



DIRECTIONS for Active Members of the Public Employees', Judges', Highway Patrol Officers', Sheriffs', Game Wardens' and Peace Officers', Municipal Police Officers' and Firefighters' Unified Defined Benefit Retirement Plans (DBRP)

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**Governor
Steve Bullock**

July 2013

Dear Members,

MPERA
Executive Director
Roxanne Minnehan

**Public Employees'
Retirement Board (PERB)**
Board President
Scott Moore
Active Public Employee
Miles City, MT
Appointed 4/1/2010
Term Expires 3/31/2015
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Board Vice-President
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Bob Bugni
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Mike McGinley
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Melissa Strecker
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Timm Twardoski
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Sheena Wilson
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Official publication of the
Montana Public Employee
Retirement Administration.

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

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this document will be provided
upon request.

Now that the 2013 Legislative session has concluded, we here at MPERA have been busy implementing the changes that became effective on July 1.

The Good News

Defined Benefit (DB) plans have been preserved for the next two years. Several bills were introduced this session to either eliminate DB plans for some or all MPERA-administered retirement systems. Fortunately these bills were defeated. It has been proven time and again that DB plans are the most cost efficient way to provide a stable retirement benefit. A heartfelt thank you to everyone who contacted their legislators in support of the DB plans.

Legislative Changes That Will Impact You

First, **for all DB retirement systems**, bonuses are no longer considered compensation for retirement purposes. Starting July 1, 2013, bonuses paid will not be included in compensation for your retirement benefit. This change is intended to prevent benefit spiking.

Second, **all PERS** member contributions will be 7.9% of compensation beginning July 1, 2013. Previously, PERS members hired before July 1, 2011 paid 6.9% and members hired after July 1, 2011 paid 7.9%. However, contributions may decrease on January 1 to 6.9% for all members if the actuarial valuation determines the PERS amortization period is below 25 years and would stay below 25 years with the reduction of contributions.

Third, for **all PERS members**, the Guaranteed Annual Benefit Adjustment (GABA) will be determined each year based on the funding percentage from the system's annual actuarial valuation. The possible GABA rate can fluctuate between a floor of 0% and a ceiling of 1.5%. Two factors determine the GABA rate each year:

- ◆ If the PERS' funded rate is below 90%, the 1.5% GABA will be reduced by 0.1% for each 2% the funding is below 90%. For example, if the system is 88% funded, the GABA will be 1.4%.
- ◆ Whenever the PERS' amortization period is 40 years or more, GABA will be 0%.

The actuarial valuation of the system is conducted each fall. We will not know the GABA rate for the following January benefit increase for retirees until then.

What Can You Do?

Stay involved! Continue to let your legislators know how important a stable retirement is, not just for you, but for each and every Montana community. *Stay informed!* Staying informed is key. There are several ways MPERA keeps our members up to date. Visit our website at mpera.mt.gov. Here you will find my Executive Director's Blog, current press releases, our education calendar as well as links to our newsletters. You can also follow us on Facebook!

**Roxanne Minnehan
Executive Director**



Enjoy our beautiful Montana summer!

DESIGNATED ROTH ACCOUNTS NOW AVAILABLE!

The State of Montana has added the ability to contribute to a Roth account within the 457(b) Deferred Compensation Plan. If you participate in Deferred Compensation, you can now make after-tax contributions to your 457 account up to the IRS limits when combined with any pre-tax contributions. The Roth 457(b) offers you another option that, depending on your individual circumstances, you may wish to consider. You pay taxes on Roth deferrals at the time deferrals are made, rather than at the tax rate in effect when the Roth deferrals are distributed. This may be an advantage if you expect to be in a higher tax bracket when you retire.

Deferred Compensation Plan participants can choose to contribute pre-tax amounts, after-tax amounts, or both. Simply log on to your account and download the "Payroll Contribution Election" form from the "Forms" pod. Complete the form and mail or fax to the address or fax number shown on the form.

Public Employee Retirement Information System (PERIS)

The project to replace our current computer systems is proceeding on schedule. If everything goes as planned, in 2 years, we will have a completely new system! The PERIS project has several phases:

- ◆ Convert hard copies of member account files to electronic files.
- ◆ Clean and analyze current system data for accuracy.
- ◆ Design a system that will allow you to go online and view your retirement account.

We are very excited about the PERIS project. With PERIS, we will be able to provide you with better customer service!



ANNUAL BENEFIT STATEMENT

Your Annual Benefit Statement was mailed mid-July. Your statement came in a windowed envelope with MPERA's return address. If you missed it, please contact us for a new one.



Visit our website at mpera.mt.gov

HOW DOES A LUMP SUM PAYMENT AFFECT YOUR RETIREMENT CALCULATION?

In some cases your final payout of sick, vacation or comp time may have an impact on your Highest or Final Average Compensation (HAC or FAC).*

Calculation Example:

In our example Wanda Retiree has her highest 36 months of compensation from 2010-2012.

- 12 months - \$1500 per month
- 12 months - \$1800 per month
- 12 months - \$2000 per month

Before Payout: HAC = \$1,766.

Her HAC was \$1,766 before her final payout. She received a sick/annual payout of \$20,000. If we divide that amount (20,000) with her normal month's salary (\$2,000), we come up with 10 months at the higher \$2,000. MPERA will drop the lowest 10 month's salary (\$1,500) (at the beginning of the 36 month period) and add 10 months at the highest salary (\$2,000).

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

10 months of \$2000 HAC is **added**

10 months of \$1500 HAC is **dropped**

- 2 months - \$1500
- 12 months - \$1800
- 12 months - \$2000
- 10 months - \$2000

After Payout: HAC = \$1,905. When recalculated, Wanda's HAC is \$1,905 (\$139 greater than the original HAC).

* There is a 110% cap on compensation considered as part of a members highest or final average compensation due to the passage of House Bill 97.

ARE YOU 5 TO 10 YEARS FROM RETIREMENT?

It's never too soon to start making retirement plans. Do you have an overall retirement plan? Do you know how your pension will fit? Are you sure you will have enough? If you cannot answer yes to these questions, consider attending our live "Steps to Retirement" webinar. This webinar goes into detail about your pension. The schedule is posted on our education calendar at: <http://mpera.mt.gov/EducationCalendar.shtml>.

Questions? Contact MPERA Communications at MPERACommunications@mt.gov.

DON'T DELAY

If you are ready to retire, please contact us at least 3 to 4 months before your planned retirement date to request an official benefit estimate. Your official benefit estimate contains all the necessary paperwork you will need. Why 3 to 4 months? Contacting us early will ensure timely processing of your request. Waiting until the last minute will delay receiving your benefit.

MY SOCIAL SECURITY IS A HIT

Social Security's hottest new online service is getting a lot of use — to the tune of nearly one million visits a week! [my Social Security](#) is an online account that allows people quick access to their personal Social Security information. For example, during a person's working years, [my Social Security](#) can be used to obtain a Social Security Statement to check his or her earnings record and see estimates of future retirement, disability, and survivor benefits. People who already get Social Security can get a benefit verification letter, check benefit payment information, and even change addresses, phone numbers, and direct deposit information. You can try it out now at www.socialsecurity.gov/myaccount.

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Legislative Changes Impact the Cost to Purchase Service Credit

Recently, legislation was passed that may affect the cost to purchase service credit such as one-for-five or military service. If you were hired prior to July 1, 2007, when we calculated the total cost to purchase service, we included in the calculation the 3% Guaranteed Annual Benefit Adjustment (GABA). HB 454 reduced the GABA for all current and future retirees to a maximum of 1.5%. We anticipate that beginning in January 2014, we will calculate the cost of purchasing service using the new 1.5% GABA assumption for all PERS members.

What does this mean for you? Beginning in January 2014, the cost to purchase service may be reduced. If you are considering purchasing service, you can choose to enter into a service purchase agreement understanding that the current 3% GABA will be used in the calculation of the total cost, or you can choose to postpone your service purchase in anticipation that the factor may change in January. However, if you choose to postpone your service purchase and the factors do not change (possibly due to litigation on HB 454), the cost to purchase that service may become more expensive either due to your increased age or salary.

DO WE HAVE YOUR CURRENT ADDRESS?

If you move, please update your address with your Human Resource (HR) office. The address your HR has on file is the one we use to contact you regarding your retirement account.

If you leave employment and move, you can go to our website and download an address change form for inactive members, so we can continue to send you important information regarding your retirement account.

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