

MONTANA

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM MEMBER HANDBOOK



JULY 2010
PUBLIC EMPLOYEES'
RETIREMENT BOARD

MONTANA

FIREFIGHTERS' UNIFIED RETIREMENT SYSTEM MEMBER HANDBOOK

July 2010

Public Employees' Retirement Board

State of Montana

Brian Schweitzer, Governor

Public Employees' Retirement Board (PERB)

PERB Mission Statement

The Montana Public Employees' Retirement Board will fiduciarily administer its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.

Name	Statutory Designation (§ 2-15-1009, MCA)	Location	Term Expires
John Nielsen President	Active Public Employee	Glendive	3/31/12
Terrence Smith Vice President	Active DC Plan Member	Bozeman	3/31/14
Timm Twardoski	Member at Large	Helena	3/31/11
Dianna Porter	Member at Large	Butte	3/31/13
Darcy Halpin	Retired PERS Member	Belgrade	3/31/13
Patrick McKittrick	Investment Experience	Great Falls	3/31/14
Scott Moore	Active Public Employee	Miles City	3/31/15



Permission is granted to reproduce, copy or duplicate the information in this book, provided credit is given to MPERA. Badge photo courtesy of Rick Ryan.

**The Montana Public Employee
Retirement Administration (MPERA)**

MPERA Mission Statement

The Montana Public Employee Retirement Administration will efficiently provide quality benefits, education, and service to help our plan members and beneficiaries achieve a quality retirement.

Executive Officers

Roxanne Minnehan..... Executive Director
Melanie Symons..... Chief Legal Counsel
Patricia Davis Member Services Bureau Chief
Barbara Quinn Fiscal Services Bureau Chief
Ann Reber Editor

Contacting MPERA

If you have any questions about the Firefighters' Unified Retirement System (FURS), please 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.

<i>Telephone</i>	<i>Mailing Address</i>	<i>Office Address</i>
(877) 275-7372	P.O. Box 200131	100 North Park Ave.
(406) 444-3154	Helena, MT 59620-0131	Suite 200
		Helena, MT 59601

Email

mpera@mt.gov

Web Site

For updated information and to view MPERA newsletters and other publications, visit us on the web at **<http://mpera.mt.gov/>**.

TABLE OF CONTENTS

Preface6

Introduction7

SECTION I: MEMBERSHIP

1. Membership Enrollment 9

- Optional Membership
- Membership Cards
- Ineligibility for Other Retirement Plans

2. Contributions..... 11

- Member Contributions
- Employer Contributions
- State Contribution
- Refund of Contributions

3. Service..... 14

- Membership Service
- Vesting
- Service Credit
- Part-time Service
- Annual Membership Statement
- Purchase of Service

SECTION II: BENEFITS

1. General Retirement Information 19

- Vested Members
- Active Members
- Inactive Vested Members
- Non-Vested Members

2. Retirement Benefits 21

- Service Retirement
- Service Retirement Sample Calculation

TABLE OF CONTENTS (Continued)

- Age 50 Retirement
- Involuntary Retirement
- 3. Disability Retirement 24
 - Disability Benefit
 - Disability Reviews
 - Payment of Disability Benefit
 - Disability Benefit Cancellation
- 1. When Will You Get Your Benefit? 26

SECTION III: ADDITIONAL INFORMATION

- 1. Death Benefits27
 - Beneficiaries
 - Active Member
 - Retired Member
 - Death Benefit Claim
- 2. Benefit Increases 29
 - Guaranteed Annual Benefit Adjustment (GABA)
 - Eligibility for and Effective Date of GABA Benefits
 - Minimum Retirement Benefit Increases for Non-GABA Electors
- 3. Taxes on Benefits..... 31
 - Tax Statements
 - Tax Advice
 - Taxes on Refunds
- 4. Assignment of Benefits 33
 - Family Law Order (FLO)
- Glossary of Terms 34

Preface

This *Firefighters' Unified Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Firefighters' Unified Retirement System (FURS). It is intended to give you an idea of what your benefits are and to acquaint you with FURS. Every effort has been made to ensure the contents agree with law and rule. The law and its interpretation can change, so this handbook may be out-of-date soon after it is published. This handbook is not a final source of law and rule. **IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** Information in this handbook is based on 2009 law. 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. If this handbook differs with law or rule, law or rule will apply. This handbook replaces all previous FURS member handbooks.

Montana Code

The law governing FURS may be found in Title 19, Chapters 2 and 13, Montana Code Annotated (MCA). The MCA is available online at http://data.opi.mt.gov/bills/mca_toc/index.htm. References to the pertinent sections of MCA and Administrative Rule of Montana (ARM) are provided in parentheses throughout this publication. ARM is available at <http://mpera.mt.gov/docs/AdminRules.pdf>.

Overview

- FURS provides service retirement benefits, disability retirement benefits or survivor benefits, if eligible.
- You are eligible to retire and receive a service retirement benefit when you complete 20 years of membership service.
- You, your employer and the state contribute toward your future retirement benefits.
- You may withdraw only your contributions plus interest if you leave FURS-covered employment and don't retire.
- If you withdraw your contributions, you lose your right to any future retirement benefit.

Introduction

Retirement Security for our Members Since 1981

The Firefighters' Unified Retirement System (FURS) is a public pension plan for Montana firefighters employed by first- and second - class cities and other cities that wish to adopt the plan. In 1981, the Legislature created FURS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of June 30, 2010, membership of FURS consisted of the following:

FURS Membership

Number of participating employers.....	21
Active plan members	575
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	13
Non-vested.....	54
Retirees and beneficiaries receiving benefits:	
Service Retirements.....	516
Disability Retirements	5
Survivor Benefits.....	21

The Public Employees' Retirement Board (Board) is an independent, seven-member board, appointed by the Governor to administer FURS, seven other retirement systems, and the State's Deferred Compensation Plan. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms we, us, MPERA, and Board interchangeably.

The Montana State Firemen's Association serves as an advisor to the Board in matters relating to FURS. The association may review all medical and legal information relating to individual benefits, if written permission to release the information is obtained from the member or the member's survivor. (§ 19-13-115, MCA)

FURS is a **defined benefit** retirement system. The monthly benefit you receive upon retirement is based on your years of service and highest average compensation rather than the amount of money you contribute and the interest which accrues to your account.

Money that you pay into FURS earns interest and helps pay for your benefits. MPERA tracks your money separately and credits interest to you. We combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned is reinvested into the trust fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings.

(§§ 19-2-408 and 19-2-505, MCA; Montana Constitution, Art. VIII, § 13)

Every year, an actuary must evaluate the trust fund's capability to pay the benefits promised to members. Based on the fund's strength and the actuary's advice, the Board may initiate changes in benefits or contribution rates. Benefits and contributions are set by law, and protected by the Montana Constitution and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature.

(§§ 19-2-403 and 19-2-405, MCA; Montana Constitution, Art. VIII, §15)

SECTION I: MEMBERSHIP

1. Membership Enrollment

Membership is mandatory in the Firefighters' Unified Retirement System (FURS) for all **full-paid** firefighters employed by first- and second-class cities. Other cities or rural fire districts may elect to join FURS. Membership service will begin for an individual firefighter on the first day of employment, or on July 1, 1981, if the firefighter was employed by an employer providing FURS coverage on that date.

In the case of a city or fire district choosing coverage under FURS after July 1, 1981, the existing firefighters may elect to become members of FURS within 90 days of the effective date of the election to join FURS. Firefighters hired after the effective date must be members of FURS. (§ 19-13-301, MCA)

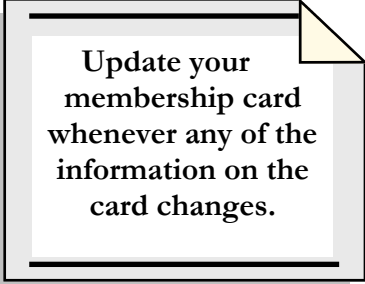
Optional Membership

FURS membership is optional for a **part-paid** firefighter. A part-paid firefighter may elect membership in FURS within 90 days of becoming a part-paid firefighter. After becoming an active member, a part-paid firefighter must remain an active member until service as a firefighter is terminated. (§ 19-13-301(3), MCA)

Membership Cards

New firefighters must complete a membership card upon starting work in a FURS-covered position. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk, who will send it to us. Membership may not be discontinued until employment in a FURS-covered position is terminated. (§ 19-2-801, ARM 2.43.2104)

A membership card is a vital record; you must keep it up-to-date. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us in order for the changes to take effect. Marriage, divorce, birth of a child, and death of a beneficiary are reasons to update your card.



Update your membership card whenever any of the information on the card changes.

MPERA will print the data from your membership card on your Annual Membership Statement, which is mailed to you each July. Check the statement carefully. If any of the member or beneficiary data is wrong, submit a new card to your payroll clerk.

NOTE: Your spouse or dependent children are your statutory beneficiaries. Additionally, the membership card allows you to list one or more non-statutory beneficiary. MPERA requests that you name another beneficiary in case you die without a statutory beneficiary. A non-statutory beneficiary is eligible to receive any balance in your account but does not receive monthly benefits. (see page 27) (§ 19-13-903, MCA)

Ineligibility for Other Retirement Plans

An active member of FURS cannot be covered under any other mandatory retirement plan while the member is covered under FURS. This includes any retirement plan to which an employer is required to contribute on the firefighter's behalf. (§ 19-13-302, MCA)

2. Contributions ---

You, your employer, and the state of Montana pay contributions to FURS. The following explains contributions to FURS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to FURS. Member contributions are required as follows:

- Members hired after June 30, 1997 and previous hires electing the Guaranteed Annual Benefit Adjustment (GABA) pay 10.70%.(see page 29)
- Members hired prior to July 1, 1997 and not electing GABA pay 9.50%. (§ 19-13-601, MCA)

Interest: Your FURS account earns interest each month. **The interest credited does not affect the amount of your monthly retirement benefit.**

Taxation: Since July 1985, the money you contribute to FURS is contributed pre-tax. The interest your account earns has always been tax-deferred. This means state and federal taxes are not paid until you receive the money as a benefit or refund. Any money you paid to FURS before July 1985 was taxed. If you have taxed money on account, part of your refund or monthly benefit will be not be taxed when you take a lump sum refund or retire.

Purchase of Service: To purchase refunded or other types of service, you may contribute amounts beyond your regular contributions. These additional payments are made pre-tax if you authorize payment by a payroll deduction contract. You may also rollover funds from an eligible plan or make cash payments directly to MPERA. (see page 16)

Interest will be credited on service purchase payments at the same rate as regular contributions. All interest credited is tax-deferred. (§§ 19-2-704 and 19-2-708, MCA)

Employer Contributions

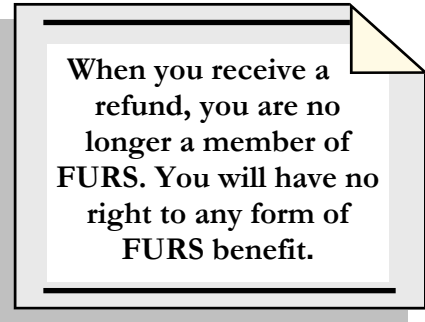
Your employer contributes an amount equal to 14.36% of their total FURS-covered payroll to the pension trust fund. Employer contributions are not refundable and provide “pooled” funds for service retirement, disability retirement, and survivor benefits. (§ 19-13-605, MCA)

State Contribution

The state of Montana annually contributes an amount equal to 32.61% of the total compensation paid to all active FURS members each year. (§ 17-7-502, MCA and § 19-13-604, MCA)

Refund of Contributions

Vested members who end FURS-covered employment may leave their money on account to continue to earn interest; or they may receive a refund of their accumulated contributions (member contributions plus interest). (§ 19-2-602, MCA; and ARM 2.43.2901)



When you receive a refund, you are no longer a member of FURS. You will have no right to any form of FURS benefit.

To receive a refund upon termination of service, request an application from your employer or download it from the MPERA website. The application has two parts. You must complete the member section, then give it to your employer. Your employer will complete the employer section and send it to MPERA.

Processing a Refund: MPERA cannot process your refund before your employer sends us the application and final payroll information. This process may take up to four weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month will increase processing time.

Mandatory Refunds: **If you are not a vested member** (less than five years of membership service), IRS regulations require that we distribute your contributions to you. If you have:

- less than \$200 in accumulated contributions, you will automatically be sent a lump sum refund. No taxes are withheld.
- between \$200 and \$1,000 in accumulated contributions, you will be sent a notice and a refund application. The application allows you to request that your contributions be rolled over to another eligible plan or receive a refund. Rolling your contributions to another eligible plan protects the tax-deferred status of your contributions.
- more than \$1,000 in accumulated contributions, you may leave your contributions on account and continue to earn interest.
(§§19-2-602, 19-13-301(6), MCA; ARM 2.43.2901)

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. You may also be subject to an additional 10% penalty for early withdrawal. (see page 32)

Return to Work After Receiving a Refund: If, after receiving a refund, you accept a FURS-covered position, you will again become a member. We will consider you a new member without credit for the refunded service. You may reinstate the refunded service through a service purchase. (see page 16) (§19-2-603, MCA)

3. Service ---

The amount of time you work and contribute to FURS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a FURS-covered position, whether you work full- or part-time, and any purchase of service.

Membership Service

MPERA uses membership service to determine if you are eligible for vesting, retirement, or other FURS benefits. You earn one month of membership service for any month you contribute to FURS, regardless of the number of hours you work that month.

(§ 19-2-702, MCA)

If eligible, active and inactive vested members may purchase some types of service that will count as membership service (see pages 16 - 18). Your total membership service will not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different. (§§ 19-2-303 and 19-2-702, MCA)

Vesting

You are vested after you accrue five years of membership service. Once vested, you are entitled to any retirement benefits for which you are eligible. (see page 19) If you withdraw your accumulated contributions, you give up your right to a disability or service retirement benefit. (§ 19-2-303, MCA)

Example: You become vested after earning five years of membership service. If you leave FURS-covered employment at age 31 with nine years of membership service, and do not withdraw your contributions, you may request a lifetime monthly benefit. (see page 21)

Service Credit

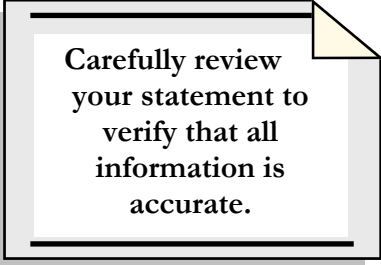
Your service credit affects the amount of your retirement benefit. You earn one month service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours during that month. You may not get more than one month of service credit even if you are paid for more than 160 hours during a month. If you are paid for less than 160 hours during any month, you will receive proportional service credit. For example, 80 hours, during any month, will receive one-half of a month of service credit. However, for that same month you will earn one full month of membership service. (§ 19-2-701, MCA; ARM 2.43.2105-6, 2.43.2109, 2.43.2302)

Part-time Service

If you work only part-time, MPERA may adjust either your service credit or Highest Average Compensation (HAC) when calculating your benefit. We adjust one or the other to prevent a double reduction.

Annual Membership Statement

Each July, MPERA will send you a membership statement projecting potential retirement benefits based on current information. If you have corrections, changes or questions concerning any information contact MPERA **in writing** and provide a copy of your statement with the changes noted.



**Carefully review
your statement to
verify that all
information is
accurate.**

If you work part-time, the total service credit reported on your annual statement may seem wrong. The statement reflects the service reported by your employer. When your employer reports that you worked less than 160 hours, you will be given less than one

month of service credit. As noted on the previous page, we make adjustments for part-time service when you retire.

NOTE: We will correct mistakes in your account or service when identified and verified. Mistakes will not bind MPERA to pay a benefit for which you are not eligible.

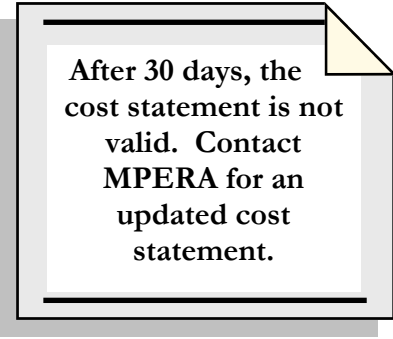
Purchase of Service

Eligibility: Vested members, both active and inactive, may purchase service at any time before retirement. Purchasing service may enhance your retirement benefit. Be aware, any delay may increase the cost because of added interest or higher salaries.

For more information regarding purchase of service, contact MPERA.

Requesting a Cost Statement: A cost statement provides the amount required to purchase service as well as payment options. You must provide the following written information: **your full name (including any former names), current mailing address, social security number, and the type of service you wish to buy.** If you are sending your request via e-mail, include all of the above information; however, provide **only the last four digits** of your social security number.

You should also send us any documents that relate to the service you are requesting to purchase, including the approximate dates of service. We will review the request and send you a cost statement for buying any eligible service.



After 30 days, the cost statement is not valid. Contact MPERA for an updated cost statement.

Paying for Service Purchase: You may pay for a service purchase in one lump-sum within 30 days of the cost statement, or make monthly payments. Active members can make monthly payments by pre-tax payroll deduction. You may also purchase service through a rollover of funds from an eligible retirement plan. Inactive vested members, active members not paid monthly, or active members who wish to self-pay may send payments directly to MPERA. (These payments are not made pre-tax.) If you fail to make your regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated.

MPERA will track your monthly payments in an additional contribution account until you complete the service purchase contract. We will then transfer the money to your regular account and credit your account with the service. You must complete all service purchases before you retire or the service purchase will be prorated. (§§ 19-2-704 and 19-2-708, MCA; ARM 2.43.2312)

Types of Service Which May Be Purchased:

1. Refund: If you terminated your job and requested a refund of accumulated contributions (contributions plus interest), you may purchase the refunded service if you return to a FURS-covered position. To purchase the refund, you must repay the accumulated contributions you received as a refund. You must also pay the interest your refund would have earned if you had left them on deposit. Refund service counts as both membership service and service credit. (§ 19-2-603, MCA; ARM 2.43.2317 and 2.43.2308)

2. Montana Public Service: You may buy service refunded (or for which you are eligible to receive a refund) from other Montana statewide retirement systems administered by MPERA. Other public service employment with the state or a political subdivision of the state may also qualify. All service referenced in this paragraph is both membership service and service credit. (§ 19-2-715, MCA; ARM 2.43.2317 and 2.43.2308)

3. Military/Reserve Military Service: When you have at least five years of membership service, you may, at any time prior to retirement, purchase up to five years of active military service or reserve military service. Both active and reserve military service are purchased at the actuarial cost.

You may purchase reserve military time prior to separation from the services in the reserves. You may not purchase military time if you are receiving a retirement benefit from the military, or from another retirement system or plan for that time. You may not purchase reserve military service if you have received service credit under USERRA for the same time period. This service is both membership service and service credit. (§§ 19-13-403, 19-2-707, MCA; ARM 2.43.2315 and 2316)

4. “One-for-Five” Service: For each five-year period of membership service, you may buy one year of service credit. You may buy no more than five years of service, but can buy less than a full year. “One-for-Five” service is not membership service and can not be used to become eligible to retire or to purchase other types of service. The total service credit on your annual statement will not include the “One-for-Five” service purchased; however, it will be added to your service credit when MPERA calculates your retirement benefit. (§ 19-13-405, MCA; ARM 2.43.2318)

Limitations: Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years. (§19-13-406, MCA)

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

Section II: Benefits

To receive retirement benefits under the FURS defined benefit retirement plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you for your lifetime. This section explains how to qualify for retirement, and describes both service retirement and disability retirement benefits.

Once you are eligible to retire and begin taking a retirement benefit, you will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs.

1. General Retirement Information

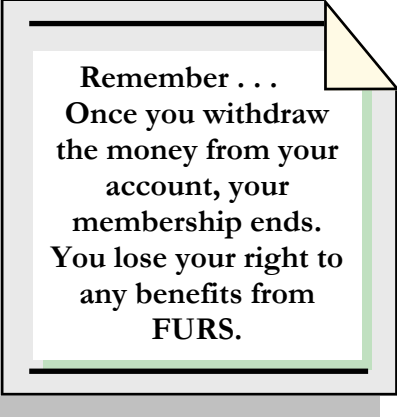
Vested Members

When you complete five years of **membership service** (see page 14), you become a vested member. Once vested, FURS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a FURS-covered position and making the required contributions to the system. If you are a vested member, you may terminate your FURS-covered employment and leave your contributions in FURS. You may apply for monthly retirement benefits when you are at least age 50.

You may take a refund of your account, rather than a retirement benefit. However, if you withdraw your accumulated contributions (your contributions plus interest), you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement or disability benefit. (§ 19-2-601, MCA; ARM 2.43.2901)



Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from FURS.

Inactive Vested Members

You are an inactive, vested member when you terminate FURS-covered employment, have five or more years of membership service and do not withdraw your FURS account. You may buy any service for which you are eligible. You may apply for retirement after meeting the minimum service requirements. (§ 19-13-301, MCA)

Non-Vested Members

If you do not have at least five years of membership service, you will not be eligible for a retirement benefit. However, you are eligible for a refund of the accumulated contributions. FURS will pay you interest until you receive the refund. Remember, if you take a refund of your accumulated contributions, you give up all rights in FURS. (see page 13)

2. Retirement Benefits --- ---

FURS members are eligible to receive benefits upon meeting certain requirements.

Service Retirement

You are eligible for service retirement benefits when you complete 20 years of membership service at any age. (§ 19-13-701, MCA) FURS uses a set or defined formula to calculate your benefit. Your FURS retirement benefit is calculated differently if you were hired before July 1, 1981, than if you were hired on or after July 1, 1981.

If you were **hired on or after July 1, 1981**, the basic formula for a monthly service retirement benefit in FURS is explained below: (§19-13-704, MCA)

- (A) **Years of Service Credit** is the amount of service you earned. (see page 14.)
- (B) **0.025 (2.5%)** is the factor that determines how much of your Highest Average Compensation (HAC) you get for each year of service credit.
- (C) **HAC** is the average of your highest consecutive 36 months of salary. Add your highest consecutive 36 months of compensation and divide by 36 to get the average monthly compensation.

The formula for a FURS monthly service retirement is:
(§ 19-13-704, MCA)

$$2.5\% \times \text{Years of Service Credit} \times \text{HAC}$$

Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit		_____
(B) Factor	x	0.025
(C) HAC (see HAC definition above)	x	_____
Monthly Benefit	=	_____

Service Retirement Sample Calculation

For a member hired on or after July 1, 1981 or electing GABA.

Kenny Retire, Age.....	45
Service Credit.....	20 years
Highest Average Compensation (HAC)	\$3,000 per month
Account Balance at Retirement.....	\$35,450

Benefit Formula: 2.5% x Years of Service Credit x HAC

$$0.025 \times 20 \times \$3,000 = \$1,500$$

Kenny will receive a monthly benefit of at least \$1,500, plus the Guaranteed Annual Benefit Adjustment (see page 29) increases when eligible, for life. When he dies, a monthly benefit equal to the amount of Kenny's benefit will continue to his surviving spouse for life. If he has no surviving spouse, the benefit will continue to a dependent child (or children, collectively) until there is no dependent child. (see page 27)

In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to \$35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of the remaining balance in his account.

Age 50 Retirement

If you are a vested member who terminated service prior to becoming eligible for a service retirement benefit, you may elect to leave your accumulated contributions with FURS. When you reach 50 years of age, you become eligible to receive a service retirement benefit. The benefit will be calculated using the same formula as for a service retirement. (§§ 19-13-701(2) and 19-13-104(8), MCA.)

Involuntary Retirement

If you were hired prior to July 1, 1981, **and** involuntarily discontinued from service, you may be eligible for an involuntary retirement benefit. You are considered involuntarily discontinued from service only if the city terminates all full-paid firefighters. The benefit paid to you or your survivor will be calculated as follows:
(§19-13-1007(2), MCA)

20 or more years of membership service:

One-half the average compensation paid to all newly confirmed full-paid firefighters participating in FURS.

Less than 20 years of membership service:

2.5% of the average monthly compensation paid to all newly confirmed full-paid firefighters participating in FURS for each year of service.

3. Disability Retirement

If you become disabled, you are entitled to a disability retirement benefit, regardless of the length of your service. **The disability does not have to be work-related, but the disability must occur while you were employed in a FURS-covered position.** The disability retirement benefit will begin on the day following your termination from service. (§§ 19-2-303 and 19-13-802, MCA)

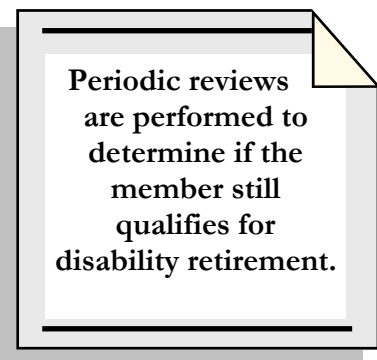
Disability Benefit

If you become disabled before earning 20 years of service credit, you will receive a disability retirement benefit equal to one-half of your highest average compensation.

If you become disabled after you have more than 20 years of membership service, your disability retirement benefit will be calculated at the same rate as a service retirement benefit. (§ 19-2-303 and 19-13-803, MCA)

Disability Reviews

At its discretion, the Board may review the medical condition of any member receiving a disability. 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.



Periodic reviews are performed to determine if the member still qualifies for disability retirement.

If the Board determines the recipient is no longer disabled, the firefighter must be reinstated to the position held immediately before retirement or to a position comparable in pay, benefits and

duties within the member's capacity, whichever is first available. If the member becomes an active member within 30 days of being notified of reinstatement, the member must be considered to have been continuously employed during the time of the disability. (§ 19-13-804 and -805, MCA)

Payment of Disability Benefit

Unless canceled by the Board for reasons described below, the member will be paid the disability benefit for the rest of their life. Upon the disabled member's death, the benefit will be paid to the:

- surviving spouse; or
- dependent child.

This is the same as provided for under a service retirement benefit. (see page 27)

In addition, the member (or their survivors) will receive applicable benefit increases, such as GABA. (see page 29) (§ 19-13-803, MCA)

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases: (§ 19-13-804, MCA)

- The member is no longer totally disabled and is offered a position with the employing city; or
- The member refuse to submit to a medical examination.

Upon notification of a member's eligibility to return to work, the employer may request a medical or psychological review of the ability of the member to return to work. If the Board's findings are upheld, the city must pay the cost of the review. (§ 19-13-805, MCA)

4. When Will You Get Your Benefit?

Benefit payments are processed the last working day of the month. For example: the January benefit payment is mailed on the last working day of January. You may choose to receive your benefit by either direct deposit or by check.

Advantages of direct deposit:

- its timely, the transfer takes place on the last working day of the month, or the next working day;
- it is unlikely to be delayed.
- its safe, no human hands touch it;
- its convenient; and
- its free.

If you receive your benefit by paper check, the check will be mailed on the last working day of the month. Due to mail time, you may not receive your benefit for several days.

Section III: Additional Information

1. Death Benefits

Beneficiaries

Your surviving spouse is the beneficiary of your retirement benefit. In the absence of a surviving spouse, your benefit will continue collectively to your dependent children, until the children are no longer dependent. A dependant child is defined as a child of a deceased member who is not married and:

- is under 18 years of age,
- is under 24 years of age and is a full-time student enrolled in an accredited postsecondary educational institution.

If you do not have a surviving spouse or dependent child at the time of your death, your designated beneficiary would be eligible to receive any balance in your account. A designated beneficiary may be any person, charitable organization, or trust you wish to name. (§ 19-13-902 and 19-13-903, MCA)

Keep your designation of beneficiaries current. You may change your beneficiaries only by completing a new membership card.

You must designate beneficiaries on a FURS membership card and give the card to your payroll clerk. The clerk will send the card to MPERA. Inactive members may call us to request a new membership card. **The change does not take effect until the card is received in our office.** (§ 19-2-801, and 19-2-802, MCA)

NOTE: Advise your beneficiary to contact MPERA for complete details about benefits upon your death.

Active Member

If you die as an active member, your surviving spouse (or dependent child if you do not have a surviving spouse) will receive benefits as stated below:

- If you have not completed 20 years of membership service, the monthly survivorship benefit will be equal to **one-half** of your highest average compensation.
- If you completed 20 years of membership service, the monthly survivorship benefit amount to which you were entitled on the date of your death.
- If you do not have a spouse or dependant child, a lump-sum payment will be paid to your beneficiary.

(§19-13-902, MCA)

Retired Member

Your retirement benefit will be paid to your surviving spouse upon your death. If you do not have a surviving spouse, or your surviving spouse dies while receiving the benefit, the benefit will be paid to your surviving dependent children.

If you have no surviving spouse or dependent children, your designated beneficiary will receive your remaining account balance (the sum of your contributions plus interest on the date of your retirement, minus any retirement benefit payments you had received). If you have no designated beneficiary, the amount will then be paid to your estate. (§ 19-13-704 and 19-13-903, MCA)

Death Benefit Claim

Upon notification of your death, MPERA will send a death benefit claim form to your surviving spouse, dependent child, or designated beneficiary. To claim a death benefit, your beneficiary must return the completed form to MPERA along with a certified copy of your death certificate. (§ 19-2-901, MCA)

2. Benefit Increases ---

Guaranteed Annual Benefit Adjustment (GABA)

Firefighters who were active members of FURS before July 1, 1997, could choose to be covered under Guaranteed Annual Benefit Adjustment (GABA). Members who elected GABA and those who became active members on or after July 1, 1997, will receive GABA retirement benefit increases. (§ 19-13-1007, MCA)

GABA insures an increase of three percent over the previous year's benefit. Other events which increase your benefit will reduce your amount you get from GABA. If the other increases are three percent or more, then you will get no increase from GABA. (§19-13-1010, MCA)

GABA applies to:

- Service Retirement Benefit
- Disability Retirement Benefit
- Survivorship Benefit

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

Eligibility for and Effective Date of GABA Benefits

Before you will receive an increase under GABA, you must receive your benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment the following January.

For example: If you retire on July 1, 2011, you will meet the 12-month requirement on July 1, 2012. You will then receive your first GABA increase beginning with your January 1, 2013 benefit.

Minimum Retirement Benefit Increases for Non-GABA Electors

Members with ten or more years of service (or their survivors) not covered under GABA must receive a minimum benefit adjustment. The minimum retirement benefit payment, the disability retirement benefit, or the survivorship benefit may not be less than one-half of the base salary paid in the current fiscal year to a newly confirmed active firefighter in the city or town that last employed the retired member as a firefighter. (§ 19-13-1007, MCA)

3. Taxes on Benefits --- ---

Some or all of your retirement benefit will be subject to federal and state income taxes. 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. For example:

- You have not paid income tax on contributions made on or after July 1, 1985.
- You have not paid income tax on service purchases you made through payroll deductions after the year 1999.

You may elect to withhold federal and/or Montana state income tax by submitting a Tax Withholding Certificate form available from MPERA. We base withholding rates on current federal and state tax laws unless you request otherwise.

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 taxable amount you received during the past calendar year and any state or federal taxes withheld during the year.

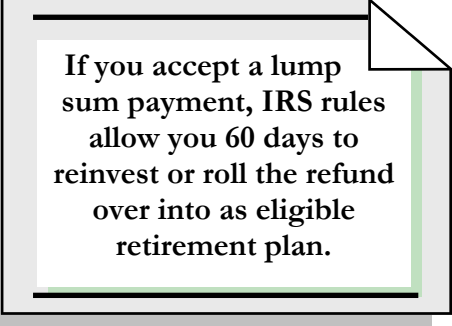
Tax Advice

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.

IRS regulations require us to withhold 20% for federal taxes if you choose to have the refund paid directly to you. Depending on your personal circumstances, the amount withheld may not cover all taxes you may owe on the refund. Refunds taken before the age of 59 ½ will have an additional 10% penalty for early withdrawal. (IRC § 72(t).)



If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into as eligible retirement plan.

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 for tax purposes.

4. Assignment of Benefits ---

In most circumstances your retirement benefit is protected from attachment and cannot be assigned to or acquired by a third party. Your retirement benefit may not be assigned to another person under federal law governing private pension benefits; nor may a Qualified Domestic Relations Order (QDRO) assign your benefits to another person.

However, there are circumstances when your retirement benefit may be subject to attachment or assignment. The IRS may place a levy against your benefit for unpaid taxes. Further, a court may assign all or a portion of your FURS benefits pursuant to a Family Law Order (FLO), which must be a judgment, decree or order of a Montana court. Courts from other states may also assign your benefit with a Support Obligation if that Support Obligation meets requirements similar to those for a FLO. (§§ 19-2-907 and 19-2-909, MCA)

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 in the event of no statutory beneficiary survivors.

A FLO may not require FURS to make payments for:

- a type of benefit unless that benefit is available to you;
- an amount or length of payment greater than that payable to you. This means a FLO cannot require any payments before you retire or take a refund.
- more than the amount FURS may pay you.

(§ 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 FURS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board which is due from the member to qualify or purchase service into FURS.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract. The cost is based on actuarial rates derived from an annual evaluation.

BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

BENEFIT - a service or disability retirement payment or survivorship payment provided by FURS.

COMPENSATION - (1) for full-paid firefighters, the regular remuneration, excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid to a member out of funds controlled by an employer before any deductions are made.

(2)(a) for part-paid firefighters of a city of the second class, 15% of regular remuneration excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to a newly confirmed full-paid firefighter of the city that employs the part-paid firefighter.

(b) if the city does not employ a full-paid firefighter, 15% of the average regular remuneration excluding overtime, holiday payments, shift differential payments, compensatory time payments, and payments in lieu of sick leave, paid on July 1 of each year to all newly confirmed, full-paid firefighters employed by cities of the second class.

DEPENDENT CHILD - A child of a deceased member who is not married and under 18 years of age; or who is unmarried, under 24 years of age and is a full-time student enrolled in an accredited postsecondary educational institution.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. The member must become disabled while an active member, and the disability must be permanent or of an extended or uncertain period.

EMPLOYEE - a person employed by a FURS employer in any capacity and the employer pays the person's salary.

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

FIREFIGHTER - a person employed as a full-paid or part-paid firefighter by an employer.

FULL-PAID FIREFIGHTERS - a person employed as a firefighter under §7-33-4106, MCA.

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA) - a benefit increase, if and when a member is eligible.

HIGHEST AVERAGE COMPENSATION (HAC) - the member's highest average monthly compensation received for any three years of continuous service. Lump-sum payments for severance pay including compensatory leave, sick leave, and annual leave may not be added to a single month's pay. HAC may include termination payments, but only if they replace regular pay on a month for month basis.

INACTIVE MEMBER - a member who ends FURS-covered employment and does not withdraw his or her FURS account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with FURS. Persons receiving FURS retirement benefits are also members.

MEMBERSHIP SERVICE - the periods of service used to determine vesting and eligibility for retirement or other benefits.

MINIMUM RETIREMENT DATE - the first day of the month coinciding with or, if none coincides, the date on which a member both becomes age 50 and completes five years of membership service.

PART-PAID FIREFIGHTER - a person employed under §7-33-4109, MCA who receives compensation in excess of \$300 a year for service as a firefighter.

REFUND - a withdrawal of the accumulated contributions in a member's FURS account. By taking a refund, the member gives up all rights to any other benefits from FURS.

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

RETIREMENT BENEFIT - the monthly payment to a member, for life, following 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 the retirement system.

SERVICE CREDIT - the periods in which the required contributions are made to FURS. MPERA uses service credit to calculate the amount of your benefit.

STATUTORY BENEFICIARY - The surviving spouse or dependant child of a FURS deceased member.

SURVIVING SPOUSE - the spouse married to a member at the time of the member's death.

SURVIVOR - a surviving spouse or dependent child of a deceased member.

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

TERMINATION or TERMINATION OF SERVICE - means the member left the employment relationship with the employer 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 when they meet the minimum service or age provision.

Alternate Accessible Format

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

Telephone: 406-444-3154
Toll Free: 877-275-7372 (877-ASK PERA)
Fax: 406-444-5428
e-mail: mpera@mt.gov

Or write to:

Attn: Ann Reber
MPERA
PO Box 200131
Helena, MT 59620-0131

To view publications online:

<http://mpera.mt.gov>

NOTES

NOTES

NOTES



This is a publication of the
MONTANA PUBLIC EMPLOYEE
RETIREMENT ADMINISTRATION

100 North Park Avenue, Suite 200

P.O. Box 200131

Helena MT 59620-0131

copies of this public document were published at an estimated cost of \$ per copy, for a total cost of \$, which includes for printing and \$.00 for distribution.