewide.
- PERS has been providing retirement benefits for Montanans since 1945.

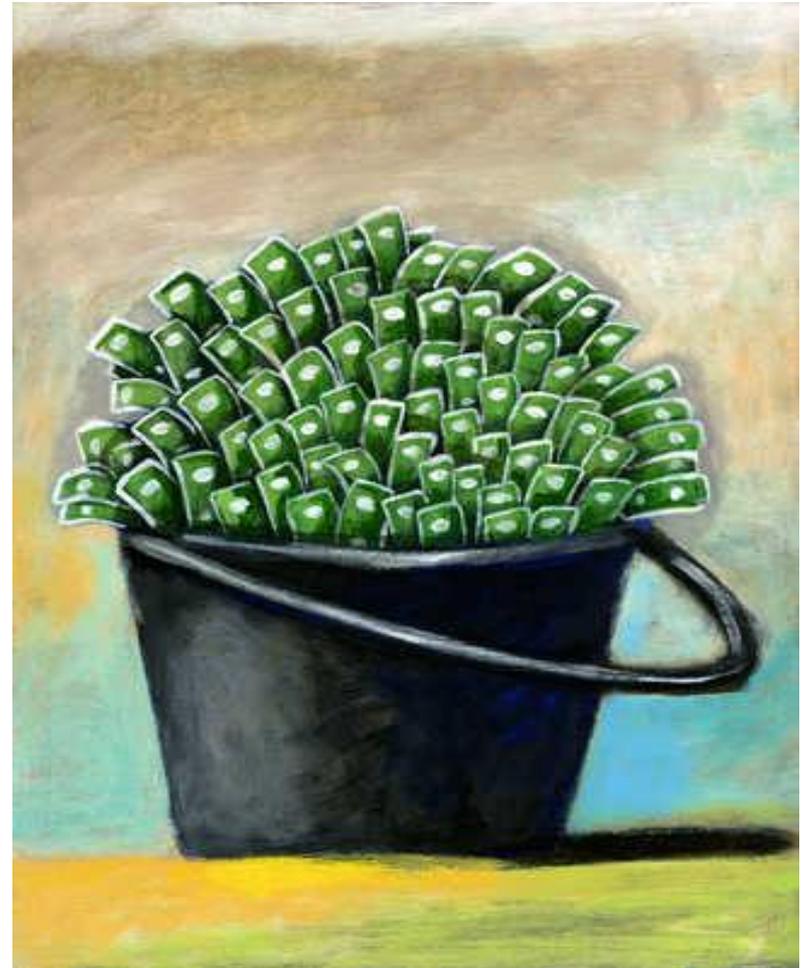
Contributions

- Throughout your career, you and your employer have been contributing a set percentage to the PERS Pension Trust Fund. Currently, those rates are:
- Employer: 7.17%
- Employee: 6.9%



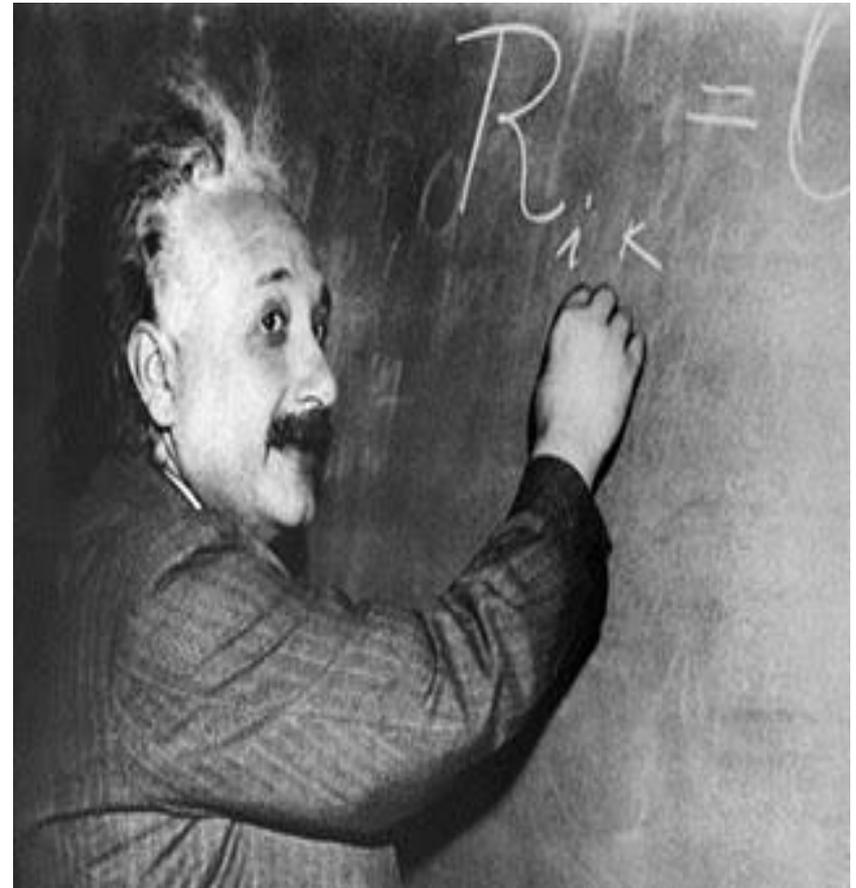
The PERS Pension Trust Fund

- A multi-billion dollar fund used to pay benefits to members and their beneficiaries.
- The Trust Fund pays for the following:
 - Service and Early Retirements
 - Disability Retirements
 - Administrative Costs
 - Investment Management Costs
- A small portion (.04%) of employer contributions goes to the Education Trust Fund to pay for MPERA education programs.



How is my monthly benefit calculated?

- Your benefit is based on a set formula in state statute.
- The formula contains 3 components:
 - A factor based on years of membership service
 - Highest Average Compensation
 - Years of Service Credit



Membership Service

- Membership Service determines:
 - Retirement Eligibility
 - Factor (1.7857% or 2%)
 - Vesting
 - Entitles members to lifetime monthly benefit (when eligible)
 - Vested at **5 years** of membership service
- 1 month of membership service earned for ***any*** hours reported during any given month.

Factor

- If you have less than 25 years of membership service your factor is: **1.7857%**
- If you have 25 or more years of membership service your factor is: **2%**



Highest Average Compensation (HAC)

- When your benefit is calculated, your highest consecutive 36 months of gross pay reported by your employer will be used.
- It doesn't have to be your *last* 36 months, just your *best* overall 36 months.



How does the final payout of sick & annual leave affect my HAC?

- **Before Payout: HAC = \$1,766**

2007 = \$1500 (12 months)

2008 = \$1800 (12 months)

2009 = \$2000 (12 months)

Payout = \$20,000; \$20,000 divided \$2000 = 10 months

10 months of \$2000 HAC is *added*

10 months of \$1500 HAC is *dropped*

- **After Payout: HAC = \$1,905 (+\$139)**

2007 = \$1500 (2 months)

2008 = \$1800 (12 months)

2009 = \$2000 (12 months)

Payout = \$2000 (10 months)

Service Credit

- Service Credit determines the ***amount*** of your monthly benefit.
- It is based on actual hours worked each month.
- Full-time employment (160+ hours per month) equals one month of service credit.
- Part-time employment (less than 160 hours per month) equals proportional service credit*.

**Example:*

80 hours per month equals $\frac{1}{2}$ month of service credit

120 hours per month equals $\frac{3}{4}$ month of service credit

Put it together and...

$$\begin{aligned} & \text{Factor (1.7857 or 2\%)} \\ & \quad \times \\ & \text{Highest Average Compensation (HAC)} \\ & \quad \times \\ & \text{Years of Service Credit} \\ & \quad = \\ & \text{Monthly Benefit} \end{aligned}$$

When am I eligible to retire?

- The following requirements will qualify for a service retirement:
 - Any age with 30 years of membership service
 - Age 60 with a minimum of 5 years of membership service
 - Age 65 in active service



What about early retirement?

- Early Retirement is a reduced benefit based on age and/or years of membership service.
- To qualify:
 - Any age with 25 years of membership service
 - Age 50 with 5 years of membership service



Examples?

- Jim is 62 years old and his monthly benefit is based on the following assumptions:
 - 25 years of membership service & service credit
 - HAC is \$3000 per month

$$2\% \times \$3000 \times 25 = \text{\$1500 per month*}$$

** Payment option #1*

Are there any increases to my benefit when I'm retired?

- **Yes.** The annual increase is a guaranteed annual benefit adjustment or **GABA**. After receiving 12 months of benefits, your monthly benefit will increase the following January:
 - 3% per year*
**Hired prior to July 1, 2007*
- The GABA applies to:
 - Service/Early Retirements
 - Disability Retirements
 - Beneficiary



Payment Options

- Depending on your circumstances at retirement, you may choose between 4 options. These payments will vary.
- **Option 1:** Life Income
- **Option 2:** Joint and 100% Survivor
- **Option 3:** Joint and 50% Survivor
- **Option 4:** Life Income with Period Certain
 - 10 Year Certain
 - 20 Year Certain

Payment options are chosen at the time of your retirement!

Examples with payment options

- Dan is age 60; his survivor is also age 60. He has 27 years of service and membership credit and his HAC \$3,000 per month. The following payments are based on the difference between the member and the contingent annuitant's ages.
- **Option #1 - \$1620** ($2.0\% \times 3000 \times 27 \text{ years}$) – payable for life of member only.
- **Option #2 - \$1388.18** ($\$1620 \times .8569$) - payable to member and continues to contingent annuitant.
- **Option #3 - \$1495.10** ($\$1620 \times .9229$) - payable to member and $\frac{1}{2}$ or **\$747.55** continues to contingent annuitant.

Examples, continued

- **Option #4 10 – year - \$1589.38** ($\$1620 \times .9811$)
 - Guaranteed for member's lifetime
 - If member passes away before 10 years, the benefit continues to contingent annuitant for the balance of the 10 year period.
- **Option #4 20 – year - \$1493.15** ($\$1620 \times .9217$)
 - Guaranteed for member's lifetime
 - If member passes away before 20 years, the benefit continues to contingent annuitant for the balance of the 20 year period.
- Want to do your own estimate?

Go to: <http://mpera.mt.gov> and click "calculate my retirement".

What if my survivor dies or I get divorced while I'm retired?

- A member's benefit under **Option 2 or 3** can revert to **Option 1** if the member's survivor dies before the member .
- MPERA must be contacted **within 18 months** of the survivor's death to make this change.
- The member can name a new survivor and MPERA will re-calculate the member's benefit (remaining in Option 2 or 3).
- If a member retired under Option 2 or 3 is divorced and the divorce decree does not grant a portion of the benefit to the former spouse, the member may move to Option 1 or name a new survivor.

Important Questions

- Based on what we've covered so far, and some basic calculations (years worked, salary & factor), will your monthly benefit be enough?
- How will your benefit fit into your retirement goals and the "3-legged stool"?
- If your benefit is not enough, what can you do to change the formula?
 - **Factor** (1.7857% to 2%)
 - **HAC increase**
 - **Service Purchase** (additional Service Credit)



Purchase of Service

- Purchasing service can help affect the formula when you retire. You can purchase years of service and add them to the years you are currently earning.
- Additional service means a better monthly benefit.
- Many payment options available: lump-sum, payroll deduction, rollover from eligible retirement plans.
- Contact MPERA for estimates.

Types of Service That May Be Purchased

- Refund
- Retroactive
- MT Public Service
- Absence Due to Illness or Injury
- Military
- Federal Volunteer Service
- Other Public Service
- Additional (“1 for 5”)

How much will it cost?

- Service purchases are done on a case by case basis and costs can vary greatly.
- Carefully review the estimate and analyze the cost versus the benefit.
- Is purchasing service going to significantly impact your benefit?



The Retirement Process

- **At least** 6 months prior to retirement, request a **Benefit Estimate**.
- Review estimate for discrepancies.
- Complete and return the **Important Form** which accompanies the Benefit Estimate.
- Complete and return the **Retirement Application** that accompanies the benefit estimate.
- Make sure you file your application **30-90 days** before your retirement date
- Choose from Options 1-4.



The Retirement Process

- Your retirement will be effective the 1st of the month after your termination and receipt of application and all necessary documents.
- MPERA can also provide the following services:
- **Tax withholding**
- **Direct deposit** (the quickest, most efficient way to receive your monthly benefit)



Necessary Documents

- Completed Application
 - Signed by you
 - Signature must be witnessed.
- Proof of Age (Yourself and your named contingent annuitant)
 - Birth certificates (certified copy)
 - Church certificates
 - Military service records
 - Original naturalization or immigration record
 - Notification of birth registration
 - Driver's License
 - Passport



Working Retirees

- Retired PERS members may return to work at a PERS covered position. The retiree is limited to the number of hours they can work. To be considered, a member must have:
 - Received all pay including sick and annual leave
 - The member must be termed for at least **90 days*** and receive one retirement check
 - Have no verbal or written agreement to return to work

**As of July 1, 2011*

Working Retirees

- The number of hours a retiree is allowed to work in a PERS covered position are as follows in current statute.
- **Up to age 65**, the retiree may work up to **960 hours** in a calendar year. If that is exceeded, the benefit will be reduced dollar for dollar.
- **Age 65 to 70 ½**, the limit is 960 hours **or** an earning limitation based on your HAC whichever is higher.
- **Age 70 ½ or older**, there are **no limits** restricting the earnings of retired members.
- **Important!** Starting July 1, 2011: If you are a working retiree who has returned to work for one employer in two positions, with one position subject to PERS and the other not, the hours worked in **both positions will count toward your working retiree limit.**

Other possibilities

- **Continue to work**
 - Postpone retirement and earn additional service
- **Take a refund**
 - Members may opt for a lump sum refund of their account plus interest
 - Employer contributions are not refunded
- **Disability Retirement**
 - Vested members who become disabled may qualify. These are subject to Board approval
- **Death**
 - If a member dies while working, their designated beneficiary will receive either a lump-sum payment of the member's account **or** a lifetime benefit



Your membership card

- It is important to keep your membership card up to date, *especially* your beneficiary information (*All* personal financial information not just PERS)!
- If you have experienced a birth, death, marriage, divorce or a name-change over the years, it is critical that you fill out a new membership card.
- To update:
 - Get a new card from Payroll or Human Resources (HR)
 - Complete the card and return to Payroll or HR
 - Payroll or HR will submit the card to MPERA
 - Changes **are not** effective until the card is on file in our office.

Contacting MPERA

Education Department

- **Joel Thompson**
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- **Armando Oropeza**
406-444-9139
aoropeza@mt.gov
- **Jenny Weigand (Supervisor)**
406-444-2996 or
jweigand@mt.gov
- **Member Services &
Front Desk Phone Numbers**
1-877-275-7372 (toll free)
444-3154 (local)
- **Visit us online at:**
<http://mpera.mt.gov>
- **Email us at:**
mpera@mt.gov



MPERA Online

- Stay connected! Our website has a wealth of information including:
- Calculators
- Handbooks
- Forms
- News
- Workshops
- Annual Reports



Question and Answer

- If you have questions after the class, don't hesitate to call or e-mail.
- When the class ends, our educational service does not end.
- Questions?

