

**MONTANA  
PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM  
(PERS)**



**Member Handbook  
For The  
Defined Benefit  
Retirement Plan**

# *T*ABLE OF CONTENTS

Preface .....4  
Welcome to the PERS Defined Benefit Plan .....5  
Retirement Security For Our Members Since 1945 .....6

## *MEMBERSHIP*

MEMBERSHIP ENROLLMENT .....7  
– Membership Cards  
– Optional Membership  
– Working Retiree Membership  
– Exclusion from Membership  
  
CONTRIBUTIONS .....11  
– Member Contributions  
– Employer Contributions  
  
SERVICE .....13  
– Membership Service  
– Vesting  
– Service Credit  
– Part-time Service  
– Annual Membership Statement  
– Purchase of Service

## *BENEFITS*

GENERAL RETIREMENT INFORMATION.....20  
– Non-vested Members  
– Vested Members  
– Active Members  
– Inactive Vested Members  
  
CALCULATING YOUR RETIREMENT BENEFITS .....22  
– Service Retirement  
– Early Retirement  
– Money Purchase Benefit

**Table of Contents (Continued)**

DISABILITY RETIREMENT..... 26

- Effective Date of Disability Retirement Benefit
- Disability Benefit
- Disability Reviews
- Employment
- Disability Benefit Cancellation

CIRCUMSTANCES AFFECTING BENEFITS ..... 31

- Working Retiree
- Involuntary Termination
- Independent Contractors

***PAYMENT OPTIONS***

Option 1..... 35

Option 2..... 36

Option 3..... 36

Changing Your Option If You Elected 2 or 3 ..... 37

Option 4..... 38

***ADDITIONAL INFORMATION***

BENEFIT INCREASES..... 39

REFUND OF CONTRIBUTIONS..... 41

DEATH BENEFITS..... 43

TAXES ON BENEFITS..... 46

ASSIGNMENT OF BENEFITS ..... 48

GLOSSARY OF TERMS ..... 49

SAMPLE CALCULATIONS ..... 52

STATE OF MONTANA..... 56

MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION  
(MPERA) ..... 57

ALTERNATE ACCESSIBLE FORMATS ..... 58

# *P*reface

This *Public Employees' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Public Employees' Retirement System (PERS). It is intended to give you an idea of what your benefits are and to acquaint you with PERS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change. This handbook is not a final source of the law and rules. **IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** Information in this handbook is based on 2011 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 the law or rules, the law or rules will apply. This handbook replaces all previous PERS member handbooks.

## Montana Code

The law governing PERS may be found in Title 19, Chapters 2 and 3, Montana Code Annotated (MCA). The MCA is available on line at: [http://data.opi.mt.gov/bills/mca\\_toc/index.htm](http://data.opi.mt.gov/bills/mca_toc/index.htm). The changes from the 2011 legislature are noted throughout this publication. References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis. The ARM is available at <http://mpera.mt.gov/docs/AdminRules.pdf>.

## Overview

- ◆ PERS provides service retirement benefits, disability retirement benefits and survivor benefits, if eligible.
- ◆ You and your employer both contribute toward your future retirement benefits.
- ◆ You may withdraw **only** your contributions (plus interest) if you leave PERS-covered employment and don't retire. If you withdraw your contributions, you will lose your right to any future retirement benefit.

## *W*elcome to the *PERS* Defined Benefit Retirement Plan

As a new member of PERS, you have made the choice to be a member of the Defined Benefit Retirement Plan (DBRP). This handbook provides valuable information about your new retirement plan, as well as what you can expect when you start to think about retirement.

MPERA Communications also offers other tools for your retirement education in general, and the DBRP specifically. The best place to find all the latest information is on our website at [mpera.mt.gov](http://mpera.mt.gov). Our website hosts many resources available to you including: publications, retirement news, the Executive Director's Blog, and the Education Calendar. The MPERA website also hosts our Steps to Retirement video and other educational webinars.

One of the most valuable features of the website is our Retirement Calculator. The calculator is designed to give you a close estimate of your future retirement benefits, based on different retirement dates. The calculator is very user friendly and will guide you through the steps.

All of these tools combined will give you a much better understanding of the retirement process and what you can expect when you decide you are ready to retire. We encourage you to go out and investigate all aspects of our website.

If you have any retirement-related questions, please email us at [MPERACommunications@mt.gov](mailto:MPERACommunications@mt.gov). Once again, welcome to the PERS-DBRP!

*MPERA Communications*

## *R*etirement Security For *O*ur Members Since 1945

The PERS is a public pension plan for employees of the state, university system, and local governments. The 1945 Legislature created PERS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. Unless another state plan covers the position, PERS will cover all state and university workers. Local governments may contract with the Board to cover their workers under PERS. Membership of PERS consisted of the following as of June 30, 2011:

### **PERS Defined Benefit Membership**

Participating employers .....	519
Active plan members .....	28,659
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested .....	2,535
Non-vested .....	5,787
Retirees and beneficiaries receiving benefits:	
Service Retirements .....	17,509
Disability Retirements.....	231
Survivor Benefits .....	383

The Public Employees' Retirement Board (PERB), an independent, seven-member board appointed by the Governor and confirmed by the Senate, administers PERS, 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 the Board interchangeably.



The following information will explain your membership, contributions, and service in PERS.

## MEMBERSHIP ENROLLMENT

Membership is mandatory if you work in a full-time PERS-covered position except for certain positions as described on the next page. Membership will continue until you end your employment in that position.

### Membership Cards

As a new employee, you were asked to complete a PERS membership card when you started working in your new PERS-covered position. On this card, you were asked to designate your beneficiary(ies) for your PERS account. After you completed the card, your payroll clerk (or human resource person) should have sent it to MPERA. (§ 19-3-401, MCA and ARM 2.43.2104)

Your membership information is a vital record; it is very important that you keep it up-to-date. Some of the reasons to update your information are marriage, divorce, birth of a child, and death of a beneficiary.

**You should update your membership card whenever any of the information on the card changes.**

When you need to update your information, complete a new membership card and give it to your payroll clerk. MPERA must have your updated information before the changes take effect. We will print the data from your membership card on your Annual Membership Statement, which will be mailed to you every July. Please review the statement carefully. If your information is outdated, please submit a new membership card to your payroll clerk as soon as possible. (§ 19-2-801, MCA and ARM 2.43.2104)

## Optional Membership

New employees in the following positions have the option to become members of PERS: (§ 19-3-412, MCA)

- ◆ Elected officials of state or local government paid on a salary or wage basis, or receiving retirement benefits under PERS.
- ◆ Employees scheduled to work less than 960 hours per fiscal year (cumulative if in more than one PERS position).
- ◆ Employees directly appointed by the Governor.
- ◆ Employees of the legislative branch, working 10 months or less, performing work related to the legislative session.
- ◆ Chief administrative officers of a city or county.
- ◆ Employees of a county hospital or rest home.

If you are a new employee and PERS membership is optional for your position, you can choose to become a PERS member by:

1. filling out a membership card, and
2. completing an Optional Membership Election form.

You, not your employer, will decide if you should be a member. If you wish to decline membership in PERS, you will still need to complete the Optional Membership Election form. The form must be completed and returned to MPERA whether or not you choose PERS membership.

**Your election for Optional Membership is irrevocable.**

Once you complete your membership card and Optional Membership Election form, your payroll clerk will send them to MPERA. Once you become a member, the same laws and rules as any other member will also apply to you.

You are a member if you have contributions and service on account with PERS. Once a member, you cannot withdraw from PERS even if you will work less than 960 hours in the coming year. Even if you terminate employment and later accept a job for which membership is optional, you will be required to continue your membership if you have funds on account. In other words, if you are already a member, then your membership will continue even if you later accept employment in an optional position. You are required to complete a new election form only if you received a refund of your account. Elected officials may not withdraw upon re-election to office. (§§ 19-3-401 and 19-3-412, MCA )

**Your membership continues as long as you work in a PERS-covered job, when you have contributions and service on account.**

## Working Retiree Membership

As a retired member of PERS, you may work in a PERS-covered position without becoming an active member as long as you adhere to the working retiree hour and wage limits.

Before starting in a PERS-covered job, you must be retired for **at least 90 days**, and have no written or verbal agreement to return to your employer. You must also have accepted one benefit check before accepting a PERS-covered job. See page 31 for more details about working retirees.

You can choose to end your retirement and become an active member once again. To return to active service, you will need to complete a new membership card. Upon receipt, we will stop paying your benefit. Notify us when you are again ready to retire and we will calculate your new benefit. (§§ 19-3-1105 and 19-3-1106, MCA)

## Exclusion from Membership

The following types of employees may not become members:

- ◆ Inmates or residents of state institutions or correctional institutions.
- ◆ Persons in state institutions mainly for training, but who receive compensation.
- ◆ Independent contractors.
- ◆ Persons who receive credit for their current employment in any other public retirement plan, except Social Security.
- ◆ Court commissioners, elected officials, or members appointed to boards or commissions who serve part-time and receive only per diem.
- ◆ Full-time students working at and attending the same public school, community college, or unit of the state university system. A student of a public community college or a unit of the university system who later becomes a member of PERS may purchase this time. (see pages 16 - 19)

(§ 19-3-403, MCA)

## CONTRIBUTIONS

You and your employer are required to pay contributions to PERS. The following section explains these contributions to PERS and what is expected of you and your employer.

### Member Contributions

All members must pay part of their compensation to PERS.

- ◆ If you were hired **before** July 1, 2011 your contribution rate is 6.9%.
- ◆ If you were hired **on or after** July 1, 2011 your contribution rate is 7.9%. (§ 19-3-315, MCA)

**Interest:** Your PERS account earns interest each month. The interest credited to your account will not affect the amount of your monthly retirement benefit. The exception is the money purchase benefit. (see page 25)

**Taxation:** Any money you paid to PERS before July 1985 was taxed. If you have taxed money on account, then part of your refund or monthly benefit will not be taxed when you take a lump sum refund or retire. Since July 1985, money contributed to PERS is 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.

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

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

- ◆ State and University employers contribute 7.17% of their total PERS-covered payroll to the pension trust fund.
- ◆ Local government employers contribute 7.07% while the State contributes 0.10% for a total of 7.17%.
- ◆ School district employers pay 6.8% of their total payroll each month with the State contributing 0.37% for a total contribution of 7.17%.

**Employer contributions are not refundable** and provide “pooled” funds for retirement, disability and death benefits. (§§ 19-3-112, 19-3-316 and 19-3-319, MCA)

## SERVICE

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

### Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other PERS benefits. You earn one month of membership service for any month you contribute to PERS, regardless of the number of hours you worked or the pay you received during that month.

If eligible, you can purchase some types of service that will count as membership service. 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. (§ 19-2-702, MCA)

### Vesting

You are "vested" after you accumulate five years of membership service. After you are vested, you are entitled to any retirement benefits for which you are eligible.

If you withdraw your accumulated contributions, you are no longer vested and you will give up your right to any PERS benefits. (§ 19-2-601, MCA)

**If you leave PERS-covered employment after vesting and do not withdraw your contributions, you can receive a monthly benefit when you are eligible for retirement.**

## Service Credit

You earn one month of service credit for each month of full-time service for which we receive required contributions. Service credit is granted on a **when paid** basis, not a **when earned** basis. Full-time service means your employer paid you for at least 160 hours of work during that month. You cannot get more than one month of service credit even if you work more than 160 hours during a month.

If you work less than 160 hours during any month, you will receive proportional service credit. (Exception - if you work at least 2,080 non-overtime hours per year, you will receive full-time service credit). For example, if you worked 80 hours during a given month, you would earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§ 19-2-701, MCA and ARM 2.43.2105)

Your service credit years at retirement will be calculated by dividing service credit months by 12.

**Example:** For a member hired April 1, 1992 who worked full-time until June 30, 2012, his or her months of service credit would be calculated as follows:

Period of Employment	Months
April 1992 - December 1992	9.0
January 1993 - December 2011	228.0
January 2012 - June 2012	6.0
<b>TOTAL</b>	<b>243.0</b>

$243 \text{ months} / 12 = 20.25 \text{ years}$  of service credit.

## Part-time Service

Upon retirement, if you worked part-time, we will adjust either your service credit or your Highest Average Compensation (HAC). We adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credit to calculate your benefit. You will not see the adjustment to your service credit until retirement.

## Annual Membership Statement

Each July, MPERA will send you a membership statement with your current membership information. If you have corrections, changes or questions concerning any information, including service credit, contact MPERA **in writing** and provide a copy of your statement with the changes noted.

Carefully review the statement to verify all the information is correct.

If you have part-time employment, the total service credit reported in your statement may seem incorrect. The statement reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. As noted above, we will make adjustments for part-time service when you retire. We adjust your service credit to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your HAC may be based on that full-time service. When your HAC is based on full-time service, we don't adjust your part-time service.

**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:** As a vested member, you can purchase service at any time before retirement. Purchasing service may enhance your retirement benefit. Be aware, any delay can increase the cost because of added interest or higher salaries.

You cannot buy any service from another public retirement system that will make you eligible for a retirement until you receive a refund of the service from the other public system. (§ 19-2-715, MCA)

**Requesting a cost statement:** A cost statement will tell you the amount required to purchase service as well as your payment options. To make a request, you will need to provide the following 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 email, please include all of the above information, however, you will only need to provide **the last four digits** of your social security number.

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

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

**Paying for service purchases:** You can pay for a service purchase in one lump-sum within 30 days of the date of your cost statement or make monthly payments. If you are an active member, you can make monthly payments by pre-tax payroll deduction. You can 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 can 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 contract will terminate and your service purchase to date will be prorated.

We 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. If you do not complete all service purchases before you retire, the service purchase will be prorated. (§§ 19-2-704 and 19-2-708, MCA, and ARM 2.43.2301)

**Types of service that can be purchased:**

You **do not** need to be vested (have five years of membership service) to purchase the following types of service:

- ◆ **Refund of Service:** If you terminated your job and requested a refund of your accumulated contributions (contributions plus interest), you can purchase the refunded service when you return to a PERS-covered position. To purchase the refund, you must repay the accumulated contributions you received and pay the interest that would have been credited had the refund not taken place.

*Refund service counts as both membership service and service credit. (§ 19-2-603, MCA and ARM 2.43.2317)*

- ◆ **Retroactive:** Retroactive service is service with a PERS-covered employer that wasn't credited to PERS at the time. If you have retroactive service, you may buy all or a part of that service.

*Retroactive service counts as both membership service and service credit. (§ 19-3-505, MCA)*

- ◆ **Montana Public Service:** You may buy service refunded (or for which you are eligible to receive a refund) from other retirement systems administered by MPERA. Other public service employment with the state or a political subdivision of the state may also qualify.

*Public service is both membership service and service credit. (§ 19-2-715, MCA and ARM 2.43.2317)*

- ◆ **Absence Due to Illness or Injury:** Time that you are absent from work due to a work-related injury or illness is considered membership service. The time which can be purchased may not exceed five years. If you are eligible and pay the contributions and interest, the absence will also count as service credit.

Upon return to work, you and your employer need to file a written application to buy the time. MPERA needs to receive certification the injury was work-related within one year of your return to work. You will lose the right to contribute for the absence if you took a refund of your account during the absence.

*This service counts as both membership service and service credit.*  
(§ 19-3-504, MCA)

You **must be** vested (have five years of membership service) to purchase the following types of service:

- ◆ **“One-for-Five” Service:** For each five-year period of membership service, you can buy one year of service credit up to five years. You could also buy less than a full year. “One-for-Five” service is not membership service and can not be used to make you 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 we calculate your retirement benefit. (§ 19-3-513, MCA; and ARM 2.43.2318)
- ◆ **Military/Reserve Military Service:** At any time prior to retirement, you may purchase up to five years of your active military or reserve military service at the actuarial cost.

You can purchase reserve military time prior to your separation from the services in the reserves. You cannot purchase military time if you are receiving a retirement benefit from the military, or from another retirement system or plan, for that time. Reserve military service cannot be purchased if you have already received service credit under USERRA for that time period.

*This service is both membership service and service credit.* (§ 19-3-503, MCA)

- ◆ **Volunteer in a U.S. Service Program:** Up to five years of your volunteer service in a United States service program, such as the Peace Corps can be purchased. You can also purchase any documented, successfully completed required term of service in the Americorps Vista, Americorps National Community Conservation Corps; or any other National and Community Service Act (NCSA) program that requires the volunteer to enroll for a specific term of service.

*This service is both membership service and service credit. (§ 19-3-515, MCA)*

- ◆ **Other Public Service:** Service covered by another state, local, or federal government retirement system can be purchased. If you have already received a refund of your account with the other system, you can buy up to five years of that service in PERS. You can also buy the service if it occurred before the employer adopted a public retirement system. You cannot use this service to qualify you to buy military service. Also, you can only count it as service credit if your last five years of service are with a PERS employer. (§§ 19-3-510 and 19-3-512, MCA)

**Limitations:** Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years. (§ 19-3-514, MCA)

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

# *B*ENEFITS

This section explains how to qualify for retirement, the payment options available, and how to calculate your benefit.

## **GENERAL RETIREMENT INFORMATION**

To receive retirement benefits under the PERS defined benefit retirement plan, you will need to fulfill certain age and service requirements. Retirement benefits will be payable directly to you. The benefit option you choose at retirement can also provide for a continued survivor benefit. Once you are eligible to retire and begin taking a retirement benefit, you will receive your retirement benefit for your lifetime. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security.

### **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 your accumulated contributions. PERS will pay you interest until you receive the refund. Remember, if you do take a refund of your accumulated contributions, you give up all rights in PERS. (see page 41) (§§ 19-2-601 and 19-2-602, MCA)

### **Vested Members**

When you complete five years of **membership service** you become a vested member. Once vested, PERS guarantees a retirement benefit after you reach the minimum age or service requirement.

## Active Members

You are an active member if you are in a PERS-covered position and are making the required contributions to the system.

- ◆ If you are a vested member hired **before** July 1, 2011, and at least age 50 or have 25 years of membership service at any age, you may terminate and apply for a monthly retirement benefit.
- ◆ If you are a vested member hired **on or after** July 1, 2011, and at least age 55, you may terminate and apply for a monthly retirement benefit.

You could also take a refund of your account, rather than a retirement benefit. However, if you withdraw your accumulated contributions, you will give up all rights to a monthly retirement or disability benefit. (§ 19-3-601, MCA and ARM 2.43.2901)

**Remember . . .**  
**Once you withdraw the money from your account, your membership ends. You lose your right to any benefit from PERS.**

## Inactive Vested Members

You are an inactive, vested member when you terminate PERS-covered employment, have five or more years membership service, and do not withdraw your PERS account. You can buy any service for which you are eligible. You can apply for a retirement benefit when you meet the minimum age and/or service requirement. (§ 19-3-401, MCA)

**FOR MORE INFORMATION ABOUT RETIREMENT,  
GO TO *MPERA.MT.GOV*.**

## CALCULATING YOUR RETIREMENT BENEFIT

Defined benefit retirement plans use a set or defined formula to calculate your benefit. You will be eligible to receive benefits upon meeting certain requirements.

### Service Retirement

For members hired **before** July 1, 2011:

- ◆ Age 60 with at least five years membership service; or
- ◆ Age 65 and in active service; or
- ◆ 30 years of membership service at any age.

Your PERS retirement benefit is based on your highest consecutive **36** months of compensation. This does not have to be your last **36** months of employment. (§§ 19-3-901 and 19-3-108, MCA)

Your benefit is calculated based on:

- ◆ **A Factor** - either 1.7857% (1/56) or 2% (1/50).
- ◆ **Years of Service Credit** - the amount of service you earned. (see page 14)
- ◆ **HAC** - the average of your highest consecutive 36 months of salary. To calculate your average monthly compensation, add your highest consecutive 36 months and divide by 36.

The formula for a monthly service retirement benefit in PERS depends on your years of membership service and service credit as explained below: (§ 19-3-904, MCA)

- ◆ Less than 25 years membership service:  
**1.7857% x Years of Service Credit x Highest Average Compensation (HAC)**
- ◆ 25 years or more membership service:  
**2% x Years of Service Credit x Highest Average Compensation (HAC)**

For members hired **on or after** July 1, 2011:

- ◆ Age 65 with at least five years membership service; or
- ◆ Age 70 and in active service; or
- ◆ 30 years of membership service at any age.

Your PERS retirement benefit is based on your highest consecutive **60** months of compensation. This does not have to be your last **60** months of employment. (§ 19-3-901, MCA).

Your benefit is calculated based on:

- ◆ **A Factor** - 1.5% (1/20), (1.7857% (1/56) or 2% (1/50)
- ◆ **Years of Service Credit** - the amount of service you earned (see page 14).
- ◆ **HAC** - (Highest Average Compensation) is the average of your highest consecutive 60 months of salary. To calculate your average monthly compensation, add your highest consecutive 60 months of compensation and divide by 60.

The formula for a monthly service retirement benefit in PERS depends on your years of membership service and service credit as explained below: (§ 19-3-904, MCA)

- ◆ More than 5 years but less than 10 years membership service:  
**1.5% x Years of Service Credit x HAC**
- ◆ Less than 30 years but more than 10 years membership service:  
**1.7857% x Years of Service Credit x HAC**
- ◆ 30 years or more membership service:  
**2% x Years of Service Credit x HAC**

## Early Retirement

Members hired **before** July 1, 2011 are eligible for an early retirement benefit if **either**:

- ◆ Age 50 with at least five years membership service; or
- ◆ 25 years of membership service at any age.

For early retirement, MPERA will reduce the amount of your service retirement benefit by an early retirement factor (ERF). The ERF depends upon how many years it will take you to reach age 60 or 30 years of membership service. We will use the ERF that gives you the larger benefit.

Members hired **on or after** July 1, 2011 are eligible for an early retirement benefit upon reaching age 55 with at least five years membership service.

The ERF will depend on how many years it will take you to reach age 65. (§§ 19-3-902 and 19-3-906, MCA)

**If you are interested in estimating your service and/or early retirement benefits, please go to the retirement calculator on our website at *[mpera.mt.gov](http://mpera.mt.gov)*.**

## Money Purchase Benefit

PERS also has a money purchase benefit available instead of a benefit calculated by the defined formula. The money purchase benefit is also a lifetime monthly benefit.

If you retire after a long period as an inactive member, the money purchase benefit might give you a larger benefit. When you request a retirement estimate, **we will calculate your benefit using both the defined benefit formula and the money purchase benefit methods. You will receive the larger of the two benefits.** (§19-3-904, MCA)

Additional contributions to purchase service, plus interest, will also be used in the calculation of this benefit.

**NOTE:** Even as an inactive member your account will continue to earn interest, growing over time. Eventually, the money purchase benefit will be larger than the service retirement benefit. The money purchase benefit helps compensate for inflation. As stated above, we will calculate a member's benefit using both methods and you will receive the larger of the two.

## DISABILITY RETIREMENT

To qualify for a disability retirement, you must meet the following requirements:

- ◆ Your disability must occur during your active membership.
- ◆ You must be a vested member (have at least five years of membership service).
- ◆ Your disability must be permanent, or at least of extended and uncertain duration.
- ◆ Your disability must totally prevent you from doing the essential elements of your job even with reasonable accommodation.
- ◆ Your employer has defined the essential elements of your job and shown reasonable accommodation was attempted for the disabling condition(s) in compliance with the Americans with Disabilities Act.

### Effective Date of Disability Retirement Benefit

You should apply for the disability retirement benefit while you are still an active member, or within 120 days after termination of your PERS employment. You will need to prove your disability occurred during PERS employment. If you are approved for a disability retirement benefit, it will go into effect the day after you terminate your employment. To receive disability retirement benefits, you will need to terminate all current PERS-covered employment.

If you terminate your employment and apply for the disability retirement benefit after four months have passed, you will need to prove your disability occurred before you terminated **and** that it has been continuous from when you terminated. (§§ 19-3-1002 and 19-3-1005, MCA)

## Disability Benefit

Members who joined PERS before February 24, 1991 could choose disability coverage under the old or new disability law. This choice had to be made in writing on or before December 31, 1991.

Under the old law, a disabled member with at least five years of membership service could receive a monthly benefit equal to the larger of the following:

- ◆  $0.90 \times (1.7857\% \times \text{Years of Service Credit} \times \text{Highest Average Compensation})$ ; or
- ◆  $0.25 \times (\text{Highest Average Compensation})$

Eligible members hired **before** July 1, 2011 will receive a monthly disability benefit equal to one of the following:

- ◆ Less than 25 years membership service:  
 $1.7857\% \times \text{Years of Service Credit} \times \text{Highest Average Compensation (HAC)}$
- ◆ 25 years or more membership service:  
 $2\% \times \text{Years of Service Credit} \times \text{Highest Average Compensation (HAC)}$

This is the same formula used to calculate your service retirement benefit except there is no reduction in the benefit amount for early retirement. The money purchase benefit is not used for a disability retirement benefit. A disability retiree may elect any of the four benefit payment options available to service retirees. (§ 19-3-1008, MCA)

If you are uncertain whether you signed the election form to be covered under the new law, please contact us.

Eligible members hired **on or after** July 1, 2011 must meet the same requirements found on page 26.

The PERS disability retirement benefit is based on your highest consecutive **60** months of compensation. This does **not** have to be your last **60** months of employment. (§ 19-3-901, MCA)

The formula for a monthly disability retirement benefit in PERS depends on your years of membership service and service credit as explained below: (§ 19-3-1008, MCA)

- ◆ More than 5 years but less than 10 years of membership service:  
**1.5% x Years of Service Credit x HAC**
- ◆ 10 or more but less than 30 years of membership service:  
**1.7857% x Years of Service Credit x HAC**
- ◆ 30 years or more membership service:  
**2% x Years of Service Credit x HAC**

## Disability Reviews

At its discretion, the Board may review the medical condition of any member receiving a disability benefit. 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. (§ 19-3-1015, MCA)

**At its discretion, MPERA will review the monthly income of all disability retirees. You must report your annual income on forms provided by MPERA.**

## Employment

While receiving a disability benefit, you can earn income (other than from PERS-covered employment), but your benefit will be reduced if it and your income together exceed the monthly amount you were earning when you became disabled. For any month that your other income **plus** your disability retirement benefit is more than the limit, MPERA will reduce your benefit \$1 for every \$1 your earnings are over the limit. After receiving a disability retirement benefit for 36 months, the board will annually adjust your limit for inflation. (§ 19-3-1103, MCA)

The limit applies to income you earn from employment in a position that is not covered by PERS. **If you accept a PERS-covered job, we will reinstate you to active service and cancel your disability retirement benefit.**

## Disability Benefit Cancellation

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

- ◆ You are no longer totally disabled and can return to your former job.
- ◆ You accept another PERS-covered job.
- ◆ You refuse to submit to a current medical exam or provide updated medical records. (§§ 19-3-1015 and 19-3-1104, MCA)

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

**NOTE:** If you are still disabled when you reach normal retirement age, we will convert your disability retirement to a service retirement. The benefit amount will not be adjusted. Converting to a service retirement will end medical reviews, annual financial reviews, and eliminate the earnings limit. If you accept a PERS-covered job after conversion, your earnings limits will be the same as for all other service retirees.

## CIRCUMSTANCES AFFECTING BENEFITS

### Working Retirees

As a PERS retiree, you might wish to work in a job covered by PERS. However, **you cannot have an agreement with your employer (either written or verbal) to come back to work after you retire.** If, after you have been retired for more than 90 days, you decide to take a PERS covered position as a working retiree, please be aware that the law imposes limits.

**Make sure you inform your employer of your PERS retiree status.**

- ◆ If you are less than age 65, and work in PERS covered employment in excess of 960 hours, your benefit will be reduced \$1.00 for each \$1.00 earned from PERS covered employment and any other concurrent non-PERS covered employment with the same employer. Only the PERS covered hours you are paid to work will count toward the 960-hour limit. This does not include paid sick or annual leave. The limit applies to each calendar year and MPERA reduces benefits only if you exceed the limit.
- ◆ If you are 65 to 70 ½ years of age, the limit is either the 960 hours or an earning limitation, whichever is higher. The earning limitation is equal to your HAC adjusted for inflation. The sum of your retirement benefit, your PERS covered earnings, and any earnings from the same employer for concurrent, non-PERS covered employment, must be less than the earning limitation. Earnings from other sources will not apply to the limit. Both limits apply to a single calendar year and only reduce benefits for those years that your hours or earnings exceed the limit. Your benefit will be reduced \$1.00 for each \$1.00 earned from employment exceeding the limit.
- ◆ If you are age 70 ½ or older, there are no limits restricting the earnings of retired members.

**Be aware of your limitations as a working retiree!**

The limits apply only to retirees of PERS who return to PERS covered employment. If unsure, ask potential employers if PERS covers the position before you start work. Any retiree working in a PERS covered position may become an active member anytime. If you become an active member, MPERA will stop your benefit. You may re-retire later and MPERA will recalculate your retirement benefit with the added service. (§§ 19-3-1105 and 1106, MCA)

Each pay period, your PERS employer must report your hours worked and earnings received for that pay period. These working hours and earnings must be certified by your employer each pay period.

Any pay period for which you had no working hours should be marked accordingly on the payroll report and no certification is necessary for that pay period. If you decide to become an active contributing member, the certification is no longer necessary, but MPERA will need to be notified that you have changed your status as an employee. (§ 19-3-1106, MCA)

**NOTE:** This reporting requirement does not apply to a PERS retiree who is elected to a state or local public office and chooses not to become an active member of PERS.

### **Involuntary Termination**

If you are an employee of the State or university system, involuntarily terminated, and eligible for service or early retirement under PERS, there is a special provision that requires the State and university system to pay a **part** of the cost of buying additional service for employees. Your termination could be the result of reorganization, closure of an agency, or a reduction in force (RIF). You will need to waive any other benefits that you may be eligible for under the State Employee Protection Act. The provision allows you to receive up to three years of additional service if you are eligible; but the State may only pay part of the cost.

If you accept the additional service, then special restrictions besides those previously discussed will apply. You may work in the same

jurisdiction for 959 hours in a PERS-covered position or for only 599 hours in a position covered under any of the other public retirement systems. All state agencies and units of the university system are the same jurisdiction which is the State of Montana. Local government units are separate jurisdictions.

If you exceed the limit, you will forfeit the additional service. We will recalculate your benefit without the additional service credit. (§§ 19-2-706 and 19-3-908, MCA)

Example: If you are eligible for early or service retirement and are involuntarily terminated from a state agency due to reorganization, you may decide to retire and the state will pay **part** of the cost of buying three years of additional service. You can accept lesser service, or pay the additional amount to receive three full years.

Later, if you accept a PERS-covered job with a state agency, we will apply the 959-hour limit. After 959 hours, you will lose the additional service. We will recalculate your benefit without the employer paid share of the three years of additional service. If you were to return to work in another retirement system, the 599-hour limit would apply. After 599 hours, we will recalculate the benefit without the additional service.

### **Independent Contractors**

An independent contractor is an individual engaged in an independent trade, occupation, profession, or business who works under contract; and who is free from control or direction when performing services under the contract. Generally, factors which determine whether services are free from control or direction include, but are not limited to, the following:

- ◆ Exercise of control - contractor control of the means by which the work is done shows independence.
- ◆ Furnishing of equipment - contractor-furnished equipment shows

independence.

- ◆ Right to fire - employer right to fire the contractor shows employment rather than independence.
- ◆ Method of payment - payment based on hours shows employment rather than independence.

If you are not engaged in an independent trade, occupation, profession, or business, or if you do not perform your services free from control, you are not an independent contractor but an employee subject to the above limits. Further, since 2005, Montana law has required independent contractors to either have an independent contractor exemption certificate, or purchase workers' compensation insurance coverage for themselves. Failure to obtain the exemption or insurance may result in your being treated as an employee subject to these limits.

# *P*AYMENT OPTIONS

This section provides information on each option and some sample calculations.

PERS offers four benefit payment options when you decide to retire. The option you choose determines whether or not income is provided for someone else (a contingent annuitant) after your death. If you choose an option to provide income for someone after you die, your monthly retirement benefit will be reduced. The reduction depends upon the option you choose, your age and the age of your named contingent annuitant. (§ 19-3-1501, MCA)

**Once you receive and accept your first benefit payment, you cannot change your option.**

## OPTION 1

Option 1 will provide a monthly benefit for your lifetime only and is the largest monthly amount you can choose. Option 1 is also the basis for calculating all other options. The benefit is computed using the defined benefit formula or the money purchase benefit formula. If you retire early, the early retirement factor will reduce your benefit.

Upon your death, your designated beneficiary will receive any balance left in your account. That balance will be the amount that was available at retirement, minus the total benefits already paid to you. All monthly benefit payments end upon your death.

**If you would like an estimate of your retirement benefit for each option, go to [mpera.mt.gov](http://mpera.mt.gov) and try our retirement calculator!**

## OPTION 2

Option 2 will provide a monthly benefit to you for your lifetime. When you die, your contingent annuitant will receive the **same amount** for the rest of their life. The benefit amount of Option 2 is less than Option 1 because the lifetime

**Option 2 will provide the same benefit amount to your contingent annuitant for their lifetime.**

value is spread over two lives instead of one. The Option 2 factor is based on **both** your age and your contingent annuitant's age at your retirement date. **According to IRS regulations, if the age difference between you and your non-spouse contingent annuitant is greater than ten years, you may not select Option 2.**

Your Option 2 benefit will be calculated by multiplying the Option 1 benefit by an Option 2 factor. You may not change your Option 2 election or your designated contingent annuitant, except in limited circumstances.

## OPTION 3

Option 3 will provide a monthly benefit to you for your lifetime. When you die, your contingent annuitant will receive **one-half of that amount** for the rest of their life. The benefit amount of Option 3 is less than Option 1 because the

**Option 3 will provide one-half of the benefit amount to your contingent annuitant for their lifetime.**

lifetime value is spread over two lives instead of one. The Option 3 factor is based on **both** your age and your contingent annuitant's age at your retirement date. However, because the contingent annuitant receives only one-half of your benefit, your benefit would be larger than the Option 2 benefit.

Your Option 3 benefit is calculated by multiplying the Option 1 benefit by an Option 3 factor. You may not change your Option 3 election or your designated contingent annuitant, except in limited circumstances.

## Changing Your Option If You Elected 2 or 3

There are only two circumstances under which you can change your Option 2 or Option 3 payment or contingent annuitant. You may only change if:

- ◆ your original contingent annuitant dies; or
- ◆ you and your contingent annuitant divorce and there is no family law order, as defined in § 19-2-907, MCA, giving your contingent annuitant the right to receive part of the benefit.

Under these conditions, if you had selected either Option 2 or 3 when you retired, you may:

- ◆ revert to the higher Option 1 retirement benefit that was available at the time of your retirement, plus any guaranteed annual benefit adjustments (GABA) you have received; or
- ◆ change your Option and name a new contingent annuitant; or
- ◆ keep the same Option and name a new contingent annuitant.

To change your payment option or contingent annuitant, you must designate a new contingent annuitant or payment option **in writing, within 18 months** of the death of or divorce from the contingent annuitant. Contact us to receive an estimate of the new benefit and an application form. (§ 19-3-1501, MCA)

**To change Option 2 or 3, you must inform MPERA within 18 months of the qualifying event.**

## OPTION 4

Option 4 will provide a continuing benefit to one or more contingent annuitants. As with all options, you will receive the monthly benefit for **your life**. If you die before the end of the "certain" or guaranteed period, your contingent annuitant will receive the benefit for the balance of the guaranteed period. If you name more than one contingent annuitant, they will receive the continuing benefit payment, divided equally, for the remainder of the guaranteed period. Payments to the contingent annuitant(s) will stop when the guaranteed period ends.

This benefit has two alternatives:

- ◆ **10-year period certain.** You must be **age 75 or younger** when you retire to be eligible for this benefit. You will receive this benefit for life. If you die before the 10-year period ends, then your contingent annuitant(s) will receive the same benefit for the remainder of the 10-year period. The 10-year period begins on your effective date of retirement.
  
- ◆ **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. You will receive this benefit for life. If you die before the 20-year period ends, then your contingent annuitant(s) will receive the same benefit for the remainder of the 20-year period. The 20-year period begins on your effective date of retirement.

For this Option, you can change your contingent annuitant designation. Contingent annuitant(s) receiving the Option 4 benefit may, in turn, designate their own contingent annuitants.

**NOTE:** The Option 4 benefit will be calculated using Option 4 factors which are based on **your age only**.

# *A*DDITIONAL INFORMATION

## BENEFIT INCREASES

The Guaranteed Annual Benefit Adjustment (GABA) will increase your retirement benefit every year **if you are eligible**.

Before you receive an increase under GABA, you need to have received your benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment that following January. For example: If you retire on July 1, 2013, you will meet the 12-month requirement on July 1, 2014. You will then receive your first GABA increase beginning with your January 1, 2015 benefit.

If you were hired **before** July 1, 2007, (including members who transferred to an PERS-covered position from another MPERA-administered system) you will be eligible for a 3% GABA.

If you were hired **on or after** July 1, 2007, you will be eligible for a 1.5% GABA.

Other events which increase your benefit will reduce the amount you will get from GABA. If the other increases are greater than your GABA amount, then you will not receive a GABA increase.

The GABA applies to:

- ◆ Service Retirement Benefit
- ◆ Early Retirement Benefit
- ◆ Disability Retirement Benefit
- ◆ Survivorship Benefit

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

If you were hired **before** July 1, 2007 and terminate PERS-covered employment, but did not withdraw your accumulated contributions (take a refund), your GABA will remain 3% if you return to PERS covered employment. (§ 19-3-1605, MCA)

## REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your PERS-covered employment, you can leave your money on account to continue to earn interest; or you can receive a refund of your accumulated contributions (your contributions plus interest). (§§ 19-2-602, MCA and ARM 2.43.2901)

To receive a refund after you terminate, you can download a refund application from our website. You need to complete the member section, then give it to your employer. Your employer will complete the application and send it to MPERA. (§19-2-602, MCA)

**Processing a Refund:** We cannot process your refund before your employer sends your completed application and your final payroll information. This process can 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 the 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 as follows.

- ◆ If you have less than \$200 in accumulated contributions, you will automatically be sent a lump sum refund. No taxes are withheld.
- ◆ If you have 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.

**Optional Refund:**

- ◆ If you have more than \$1,000 in accumulated contributions, you may leave your contributions on account and continue to earn interest. (§19-2-602, MCA and 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 47).

**Remember . . .  
Once you withdraw the money from  
your account, your membership ends.  
You have lost your right to any benefit  
from PERS.**

**Return to Work After Receiving a Refund:** If, after receiving a refund, you return to a mandatory PERS-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 pages 16-19) (§ 19-2-603, MCA)

# DEATH BENEFITS

## Beneficiaries

You can designate any persons, charitable organization, estate, or trust (for the benefit of a living person) you wish as a beneficiary(ies). Beneficiaries are either primary or contingent. Contingent beneficiaries will receive a payment or a benefit only if no primary beneficiary survives you.

You can designate your beneficiaries on a PERS Membership/Designation of Beneficiaries card and give it to your payroll clerk. The clerk will send it to us. If you are an inactive member, call us and we will send you a new membership card. **Any change is not effective until the card is received in our office.** (§ 19-2-801, MCA)

**Keep your designated beneficiaries current. Change your beneficiaries by filing a new membership card with MPERA.**

Retired members who wish to change beneficiaries must contact MPERA for the proper forms.

**NOTE:** Advise your beneficiary to contact MPERA for complete details about benefits in the event of your death.

## Active Member

If you die while an active PERS member, your designated beneficiary (ies) can receive either a lump-sum payment or a monthly survivorship benefit. The benefit will be the actuarial equivalent of your applicable service retirement benefit. (§ 19-3-1201, MCA)

This death payment will be the sum of:

- ◆ your accumulated contributions; and
- ◆ an amount calculated as: 1/12 multiplied by your last twelve months of pay; multiplied by the lesser of six or your years of service credit.

Interest will be paid on the amounts above to the date the payment is made. This lump-sum death payment will be paid if your death occurs in any of the following cases:

- ◆ while in active service.
- ◆ within six months after a disability benefit begins.
- ◆ if disabled continuously since leaving active service, when you are not receiving a disability retirement benefit.
- ◆ while an inactive member.

Under these circumstances, a beneficiary can receive the payment as a lump sum or a fixed monthly annuity payment.

The fixed monthly annuity payment is guaranteed for life. The amount of the monthly payment will not change. Increases that may apply to other monthly benefits will not apply to these monthly annuity payments. To receive the monthly annuity payments, the beneficiary must send a written election to the Board. (§§ 19-3-1201, 19-3-1202 and 19-3-1203, MCA)

### Survivorship Benefit

Generally, a beneficiary eligible to receive a service death payment can choose to receive a survivorship benefit instead. A survivorship benefit is calculated based on the value of a vested member's potential benefit if the member had not died before receiving the benefit.

**To receive a survivorship benefit, a beneficiary must apply within 90 days after receiving notice they are eligible for a death payment.**

A survivorship benefit is also a monthly payment for life, but may be more than the monthly annuity payment. Benefit increases such as the GABA which do not apply to death annuity payments, do apply to the survivorship benefit. (§§ 19-3-1204 and 19-3-1205, MCA)

## **Inactive Member**

If you are an inactive member, PERS will pay a lump-sum death payment to your beneficiary. This death payment will be your accumulated contributions plus interest. If you were vested (have five years of membership service), your beneficiary may be able to receive a monthly benefit for their lifetime.

## **Retired Member**

If you were receiving an Option 1 benefit, and you die before receiving benefits equal to your account balance, your beneficiary will receive your remaining account balance. Your remaining account balance is your contributions, plus interest to date of retirement, minus any benefit payments you received. Your designated beneficiary may request the lump-sum payment be received as an annuity.

If you chose Options 2, 3 or 4, see Payment Options on pages 36 - 38 for details on death benefits.

## **Death Benefit Claim**

Upon notification of your death, MPERA will send a death benefit claim to your designated beneficiary. To claim a death benefit, the beneficiary must return the completed form to MPERA along with a certified copy of your death certificate. (§ 19-3-1201, MCA and ARM 2.43.2902)

Under these circumstances, a beneficiary can receive the payment as a lump sum or a fixed monthly annuity payment.

## 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.
- ◆ 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 online at the MPERA website. 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))

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.

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

## 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 PERS 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 PERS to make payments for:

- ◆ a type of benefit that is not available to you.
- ◆ an amount or length of payment greater than that payable to you. This means a FLO cannot require any payments from your defined benefit account before you retire or take a refund.

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

**ACTUARIAL COST** - the amount determined by the Board in a uniform and nondiscriminatory manner to represent the present value of the benefits derived from the additional service credited based on the most recent actuarial valuation for the system and the age, years until retirement, and current salary of the member.

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

**ANNUITY** - equal and fixed payments for life that are the actuarial equivalent of a lump-sum payment under a retirement system and as such are not benefits paid by a retirement system and are not subject to periodic or one-time increases.

**BENEFIT** - a service, early or disability retirement or survivorship provided by the PERS.

**CONTINGENT ANNUITANT** - a person the retired member names to receive a continuing benefit after the member's death.

**CONTRACTING EMPLOYER** - a political subdivision or governmental entity of the state that contracts with the Board to cover its employees under PERS.

**COMPENSATION** - the pay an employee receives before deducting taxes or social security in accordance with § 19-3-108, MCA.

**DESIGNATED BENEFICIARY** - the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

**DISABILITY** - total physical or mental inability of a member to perform the duties of the member's job. The disability must be incurred while an active member and it must be permanent or of an extended and uncertain duration.

**EMPLOYEE** - a person employed in any capacity by a PERS employer who pays the person's salary.

**EMPLOYER** - the state, its university system, or political subdivisions that contract with the Board to cover their employees under PERS.

**FAMILY LAW ORDER (FLO)** - an order from a Montana 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.

**GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)** - a benefit increase, paid if and when a member is eligible. The amount is based on date of hire.

**HIGHEST AVERAGE COMPENSATION (HAC)** - a member's highest average monthly compensation during a set period of consecutive months of membership service. Lump-sum payments for severance pay, sick leave, banked holiday time and annual leave may not be added to a single month's pay. Your HAC may include termination payments, but only if they replace regular pay on a month for month basis.

**INACTIVE MEMBER** - a member who terminates PERS-covered employment and does not withdraw his or her PERS accumulated contributions.

**IRA** - an individual retirement account.

**LUMP-SUM PAYMENT** - an amount, which may include interest, that is payable instead of monthly benefits.

**MEMBER** - any person with contributions and service on account with the PERS. 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. You get 1 month membership service for any month you contribute to PERS, even if you only work one day during that month. If you contribute anything, you get membership service for the whole month.

**NORMAL RETIREMENT AGE** - the age at which a member is eligible to immediately receive a retirement benefit from PERS without disability and without a reduction. Eligibility is based on the member's age, length of service, or both.

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

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

**REFUND** - a withdrawal of all the accumulated contributions in a member's

PERS account. This does not include employer contributions. By taking a refund, the member gives up all rights to any other benefits from the PERS.

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

**REGULAR INTEREST** - (1) Interest earned on the payments made to a member's account. This rate is set by the Board and is tax-deferred. (2) The interest rate charged for monthly service purchase payments. The rates for (1) and (2) may or may not be the same.

**RETIREMENT BENEFIT** - the monthly payment to a member, for life, following early, 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.

**SERVICE CREDIT** - the periods in which you contribute the required money to PERS. MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive  $\frac{1}{2}$  of a month of service credit. However, if you work less than 160 hours in a particular month but still work 2080 non-overtime hours per fiscal year, you will still receive a full year of service credit.

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

**TERMINATION or TERMINATION OF SERVICE** - means the member has left the employment relationship for at least 30 days, has no written or verbal agreement to return, 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.

## SAMPLE CALCULATIONS

The following are sample calculations. These calculations are for educational purposes only and do not cover all contingencies. If you would like to estimate your own benefit, please go to our website at [mpera.mt.gov](http://mpera.mt.gov) and try our retirement calculator! **NOTE:** These sample calculations are for members hired before July 1, 2011.

### Service Retirement Example

Wanda Retire, Age .....	65
Membership Service.....	18 years
Service Credit.....	18 years
Highest Average Compensation (HAC) .....	\$1,750 per month
Account Balance at Retirement .....	\$28,796
Contingent Annuitant's Age.....	65

**Option 1 Formula:** 1.7857% x Service Credit x HAC

$$1.7857\% \times 18 \times \$1,750 = \$562.50/\text{month}$$

Because Wanda has 18 years of Membership Service, the **1.7857%** factor is used. Under Payment Option 1, Wanda will receive a monthly benefit of \$562.50, plus GABA increases when eligible, for life. Upon her death, monthly payments will cease. If the total benefits paid to Wanda are less than her balance at retirement (\$28,796), the balance will be paid in a lump-sum to her designated beneficiary.

**Option 2 Formula:** Option 1 Amount x Option 2 Factor

$$\$562.50 \times 0.8242 = \$463.61 \text{ per month}$$

If Wanda elects Option 2, she will receive a monthly benefit of \$463.61, plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant the same amount Wanda was receiving, plus increases when eligible, for life.

**Option 3 Formula: Option 1 Amount x Option 3 Factor**

$$\text{\$562.50} \times 0.9036 = \text{\$508.28 per month}$$

If Wanda elects Option 3, she will receive monthly a benefit of \$508.28 plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant one-half of the amount Wanda was receiving, plus increases when eligible, for life.

**Option 4 Formulas:**

**10-Year certain: Option 1 Amount x Option 4 10-year Factor**

$$\text{\$562.50} \times 0.9631 = \text{\$541.74 per month}$$

If Wanda chooses the 10-year certain payment option, she will receive monthly payments of \$541.74 plus GABA increases when eligible, for life. If she dies before the 10-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Wanda dies after the 10-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

**20-Year certain: Option 1 Amount x Option 4 20-year Factor**

$$\text{\$562.50} \times 0.8641 = \text{\$486.06 per month}$$

If Wanda chooses the 20-year certain payment option, she will receive monthly payments of \$486.06 plus GABA increases when eligible, for life. If she dies before the 20-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 20-year period. If Wanda dies after the 20-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

The 10-year and 20-year periods begin on the effective date of your retirement. **Factors used for 10-year or 20-year periods are based only on the retiree's age.**

## Early Retirement

Kenny Retire, Age .....	55
Membership Service.....	25 Years
Service Credit.....	25 Years
Highest Average Compensation (HAC) .....	\$1,750 per month
Account Balance at Retirement .....	\$42,796
Contingent Annuitant's Age .....	56

Because Kenny has 25 years of Membership Service, the basic formula will use the 2% factor.

**Option 1 Formula:**

**2% x Service Credit x HAC x Early Retirement Factor (ERF)**

$$2\% \times 25 \times \$1,750 \times \text{ERF} = \$536.70/\text{month}$$

The early retirement factor table is too large to include in the publication.

Under Payment Option 1, Kenny will receive a monthly benefit of \$536.70 plus GABA increases when eligible, for life. Upon his death, monthly payments will cease. If the total benefits paid to Kenny are less than his balance at retirement, the remainder of his account will be paid in a lump-sum to his designated beneficiary. The account balance will be equal to his contributions plus interest at retirement minus all benefits paid to him.

**Option 2 Formula:**

**Option 1 Amount x Option 2 Factor**

$$\$536.70 \times 0.8907 = \$478.04 \text{ per month}$$

If Kenny elects Option 2, he will receive a monthly benefit of \$478.04 plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

**Option 3 Formula: Option 1 Amount x Option 3 Factor**

$$\$536.70 \times 0.9422 = \$505.68 \text{ per month}$$

If Kenny elects Option 3, he will receive a monthly benefit of \$505.68 plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive **one-half** of the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

**Option 4 Formulas:**

**10-Year certain: Option 1 Amount x Option 4 10-year Factor**

$$\$536.70 \times 0.9909 = \$531.82 \text{ per month}$$

If Kenny chooses the 10-year certain payment option, he will receive \$531.82 per month, plus GABA increases when eligible, for life. If he dies before the 10-year period ends, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Kenny dies after the 10-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

**20-Year certain: Option 1 Amount x Option 4 20-year Factor**

$$\$292.16 \times 0.9575 = \$513.89 \text{ per month}$$

If Kenny chooses the 20-year certain payment option, he will receive \$513.89 per month, plus GABA increases when eligible, for life. If he dies before the end of the 20-year period, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end when the 20-year period. If Kenny dies after the 20-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

The 10-year and 20-year periods begin on the effective date of your retirement. **Factors used for 10-year or 20-year periods are based only on the retiree's age.**



Brian Schweitzer, Governor

**Public Employees' Retirement Board (PERB)**

***PERB Mission Statement***

*The Montana Public Employees' Retirement Board, as fiduciaries, administers its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.*

Name	Statutory Designation (§ 2-15-1009, MCA)	Location	Date Appointed	Term Expires
President John Nielson <a href="mailto:mperb.jnielsen@gmail.com">mperb.jnielsen@gmail.com</a>	Active Public Employee	Glendive	4/4/2007	3/31/12
Vice President Terrence Smith <a href="mailto:mperb.tsmith@gmail.com">mperb.tsmith@gmail.com</a>	Active DC Plan Member	Bozeman	4/1/2009	3/31/14
Timm Twardoski <a href="mailto:mperb.twardoski@gmail.com">mperb.twardoski@gmail.com</a>	Member At Large	Helena	4/1/2011	3/31/16
Dianna Porter <a href="mailto:mperb.dporter@gmail.com">mperb.dporter@gmail.com</a>	Member at Large	Butte	4/8/2008	3/31/13
Darcy Halpin <a href="mailto:mperb.dhalpin@gmail.com">mperb.dhalpin@gmail.com</a>	Retired PERS Member	Belgrade	4/21/2008	3/31/13
Patrick McKittrick <a href="mailto:mperb.pmckittrick@gmail.com">mperb.pmckittrick@gmail.com</a>	Investment Experience	Great Falls	4/1/2009	3/31/14
Scott Moore <a href="mailto:mperb.smooore@gmail.com">mperb.smooore@gmail.com</a>	Active Public Employee	Miles City	4/1/2010	3/31/15

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# THE MONTANA PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION (MPERA)

## *MPERA Mission Statement*

*The Montana Public Employee Retirement Administration efficiently provides 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 Public Employees' Retirement System (PERS), 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.

### Telephone

(877) 275-7372  
(406) 444-3154

### Mailing Address

P.O. Box 200131  
Helena, MT 59620-0131

### Office Address

100 North Park Ave.  
Suite 200  
Helena, MT 59601

### Email

[mpera@mt.gov](mailto: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/>.

## Alternate Accessible Formats

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

Or write to:

Attn: Ann Reber  
MPERA  
P.O. Box 200131  
Helena, MT 59620-0131





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RETIREMENT ADMINISTRATION  
100 North Park Avenue, Suite 200  
P.O. Box 200131  
Helena MT 59620-0131