

MONTANA  
HIGHWAY PATROL  
OFFICERS'  
RETIREMENT SYSTEM  
MEMBER HANDBOOK



MAY 2010  
PUBLIC EMPLOYEES'  
RETIREMENT BOARD

**MONTANA**

**HIGHWAY PATROL  
OFFICERS'  
RETIREMENT SYSTEM  
(HPORS)**

**MEMBER HANDBOOK**

*May 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 fiduciarly administer its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.*

<b>Name</b>	<b>Statutory Designation</b> (§ 2-15-1009, MCA)	<b>Location</b>	<b>Term Expires</b>
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



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**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 Highway Patrol Officers' Retirement System (HPORS), call or e-mail us, or visit our website. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m. except on designated state holidays.

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**Web Site**

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

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## Preface

This *Highway Patrol Officers' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Highway Patrol Officers' Retirement System (HPORS). It is intended to give you an idea of what your benefits are and to acquaint you with HPORS. Every effort has been made to ensure the contents agree with the 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 HPORS member handbooks.

## Montana Code

The law governing HPORS may be found in Title 19, Chapters 2 and 6, Montana Code Annotated (MCA). The MCA is available online at [http://data.opi.mt.gov/bills/mca\\_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm). References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parentheses throughout this publication. ARM is available at <http://mpera.mt.gov/docs/AdminRules.pdf>.

## Overview

- HPORS 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 HPORS-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 1971*

The Highway Patrol Officers' Retirement System (HPORS) is a public pension plan for Montana highway patrol officers including supervisory personnel. In 1971, the Legislature created HPORS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of June 30, 2009, membership of HPORS consisted of the following:

#### **HPORS Membership**

Number of participating employers.....	1
Active plan members .....	222
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested .....	14
Non-vested.....	8
Retirees and beneficiaries receiving benefits:	
Service Retirements .....	273
Disability Retirements .....	6
Survivor Benefits.....	12

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

HPORS 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 HPORS 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 in 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

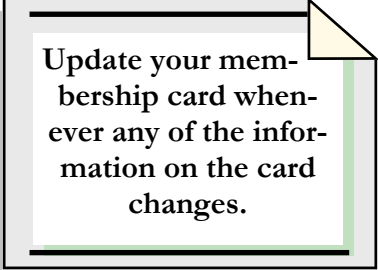
### 1. Membership Enrollment

Membership is mandatory in the Montana Highway Patrol Officers' Retirement System (HPORS) for all Montana highway patrol officers, including supervisory personnel. (§ 19-6-301, MCA)

#### Membership Cards

New highway patrol officers must complete a membership card upon starting work in a HPORS-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 payroll clerk, who will send it to us. Membership may not be discontinued until employment in a HPORS-covered position is terminated.

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



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

of a beneficiary are some of the reasons to update your card. We 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. (§ 19-2-801, MCA; ARM 2.43.2104)

**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)

## 2. Contributions ---

You and your employer (the state of Montana) pay contributions to HPORS. The following explains contributions to HPORS and what is expected of you and your employer.

### Member Contributions

All members must pay part of their gross pay to HPORS in the following amounts: (§ 19-6-402, MCA)

- Members covered under the Guaranteed Annual Benefit Adjustment (GABA) pay 9.05%.
- Members not covered under GABA pay 9%. (see pages 30-31)

**Interest:** Your HPORS account earns interest each month. **Interest has no effect on the amount of your monthly retirement benefit.**

**Taxation:** Since July 1985, the money you contribute to HPORS is pre-tax. The interest earned 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 HPORS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to HPORS. If you have taxed money on account, part of your refund or monthly benefit will be not be taxed when take a lump sum refund or retire.

**Purchase of Service:** To purchase refunded or other types of optional 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 15)

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

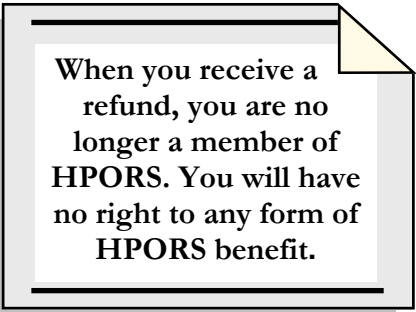
Your employer contributes an amount equal to 26.15% of their total HPORS-covered payroll to the pension trust fund. These contributions are not refundable and provide “pooled” funds for service retirement, disability retirement, and survivor benefits. (§ 19-6-404, MCA)

## State Contribution

The state of Montana annually contributes an amount equal to 10.18% of the total compensation paid to all active HPORS members each year. These contributions are made to the retirement trust fund by the Department of Justice as provided in § 17-7-502, MCA. (§ 19-6-404, MCA)

## Refund of Contributions

Vested members who end HPORS-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 and interest). (§ 19-2-602, MCA; and ARM 2.43.2901)



**When you receive a refund, you are no longer a member of HPORS. You will have no right to any form of HPORS 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. 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, 19-6-301(3), 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 33)

**Return to Work After Receiving a Refund:** If, after receiving a refund, you accept a HPORS-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 15) (§ 19-2-603, MCA)

### 3. Service ---

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

#### Membership Service

MPERA uses membership service to determine if you are eligible for vesting, retirement, or other HPORS benefits. You earn one month of membership service for any month you contribute to HPORS, 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 15 - 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. You leave HPORS-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 23).

## 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)

The following full-time requirements are used when computing a HPORS member's service credits:

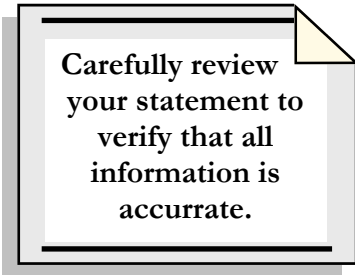
Until 6/30/75	2000 hours/year	= 12 months service credit
7/1/75 - 8/30/86	100 hours/month	= 1 month service credit
9/1/86 - 6/30/87	160 hours/month	= 1 month service credit
7/1/87 - 6/30/90	140 hours/month	= 1 month service credit
7/1/90 - present	160 hours/month	= 1 month service credit

## 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, including service credit,



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

contact MPERA **in writing** and provide a copy of your statement with the changes noted.

If you work part-time, the total service credit reported on your annual statement may seem wrong. This is because 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:**

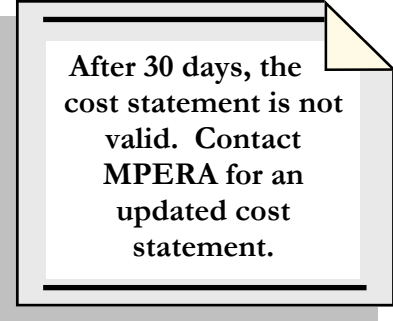
Vested members, both active and inactive, may purchase service at any time before retirement. Purchasing service may enhance your retirement benefit.

For more information regarding purchase of service, contact MPERA.

### **Request 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), a 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 Purchases:**

You can pay for a service purchase in one lump-sum, 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 employer 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 a 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 plus interest, you may purchase the refunded service if you return to a HPORS-covered position. To purchase the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest your refund would have earned if you had left it 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. Reserve military service may include service in the armed forces of the United States. 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. (§§ 19-6-801; 19-2-707, MCA; ARM 2.43.2315 and 2316)

**4. Out-of-State Law Enforcement Service:** If you have five years or more of membership service, you may purchase one year of out-of-state law enforcement employment for each year of service credit, up to a maximum of five years. You may not purchase the service if you are eligible to receive a retirement benefit in another system or plan for that same service. (§19-6-803, MCA)

**Note:** This service may not be used as membership service to allow a member to purchase military service. Also, it cannot be used in calculating a member's retirement benefit unless the last five years of service credit were earned in an HPORS-covered position.

**5. Absence Due to Illness or Injury:** Time, not to exceed five years, that you are absent from work due to a work-related illness or injury, is considered membership service. If you pay the contributions and interest, the absence will also count as service credit. The Board must decide the injury was work-related within one year of your return to work. You lose the right to contribute for the absence if you received a refund of you account during the absence. (§ 19-6-810, MCA; ARM 2.43.2323)

**6. “One-for-Five” Additional Service:** For each five-year period of membership service, you may buy one year of additional service credit. You may buy no more than five years of additional service, but can buy less than a full year. Additional “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. (§19-6-804, 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, but it can be any combination of the above service. (§ 19-6-805, 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 HPORS 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.

### **1. Qualifying for Benefits**

#### **General**

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, such as Social Security.

#### **Vested Members**

When you complete five years of **membership service** (see page 13), you become a vested member. Once vested, HPORS guarantees you a retirement benefit after you reach the minimum age or service requirement.

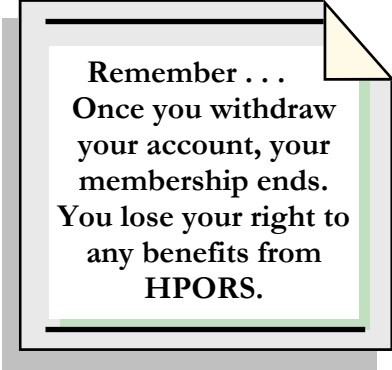
#### **Active Members**

You are an active member if you are in an HPORS-covered position and are making the required contributions to the system. If you have 20 years of service, you may terminate your HPORS-covered employment and apply for monthly service retirement benefits.

You may also 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 benefit.

(§§ 19-2-601 and 19-6-503, MCA; ARM 2.43.2901)



**Remember . . .  
Once you withdraw  
your account, your  
membership ends.  
You lose your right to  
any benefits from  
HPORS.**

### **Inactive Vested Members**

You are an inactive vested member when you terminate HPORS-covered employment, with five or more years of membership service and do not withdraw your HPORS account. You may buy any service for which you are eligible. You may apply for retirement after you meet the minimum service requirements. (§ 19-6-301, 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 plus interest. HPORS 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 HPORS. (see page 12) (§ 19-6-301 MCA)

## 2. Retirement Benefits --- ---

HPORS 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. (§ 19-6-501, MCA) HPORS uses a set or defined formula to calculate your benefit. Your benefit is based on:

1. your years of service credit;
2. the average of your highest consecutive 36 months of salary. This does not have to be your last 36 months of employment. (§ 19-6-502, MCA)

The factors used to calculate your benefit are:

- (A) **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 you get for each year of service credit.
- (C) **Highest Average Compensation (HAC)** is the average of any continuous 36 months of salary. Add your highest continuous 36 months of salary and divide by 36 to get the average monthly salary.

The formula for monthly service retirement benefit in HPORS is:

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

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)		_____
<b>Monthly Benefit</b>	=	_____

## Service Retirement Sample Calculation

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 Service Credit (years) 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 30) increases when eligible, for life. If 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). A dependent child is one who is unmarried and under the age of 18, or under 24 and attending an accredited post-secondary educational institution as a full-time student. (§ 19-6-101(2), MCA)

In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least \$35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of the balance in his account. (See page 27)

## Early Retirement

You may be eligible for an early retirement benefit if you have at least five years of membership service and have terminated from service, other than for cause. Early retirement benefits are reduced by a factor determined by the number of years the retiree's age is under 60. See the example below to calculate the monthly retirement benefit. (§ 19-6-503, MCA)

## Early Retirement Sample Calculations

Wanda Retire, Age at Termination .....	50
Service Credit.....	15 years
Highest Average Compensation (HAC) .....	\$2,500 per month
Account Balance at Retirement.....	\$25,495

Wanda is vested but has less than 20 years of membership service. She may receive an early retirement benefit. The retirement benefit would be calculated using an early retirement factor:

$$\mathbf{2.5\% \times \text{Years of Service Credit} \times \text{HAC} \\ \times \text{Early Retirement Factor}}$$

$$\mathbf{0.025 \times 15 \times \$2,500 \times .52 = \$ 487.50}$$

Wanda will receive a monthly benefit of \$487.50 plus GABA increases when eligible, for life.

If Wanda waited until age 55, her benefit would be:

$$\mathbf{0.025 \times 15 \times \$2,500 \times .70 = \$656.25}$$

Wanda will receive a monthly benefit of \$656.25 plus GABA increases when eligible, for life.

If Wanda waited until she was age 60, her retirement benefit would not be reduced by an early retirement factor. Her benefit would be calculated as follows:

$$\mathbf{0.025 \times 15 \times \$2,500 = \$937.50}$$

Survivor and beneficiary benefits would be paid for an early retirement benefit the same as for a service retirement benefit. (See pages 27-28)

### 3. Disability Retirement

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If you become disabled, you may be entitled to a disability retirement benefit. Disability is the inability to perform your work due to physical or mental incapacity. **The disability does not have to be work-related, but the disability must occur while you were employed in an HPORS-covered position.** The monthly disability retirement benefit will begin on the day following your termination from service. (§§ 19-2-303 and 19-6-601, MCA)

#### Disability Benefit

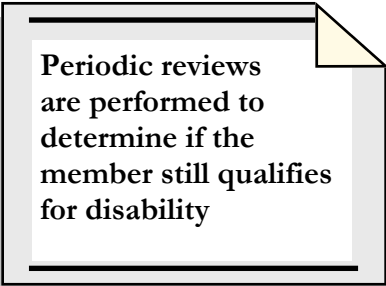
If you become disabled as a direct result of service **in the line of duty** and

- a. have less than 20 years of membership service, you may receive a disability retirement benefit equal to one-half of your Highest Average Compensation (HAC).
- b. have more than 20 years of membership service, you may receive a disability retirement benefit equal to 2.5% of your HAC for each year of service credit. (see page 21)

(§ 19-6-601, MCA)

#### Disability Reviews

The Board will review the medical condition of any member receiving a disability. Periodic reviews are performed to decide 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. (§ 19-6-612, MCA)



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

## **Payment of Disability Benefit**

Unless canceled by the Board for reasons described below, the disability benefit will be paid to you for the rest of your life. Upon your death, the benefit will be paid to your surviving spouse or dependent child. This is the same as provided for under a service retirement benefit. (see page 27)

In addition, you (or your survivors) will receive applicable benefit increases, such as GABA. (see pages 30 - 31) (§§ 19-6-601, 19-6-505(2) and (3), MCA)

## **Disability Benefit Cancellation**

The Board will cancel your disability retirement in the following cases:

1. You are no longer totally disabled and have been offered a position with the Montana highway patrol; or
2. You refuse to submit to a medical examination.

Upon notification of your eligibility to return to work, the Department of Justice may request a medical or psychological review of your ability to return to work. If the Board's findings are upheld, the Department of Justice must pay the cost of the review. (§ 19-6-612, MCA)

**Contact us for complete details about disability benefits and how to apply.**

## **4. Timing for Benefit Payments** --- ---

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.

If you receive your benefit by direct deposit, the transfer takes place on the last working day of the month. However, your bank may not add the transfer to your account until the next working day. With direct deposit, you receive your money one or two days sooner than with a paper check through the mail.

If you receive your benefit by hard copy 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. (§ 19-6-505, MCA)

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.

You must designate beneficiaries on a HPORS 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, and 19-6-505, MCA)

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

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

## **Active Member**

If you die as a **direct result of injuries received in the course of service**, your surviving spouse or dependant child is entitled to a monthly survivorship benefit equal to 50% of your HAC.

If you die in a **non-duty related death**, your surviving spouse or dependant child is entitled to a survivorship benefit that is the actuarial equivalent to an early retirement benefit. (see page 22)

If you have neither a surviving spouse nor dependent child, your designated beneficiary will receive a death payment of your accumulated contributions plus interest. (§§ 19-6-901, 19-6-902, and 19-6-903, MCA)

## **Inactive Member**

If you die as an inactive, **vested** member, your surviving spouse or dependant child may be able to receive a monthly survivorship benefit for their lifetime. (§ 19-6-902, MCA)

If you die as an inactive, **non-vested** member, MPERA will pay a lump-sum death payment to your surviving spouse or dependant child. This death payment will be your accumulated contributions plus interest.

## **Retired Member**

Your retirement benefit will be paid to your surviving spouse. 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. (§ 19-6-505, 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)**

Highway patrol officers who were active members of HPORS before July 1, 1997 could elect to be covered under GABA. Members who elected GABA, and those who became active members on or after July 1, 1997, will receive GABA retirement benefit increases.

GABA insures an increase of 3% over the previous year's benefit. Other events which increase a benefit will reduce the GABA amount. If the other increases are 3% or more, then there will be no increase from GABA. (§19-6-710, MCA)

GABA applies to:

- Service Retirement Benefits
- Early Retirement Benefits
- Disability Retirement Benefits
- Survivorship Benefits

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 retirement 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 retired on July 1, 2011, you will meet the 12-month requirement on July 1, 2012. You will receive your first GABA increase beginning with your January 2013 benefit.

## **Minimum Retirement Benefit Increases for Non-GABA Electors**

If you were hired before July 1, 1997 and did not elect to be covered under the Guaranteed Annual Benefit Adjustment (GABA), a minimum retirement benefit increase is provided for you or your survivor if one of the following conditions are met:

- You are retired, aged 55 or older, and not currently employed in a position covered by another Montana public retirement system.
- You are retired and receiving a disability retirement benefit.
- You are a recipient of a survivorship benefit.

The minimum annual amount payable to eligible recipients are:

**2% x Years of Service Credit**

**x**

**Current base salary of a probationary highway patrol officer.**

Monthly benefits for non-GABA members are increased each July if the amount of the benefit falls below the statutory guaranteed minimum. The annual increase may not exceed 5% of the current monthly benefit paid to you or your survivor. The maximum monthly benefit paid may not exceed 60% of the current base compensation of a probationary highway patrol officer. (§ 19-6-707, MCA)

### **3. Taxes on Benefits**

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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.

- You paid income tax on any money you contributed before July 1, 1985.
- You paid the taxes on any contributions you made to buy service before the year 2000.
- You have not paid taxes on your regular contributions since July 1, 1985, nor have you paid taxes on the interest your account earns.

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 a 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.

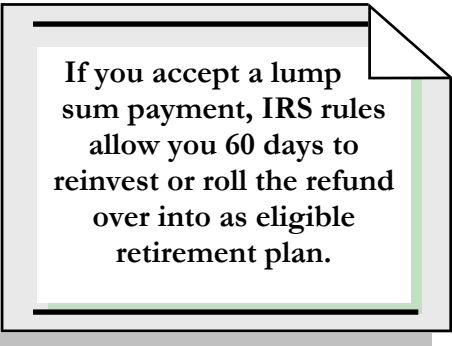
#### **Tax Advice**

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 we 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 59½ will have an additional 10% tax penalty. (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% tax 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 for the refund.

## **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 benefits pursuant to a Family Law Order (FLO), (which must be a judgment, decree or order of a Montana court and 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 HPORS:

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

(§§ 19-2-907 and 19-2-909, MCA )

## 5. For More Information --- ---

- Contact us if you would like an estimate of your benefit.
- Contact us in writing (email, letter, fax, etc) if you want a cost statement for buying service.

Send your correspondence to:

**Mailing Address:**                    **MPERA**  
   **P.O. Box 200131**  
   **Helena MT 59620-0131**

**FAX Number:**                        **(406) 444-5428**

You may e-mail requests to MPERA at [mpera@mt.gov](mailto:mpera@mt.gov). Be sure to include your full name, the last four digits of your social security number, return address and daytime telephone number.

## **GLOSSARY OF TERMS**

**ACCUMULATED CONTRIBUTIONS** - any regular and additional contributions made by a member plus interest earned.

**ACTIVE MEMBER** - a member in a HPORS-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 purchase service into HPORS.

**ADDITIONAL CONTRIBUTIONS** - a member's payments to purchase various types of optional service credit under an installment contract.

**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 or survivorship provided by HPORS.

**COMPENSATION** - a member's salary before any pretax deductions allowed by the Internal Revenue Code are made.

**CREDITED SERVICE or SERVICE CREDIT** - the periods in which you contribute the required money to HPORS. MPERA uses service credit to calculate the amount of your benefit.

**DEPENDENT CHILD** - A child of a deceased member who is not married and:

1. under 18 years of age,
2. 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.

**EMPLOYEE** - a person employed by a HPORS employer as a highway patrol or supervisory personnel in any capacity and the

employer pays the person's salary.

**EMPLOYER** - the Department of Justice, a state agency.

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

**FISCAL YEAR** - the 12-month period starting July 1 and ending the following June 30.

**HIGHEST AVERAGE COMPENSATION (HAC)** - the member's average monthly compensation received for any three years (36 months) of continuous service. Lump-sum payments for severance pay, 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 HPORS-covered employment and does not withdraw his or her HPORS account.

**IRA** - an individual retirement 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 HPORS. Persons receiving retirement benefits based on previous service credit are also members.

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

**PART-TIME EMPLOYMENT** - any month during which the employer pays the member for less than 160 hours.

**PARTICIPANT** - a member, beneficiary, or survivor, who is receiving, or may receive, a benefit or payment from HPORS.

**REFUND** - a withdrawal of all the money in a member's HPORS account.

**REGULAR CONTRIBUTIONS** - the payments an active member must make to HPORS. The payments are a percentage of the member's monthly pay and are tax-deferred.

**REGULAR INTEREST -**

1. the interest credited to a member's account at rates set by the Board. This interest is tax-deferred.
2. the amount charged to buy service on a monthly payment plan.

**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 a retirement system.

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

**SURVIVOR** - a surviving spouse or dependent child of the 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 5 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. Persons who need an alternative accessible format of this information, should contact us.

### Write to:

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

### You May Contact MPERA at:

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

### **To view publications on-line:**

<http://mpera.mt.gov>

# NOTES

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This is a publication of the  
MONTANA PUBLIC EMPLOYEE  
RETIREMENT ADMINISTRATION

100 North Park Avenue, Suite 220

P.O. Box 200131

Helena MT 59620-0131

275 copies of this public document were published at an estimated cost of \$1.26 per copy, for a total cost of \$346.00, which includes \$346.00 for printing and \$.00 for distribution.