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Governor
Brian Schweitzer

Public Employees' Retirement Board (PERB)

Board President

John Nielsen - Active Public Employee
Glendive, MT
Appointed 4/4/2007
Term Expires 3/31/2012
mperb.jnielsen@gmail.com

Board Vice-President

Terrence Smith - Active DC Plan Member
Bozeman, MT
Appointed 4/1/2009
Term Expires 3/31/2014
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Bob Bugni - Investment Management
East Helena, MT
Appointed 12/13/2011
Term Expires 3/31/2014
mperb.bbugni@gmail.com
Welcome Bob!

Darcy Halpin - Retired PERS Member
Belgrade, MT
Appointed 4/21/2008
Term Expires 3/31/2013
mperb.dhalpin@gmail.com

Scott Moore - Active Public Employee
Miles City, MT
Appointed 4/1/2010
Term Expires 3/31/2015
mperb.smoore@gmail.com

Dianna Porter - Member at Large
Butte, MT
Appointed 4/8/2008
Term Expires 3/31/2013
mperb.dporter@gmail.com

Timm Twardoski - Member at Large
Helena, MT
Appointed 4/1/2011
Term Expires 3/31/2016
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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

January 2012

Dear Employers,

Its hard to believe that 2012 is here! 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 project 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 and other customers; and
- ◆ address disaster recovery concerns surrounding our current paper-driven processes.

We rely, heavily, on you, the employer! We would like to develop and maintain a great partnership. We need your assistance in our endeavor to provide sustainable retirement plans. Retirement plans are a valuable recruitment and retention tool for attracting qualified employees. As part of our project we are developing an Employer Consultation Group. Our goal is to have a group of payroll clerks and human resource representatives from each employer type to provide us input and feedback throughout the implementation of our project. We hope this group will help us improve communication with our employers and address employer needs and concerns.

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. The newsroom component of our web reporting system is only the start. We've implemented several new ways to get important retirement information. Please continue to keep an eye out for emails from MPERA Communications! You can also find us on Facebook. 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 mpera.mt.gov.

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.

Stay warm during the winter in beautiful Montana!

IRS Set 2012 Earning Limit

As the administrator of Internal Revenue Code (IRC) qualified governmental plans, MPERA, and the members of the plans we administer are subject to certain IRC compensation and plan contribution limits. As explained below, these include earnings and contribution limits required by federal law (See 26 U.S.C. 401(a)(17) and 415(c)). We have implemented system edits to avoid associated reporting errors. However, we ask you to please be aware of these limits to help ensure that no reporting errors are made.

Compensation Limit

The compensation limit under section 401(a)(17) applies to all participants of MPERA administered retirement systems including members of the defined benefit (DB) plans (PERS, JRS, HPORS, SRS, GWPORS, MPORS and FURS) and the PERS defined contribution (DC) plan. The compensation limit prohibits MPERA from receiving contributions on member earnings in excess of the amount established by section 401(a)(17) each calendar year. This amount is annually adjusted for cost-of-living increases and is set at \$250,000 for 2012. As a result of this limit, MPERA may not collect retirement plan contributions and you should not submit employee or employer contributions based on compensation in excess of this limit.

Contribution Limit

The contribution limit under section 415(c) applies only to PERS members who have elected the defined contribution (DC) plan. This contribution limit is also annually adjusted and is the lesser of the member's compensation or a fixed amount which is set by section 415(c) at \$50,000 for 2012. Although MPERA does not anticipate that any PERS-DC members will exceed this limit based on current contribution rates, please be aware that this limit is in place.

MPERA implemented the following edits to the Employer Reporting System to assist in monitoring the earning limitations.

Member Status	Payroll Message	What To Do
Member is nearing the earning limit of \$250,000 in earnings for the calendar year 2012.	Warning Message: Member is approaching the annual compensation limitation of \$250,000.00. Total year-to-date earnings plus the current earnings equal \$_____.	The member is nearing the limitation. Monitor earnings so you do not withhold retirement contributions on any amount over \$250,000.
Member exceeds limit of \$250,000 in earnings for a calendar year with this payroll report.	Critical Error Message: The current earnings of \$_____ plus the total year-to-date earnings for 2012 in the amount of \$_____ will exceed the annual compensation limitation of \$250,000.00. The member is only eligible to contribute on the remaining allowable earnings of \$_____.	The current earnings reported should be reduced to the amount of allowable earnings listed in the message. Contributions should be reported based on the allowable earnings. Return any excess contributions withheld to the member.
Member previously reached limit of \$250,000 in earnings for a calendar year.	Critical Error Message: Member has exceeded the annual compensation limitation of \$250,000.00 for calendar year 2012. Earnings and contributions cannot be reported for the remainder of the calendar year. Deductions may resume in January.	The member record should be removed from the payroll report or report with zero earnings and contributions. Return any contributions withheld to the member.



Health Insurance and Cafeteria Plans

Some employers who provide health insurance through a cafeteria plan are including or planning to include the health insurance premiums paid by the employer as part of the employee's compensation. The sole purpose of this practice is to increase the employee's retirement benefit. There are two concerns we would like employers to consider.

First, MPERA is responsible for ensuring our retirement systems are qualified governmental plans. This includes complying with the Internal Revenue Code definition of compensation for retirement purposes (IRC 401(a) and 414(d)). Please be aware, we can only accept retirement plan contributions on the employer portion of the health insurance premium if the cafeteria plan satisfies the criteria defined in IRC 125 and the applicable premium qualifies as compensation under the requirements in the Administrative Rules of Montana (ARM 2.43.2201 through 2.43.2214). Compensation increases that include the employer's share of health insurance premiums can only be considered compensation for retirement system purposes if the employer includes that amount in its calculation of the member's compensation for all purposes including, but not limited to:

- Federal and state income taxes
- Federal Insurance Contribution Act (FICA);
- State unemployment insurance;
- Shift differentials;
- Workers' compensation; and
- Benefits based on compensation.

We would like to work with any employer considering this option to ensure your process will not jeopardize the qualified status of the retirement plans. Please contact Renae Justice for more information at: (406) 444-0177.

Second, this practice can have a significant adverse effect on the retirement systems. If an employee's compensation is changed late in their career to include the insurance premium, the employee's Highest or Final Average Compensation (HAC or FAC), and ultimately their retirement benefit, will increase. Unfortunately, since neither the employee nor the employer made retirement system contributions on this increased compensation throughout the employee's entire career, the increased benefit is not properly funded. Because insurance premiums increase significantly each year, this could be considered a form of salary spiking resulting in a greater unfunded liability for the retirement systems.

Given the unfunded status of four of the systems as well as the scrutiny pension benefits are receiving from the media and the legislature, we encourage employers to consider the possible consequences before implementing this practice. ♦

Deferred Compensation 457(b) Plans

With increasing health care costs as well as other expenses, leading retirement experts are now projecting that individuals may need to replace 90-110% of their pre-retirement income when they retire. Many people do not realize a pension plan alone was never intended to replace 100% of their pre-retirement income. Even with the addition of a social security benefit, they may only replace 2/3 of their pre-retirement income. Employees need to start planning now. Employers can help employees prepare for retirement by encouraging them to attend retirement planning sessions offered by MPERA and by promoting a supplemental retirement savings plan such as a 457(b) Deferred Compensation Plan.

If you already offer a 457(b) plan, please remind your employees that they can participate. If your department or agency doesn't offer a 457(b) plan, consider joining the State of Montana's 457(b) Deferred Compensation Plan sponsored by the state of Montana and administered by MPERA. 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 employees to begin saving today! Money is deposited into their accounts 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. ♦

New Hire Eligibility Screen

The New Hire Eligibility screen (sometimes called the Enrollment screen) is a great tool when you hire a new employee. This screen will tell you the current status of your new employee with the retirement system, and at what rate you need to report them.

The New Hire Eligibility screen also helps you determine if your new employee is:

- already a member and required to make mandatory contributions (even if the position itself is optional). If the new employee is mandatory, the screen will provide their correct contribution rate.
- eligible for a optional membership election. The screen will also tell you if a valid election for your new employee already exists, and the election results (declined or elected).
- a retiree with the retirement system. PERS, SRS and FURS retirees must be reported as a working retiree.
- a new or recent retiree not yet eligible to return to work (has not received first retirement check; has not met the 90 day waiting period).

By using the eligibility screen before your new employee's first day of work, you can avoid reporting errors and possible adjustments such as, reporting the new employee with the wrong contribution rate, or not withholding required contributions at all. The New Hire Eligibility screen will ensure you set up your new employee correctly in your payroll software (contributing versus noncontributing; correct contribution rate, etc.).

This screen is retirement system specific. It will tell you if your new employee is a member of a specific retirement system, but for only that system. Please remember to utilize this tool in your reporting. It will help save you time and money and make your reporting experience much easier. ♦

Waiting Period Extended For Working PERS Retirees

The 2011 legislature extended the waiting period for a PERS working retiree to return to work to 90 days. Beginning July 1, 2011, retirees must wait 90 days before returning to work in a PERS-covered position.

Please note: PERS retirees who return to work in a PERS-covered position in less than 90 days are no longer eligible for a retirement benefit. Their retirement benefit will stop, and they will once again be an active PERS member. They need to re-retire in order to receive a retirement benefit once again.

This extended waiting period requirement **only** applies to PERS working retirees. ♦

Please do not give a working retiree an optional membership form!

Circle The Date!

MPERA recognizes that 2011 brought about some big changes with payroll reporting and working retiree requirements. Our resolution in 2012 is simple: to provide an opportunity for all employers to learn more about these changes and ask us questions. Starting in January, we will be hosting “PERS State/Local Government Employer Review” and “PERS School District Employer Review” webinars. During these webinars, we will discuss:

- New Hire Eligibility Screen and its advantages for employers;
- Terminating an employee and how to streamline this process with MPERA;
- Refund Forms - Do I give one out or don't I?
- Working Retirees and your responsibility;
- Reporting requirements and who is on the list;
- “There’s a new Sheriff in town”, SRS working retirees;
- Elected officials and PERS;
- Incomplete Forms (Incomplete Forms)



Date	Webinar	Time
February 2, 2012	PERS School District Employer Review	1pm
February 27, 2012	PERS State/Local Govt. Employer Review	1pm
March 19, 2012	PERS School District Employer Review	1pm
March 23, 2012	PERS State/Local Govt. Employer Review	1pm

After the 30-40 minute presentation, you will have an opportunity to “LIVE CHAT” with MPERA staff and ask questions. ♦

Do Not Give Terminating Employees A Refund Application

Terminating employees have several options available to them regarding their retirement account. We have created a handout that you can give terminating employees called Retirement Fund Information for Terminating Employees. You can download it right from our website at mpera.mt.gov. Simply click on the Employer tab and select forms. Please note, the Defined Benefit and Defined Contribution plans require different paperwork if an employee chooses to withdraw. We ask that you do not hand out refund applications, but instead have employees contact us to ensure they complete the correct forms.

We will contact terminated employees if they are required to take a refund. ♦

Repayment of Contributions

There may be a time when you find that the required contributions for one of your employees were not made. For example, a new employee did not tell you that he or she was already a member of an MPERA-covered retirement plan. Because you did not know, you did not report the employee on your contributing payroll report. Your agency will then have to make up those contributions, plus the interest, that should have been made for that employee.

As the employer, you are responsible for sending both the member’s and the employer’s missing contributions to us. If you request reimbursement from your employee for their portion of contributions, please have them send payments directly to you. Payments sent to us from employees will be returned and additional interest will accrue.

Please be aware that a situation like this can be avoided entirely if you check the New Hire Eligibility Screen for the current status of your new employee. ♦

Completing Membership/Beneficiary Forms

Please remind your employees to complete all sections of a Membership/Beneficiary form. Below are some fields that are often left blank.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS) MEMBERSHIP/DESIGNATION OF BENEFICIARY CARD

MEMBER INFORMATION																													
Last Name		First Name, MI		Social Security Number*																									
Date of Birth / /		Gender <input type="checkbox"/> M <input type="checkbox"/> F		Employing Agency																									
Member's Mailing Address																													
City			State	Zip Code																									
Daytime Phone Number ()		Email Address																											
PRIMARY AND/OR CONTINGENT BENEFICIARY DESIGNATION																													
<input type="checkbox"/> I wish to retain the PERS beneficiary designation currently on file with MPERA.																													
<p>Completion of this section revokes all prior beneficiary designations. You may designate one or more primary or contingent beneficiaries by using a separate line for each person. Contingent beneficiaries receive benefits only if all listed primary beneficiaries are deceased. If you list two or more primary (or two or more contingent beneficiaries) they will be treated on a share and share alike basis. If you prefer a different allocation, please specify. If you designate a trust (for the benefit of a natural person only), a charitable organization or your estate as a primary or contingent beneficiary, you will also need to complete the "Other designation" section.</p>																													
<p>Primary Beneficiary - attach additional list if necessary.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Full Name</th> <th>Gender</th> <th>Relationship</th> <th>Birth Date</th> <th>SSN*</th> <th>Allocation</th> </tr> </thead> <tbody> <tr> <td></td> <td><input type="checkbox"/> M <input type="checkbox"/> F</td> <td></td> <td></td> <td></td> <td style="text-align: center;">%</td> </tr> <tr> <td></td> <td><input type="checkbox"/> M <input type="checkbox"/> F</td> <td></td> <td></td> <td></td> <td style="text-align: center;">%</td> </tr> <tr> <td></td> <td><input type="checkbox"/> M <input type="checkbox"/> F</td> <td></td> <td></td> <td></td> <td style="text-align: center;">%</td> </tr> </tbody> </table>						Full Name	Gender	Relationship	Birth Date	SSN*	Allocation		<input type="checkbox"/> M <input type="checkbox"/> F				%		<input type="checkbox"/> M <input type="checkbox"/> F				%		<input type="checkbox"/> M <input type="checkbox"/> F				%
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REQUIRED SIGNATURES																													
Member Signature				Date																									
Witness Name printed (not a beneficiary)		Signature		Date																									

The member's social security number is blank.

If this box is checked, the member does not need to complete the beneficiary information below.

The beneficiaries' and contingent beneficiaries' birthdates are often missing.

The member's and witness' signatures and dates are not completed. We need these in order to process the member's information.

Take a minute to check the form over. By making sure the form is complete, you save yourself, your employee and us, a great deal of time. We greatly appreciate your help. ♦

Definition: Hire Date

What is the first thing you think of when someone says “hire date”? For some people, it means the day an employer calls them and says “Congratulations! You got the job!” Others may think of it as the day they accept the position. Even within MPERA, hire date can be defined differently for different purposes.

When reporting payroll to MPERA, hire date is defined as “the day that the new employee reports to their first day of work in an eligible position”. Eligibility for membership begins on the first day of work for most employees, so hire date is important for determining:

- contribution rates;
- eligibility for elections;
- retirement eligibility and benefit formula
- vesting
- GABA rate
- other factors that affect your employee’s retirement.

So how do you determine an employee's hire date?

Scenario #1 - a new employee is hired into a mandatory PERS-covered position. The first day your new employee shows up for their position is their **hire date**.

Scenario #2 - a person started in an optional position such as part-time, and declined PERS membership. Then, after working for a while, this same person accepts a full time position. As long as there is no termination of service (see §19-2-303, MCA for definition) between the two jobs, the original hire date when that employee started the optional position is their **hire date**.

Scenario #3 - a person started in an optional position and declined membership. They have a break in service and later accept a full time position. The date the employee reports to work in the new position is their **hire date**.

Scenario #4 – a person starts employment in an excluded position (like a teacher) and then moves to an MPERA eligible position. The teaching position was not eligible for an MPERA-covered retirement, so you would use the date the employee reports to work in the eligible position as their **hire date**.

If you have any questions, please contact our office. We will be glad to help you. ♦

And finally... If you have any questions about retirement, please contact us. We are here to help you and our members get the best retirement experience possible. ♦

Directory Of MPERA Contacts

Questions about Benefits:

Jennifer.....444-5460
 Margaret.....444-3953
 Sheri.....444-1274
 Angie.....444-3978
 Shani.....444-2629

Disability Benefit Questions

Julie.....444-5444

Working Retirees

Alvina.....444-1387

Payroll Questions

Mary.....444-1456
 Diana.....444-9171

Employer/Employee Education

Jenny.....444-2996
 Joel.....444-0199
 Armando.....444-9139

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