



MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

DIRECTIONS

for members of the Defined Benefit Retirement Plan (DBRP)

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Welcome Bob!

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Welcome Lee!

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MPERA

Executive Director
Roxanne Minnehan

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Should any information in this newsletter conflict with statute or rule, the statute or rule will apply.

A Message From The Executive Director

Dear members,

2012 is off and running! We are looking forward to a very busy and exciting year here at MPERA. Let me fill you in on what's happening.

Replacing our Computer System

Our goal at MPERA is to provide our members and employers with the best possible customer service. With that in mind, we have started on a project to replace our current computer system. Our project is called MPERAtiv and we anticipate it will take 3-5 years to complete. Since the oldest component of our current computer system was put in place in 1985, almost 26 years ago, the name MPERAtiv is fitting. Our system currently has many limitations and its programming has become difficult to maintain.

The project will take place in several phases. Our goals are to:

- ♦ improve operational efficiency;
- ♦ provide better service to our plan members, employers and other customers; and
- ♦ address disaster recovery concerns surrounding our current paper-driven processes.

When the project is complete, our new system will provide faster, easier service for our members and employers. We will keep you posted throughout the process.

Communications

We are striving to ensure all of our employers and members stay informed. We've implemented several new ways to get important retirement information. Our Facebook page keeps you updated on what's happening here at MPERA and links you to other important information. Our website is also a valuable tool. There you can find my Executive Director's Blog, where I will keep you informed about important changes in retirement systems as well as responses to retirement issues or concerns. And remember, our newsletters and press releases can always be found online. Simply visit our website at <http://mpera.mt.gov>.

Get involved!

The 2013 legislature will be meeting in less than a year and once again, retirement is a hot topic. Let your representative and senator know that your retirement is important. Get involved! Take an interest in your retirement. It impacts your future. Also, we want to hear from you about any questions or concerns. The board members' email addresses are also available for you to send them your thoughts. As we move forward, our mission remains to provide the best service possible and to help our members achieve a successful retirement.

Looking forward to spring in beautiful Montana!

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What Is A Defined Benefit Retirement Plan?

Defined benefit plans provide retirement income for your lifetime. In a defined benefit plan, your monthly benefit is based on the formula defined in Montana statute. The formula includes how long you worked and your highest (or final) salary earned in your retirement system covered position. But how does a defined benefit plan work?

Each pay period, you contribute a percentage of your paycheck to your retirement account. This money is taken out before taxes. You make these contributions throughout your career while employed in a retirement-system covered position. The contributions credited to your account earn interest as long as you leave them in the plan. Your retirement account is pooled with the accounts of all the other members of your retirement system into what is known as the pension trust fund.

The pension trust fund is professionally managed by the Montana Board of Investments. The trust fund is invested in various asset classes and grows as a result of positive investment returns. The trust fund is used to pay benefits to you and your beneficiaries. Investment and management costs also are paid from the trust. To learn more about the trust fund, how it is invested, and what benefits are distributed from it, see MPERA's Comprehensive Annual Financial Report (CAFR) at <http://mpera.mt.gov/annualReports.shtml>.

Your employer also contributes a set percentage of their total payroll each pay period to the trust fund. The employer contributions are not a match of your contributions and are not refundable if you decide to leave your employment and take the money out of your account.

After you retire, you will receive a benefit based on the amount calculated by the formula defined in statute, minus taxes, paid to you from the trust fund. This amount (plus increases when you are eligible) will be paid to you for your lifetime. Depending on your retirement system, you may be able to choose an option that provides a benefit to your beneficiary.

If you have any question about defined benefit plans, please contact us. ♦

Supplement Your Retirement Income!

With increasing health care costs and other expenses, leading retirement experts are now projecting that you may need to replace 90-110% of your pre-retirement income when you retire to maintain your current standard of living. A defined benefit pension plan alone was never intended to replace 100% of your pre-retirement income. In general, retirement benefits are likely to be half or less of your pre-retirement income. The specific amount depends on each individual's circumstances and the option chosen at retirement.

So, how can you increase your retirement savings with minimal impact on your budget? One easy way is to start participating in a supplemental retirement savings plan such as the State sponsored 457(b) Deferred Compensation Plan. For as little as \$10 a month, you can invest in your retirement. As always, the sooner you start, the more you can save!

If your employer already offers a 457(b) plan, consider participating. If your department or agency doesn't offer a 457(b) plan, you may wish to speak to your employer regarding a plan. The state sponsored supplemental retirement plan is available to all state and university system employees. Local government and school district employees can also contribute to the plan if their employer contracts with the Public Employees' Retirement Board to offer this valuable benefit.

457(b) Deferred Compensation Plans are an affordable and effective way for you to begin saving today! Money is deposited into your account through payroll deduction making saving for retirement simple and convenient. In addition, it's also free for employers! For information, contact Jenny Weigand at: (406) 444-2996. ♦

Welcome To Robert Bugni And Wilbert "Lee" Smith!

MPERA welcomes Robert Bugni and Wilbert Smith as the newest members of the Public Employees' Retirement Board!

A retired PERS member, and a former Board of Investments (BOI) employee, Mr. Bugni was appointed December 13, 2011. His term expires in April of 2014. His position is Investment Experience and will represent PERB on the BOI.

Wilbert Smith is an employee of the Department of Corrections and was appointed March 28, 2012. His term expires in April of 2017. His position is Active Public Employee. ♦

Pensions Benefit Montana's Economy!

A recent study conducted by the National Institute for Retirement Security concluded that defined benefit retirees are less likely to need public assistance in retirement and more likely to be financially fit. However, defined benefit retirees are not the only ones who benefit from plan participation. An often overlooked benefit of defined benefit plans is their associated economic impact. All 56 of Montana's counties realize a financial boost from retirees. Retirees contribute to local economies by purchasing goods and services and paying taxes. Defined benefit plans are a win-win for all concerned about retirement security for members, and continued economic support and tax revenue for Montana communities! The table below shows how much benefit money goes to each county as of January 31, 2012.

County	\$ Benefit	County	\$ Benefit	County	\$ Benefit
BEAVERHEAD	2,380,758	GRANITE	1,066,495	POWELL	4,389,089
BIG HORN	1,275,486	HILL	4,198,733	PRAIRIE	658,431
BLAINE	1,076,537	JEFFERSON	8,418,390	RAVALLI	5,957,674
BROADWATER	1,683,010	JUDITH BASIN	377,693	RICHLAND	1,855,288
CARBON	2,334,624	LAKE	5,869,597	ROOSEVELT	2,080,961
CARTER	326,434	LEWIS & CLARK	60,832,510	ROSEBUD	1,594,332
CASCADE	21,905,877	LIBERTY	483,576	SANDERS	1,853,709
CHOUTEAU	994,159	LINCOLN	3,130,180	SHERIDAN	1,161,578
CUSTER	5,720,175	MADISON	1,928,364	SILVER BOW	13,556,851
DANIELS	549,930	MCCONE	416,484	STILLWATER	1,707,477
DAWSON	3,713,508	MEAGHER	644,006	SWEET GRASS	850,683
DEER LODGE	8,333,854	MINERAL	1,359,107	TETON	1,659,659
FALLON	875,565	MISSOULA	25,534,233	TOOLE	1,365,507
FERGUS	4,322,001	MUSSELSHELL	862,050	TREASURE	205,505
FLATHEAD	15,885,441	PARK	2,811,093	VALLEY	2,488,367
GALLATIN	17,200,863	PETROLEUM	144,961	WHEATLAND	528,600
GARFIELD	268,465	PHILLIPS	1,194,026	WIBAUX	497,630
GLACIER	1,691,550	PONDERA	1,573,327	YELLOWSTONE	31,849,944
GOLDEN VALLEY	353,450	POWDER RIVER	602,656	TOTAL	\$286,639,497

Return To Work Waiting Period Extended For PERS Retirees

Beginning July 1, 2011, retirees must wait **90 days** before returning to work in a PERS-covered position. This extended waiting period requirement **only** applies to PERS retirees.

Please note: A PERS retiree who returns to work in a PERS-covered position in less than 90 days is no longer eligible for a retirement benefit. Their benefit will stop and they will be required to make contributions to PERS.

If you are retiring and decide to return to work, please be sure you have met this requirement! ♦



Service Credit

Service credit is one of the factors used to calculate your monthly retirement benefit, but what is **service credit**?

You earn one month of **service credit** for each month of full-time service for which MPERA received your contributions. Full-time service means your employer paid you for at least 160 hours of work during a month, or 2080 hours in a year. **Service credit** is granted on a when-paid basis, not when-earned.

For example: you are paid bi-weekly. If you work a full month in January, and you receive your paycheck in February, your service will be credited in February.

You will not earn more than one month of **service credit** during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you worked 80 hours during a given month, you would earn 0.5 months of **service credit**.

(§ 19-2-701, MCA; ARM 2.43.2105)

When you retire, we take the number of months of **service credit** you earned and divide it by 12 to determine your years of **service credit**. ♦

Are You Ready For Even More Webinars?

MPERA Communications is adding even more online classes! This spring, we will offer “Steps to Retirement” webinars for the Sheriffs’, Game Wardens’ and Peace Officers’, Police Officers’, Highway Patrol Officers’, and Firefighters’ Unified retirement systems.

Webinars are online interactive classes that you can attend from home or at work! If you’re within 5 years of retirement, this class will give you the essential information you need to retire. Attending a webinar is simple. Visit our education calendar at: <http://mpera.mt.gov/EducationCalendar.shtml> and decide which class you wish to attend. Then, simply click on the link in the calendar five to ten minutes prior to the scheduled start time. Use the “guest” option to enter the classroom.

NO PASSWORD IS REQUIRED!

After the presentation, you will have an opportunity to “LIVE CHAT” with MPERA staff and ask questions. ♦

Want To Know Everything About Us?

Every year MPERA publishes a Comprehensive Annual Financial Report (CAFR). The CAFR is an in-depth report of all MPERA-administered retirement systems, the current status of each of the pension trust funds, and what is going on in general with MPERA. The information is free and available on our website.

Check it out at

<http://mpera.mt.gov/annualReports.shtml>! ♦

Do You Know Your Choices?

If you are leaving employment but are not eligible to start drawing a retirement benefit, you still have options!

Choice 1 – Leave your money with us. You can leave your money in your retirement plan to grow tax deferred until you reach age 70½. You do not have to have five years of service to leave your money on account as long as you meet the account minimum.

Please be aware that MPERA is required by law to refund your money if your account balance is less than \$1000.

By leaving your money with MPERA, if you decide to return to work in a position covered by the same retirement system, the retirement laws in effect when you first started working will still apply.

For example, you started working in a PERS-covered position in 2005. During the 2007 legislative session, the Guaranteed Annual Benefit Adjustment (GABA) was changed from 3% to 1.5%. If you leave employment, but leave your money with MPERA, you will still fall under the 3% GABA if you decide to return.

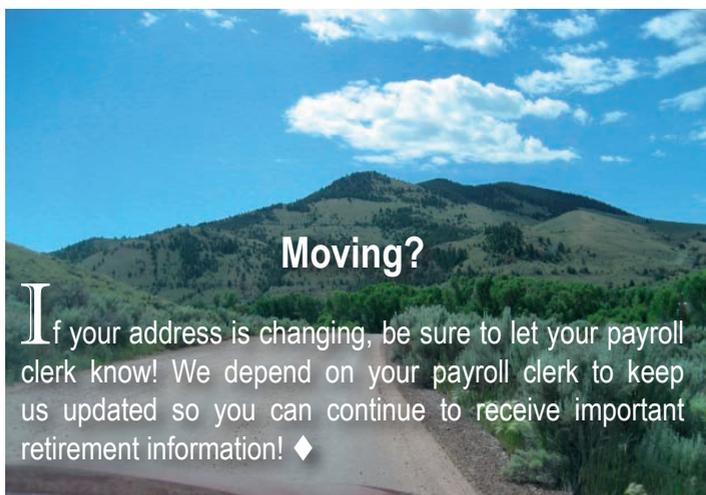
Please contact your tax professional before making a distribution decision! ♦

You will also retain the service credit and membership service you had earned before you left. This means you will not have to start over, or purchase the service back to apply to your retirement!

You do not have to take your money out if you leave employment!

Choice 2 – Direct rollover into another eligible plan. You can choose to roll your money into another eligible plan such as a 401(a) or an IRA. Be sure to confirm that the new plan will accept your rollover.

Choice 3 – Take a distribution. If you receive your money in a lump-sum, federal law requires MPERA to withhold 20% for federal income tax purposes. State tax withholding may also apply. Once you take your money, you still have the option of rolling some or all of it into an IRA or a qualified employer's plan. Amounts not rolled over within the 60-day time frame will be taxed as ordinary income in the year received. If you are under 59½ years old, you will also have to pay a 10% additional income tax for early distributions.



Moving?

If your address is changing, be sure to let your payroll clerk know! We depend on your payroll clerk to keep us updated so you can continue to receive important retirement information! ♦

Interest Rate Remaining Steady

Your Defined Benefit Retirement Account earns interest at a rate established by the Public Employees' Retirement Board in compliance with section 19-2-403, MCA. The interest on your account is compounded annually and credited monthly. For the upcoming fiscal year (July 1, 2012 through June 31, 2013) the interest rate will remain at 0.25%.

Please note: the interest rate credited to your account will not affect your monthly retirement benefit. ♦



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What Would It Take?

We're all doing more with less during this economic downturn. But that doesn't mean we are cutting back on our level of service here at MPERA. Our goal is to provide the highest standard of customer service, and we know there is always room for improvement.

We know you need fast, friendly, and accurate service. What expectations do you have to be satisfied with the service you receive from us? We want to understand and deliver, so we're asking...

What would it take for you to be a satisfied customer?

Listening to our retirement system members – in other words: you - is the best way to make improvements that address your needs.

We want to hear from you! Please send your thoughts and ideas to: MPERACommunications@mt.gov. We are working on more ways for you to share with us so we can continue to serve you better! ♦

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