

# **WELCOME TO PERS!**

**DEFINED CONTRIBUTION  
RETIREMENT PLAN (DCRP)**

**DEFINED BENEFIT  
RETIREMENT PLAN (DBRP)**

**OPTIONAL RETIREMENT  
PROGRAM (ORP)**

**457 DEFERRED COMPENSATION  
SUPPLEMENTAL RETIREMENT PLAN**

The logo for the Montana Public Employee Retirement Administration (MPERA). It features the word "PERA" in a bold, blue, serif font with a white outline, set against a dark blue background that is shaped like the state of Montana. The background of the entire slide is a scenic landscape with a large mountain peak in the background, a lake in the middle ground, and a dense forest of evergreen trees in the foreground.

**PERA**

**MONTANA PUBLIC EMPLOYEE  
RETIREMENT ADMINISTRATOR  
(MPERA)**

# Defined Benefit & Defined Contribution Retirement Plan Choice Comparisons For Members Hired On or After 7/1/2011

FEATURE	DEFINED BENEFIT RETIREMENT PLAN	DEFINED CONTRIBUTION RETIREMENT PLAN
Employee contributions	7.9% of gross compensation	7.9% of gross compensation
Tax status of contributions	Pre-tax	Pre-tax
Tax status of earnings	Tax-deferred	Tax-deferred
Tax status of distributions	Taxable	Taxable
Disability benefit	Provided in plan	Provided in plan
Employer contributions	7.17% of covered payroll	7.17% of covered payroll
Allocation of employer contributions	7.13% - Pension trust fund which covers: - Administrative costs - Normal costs - Disability benefits <u>0.04 % - Education fund</u> 7.17% Total	4.19% - Individual account  2.64% - Plan choice rate 0.30% - Disability fund <u>0.04% - Education fund</u> 7.17% Total
Purpose of employer & employee contributions	Fund a lifetime benefit	Fund the individual account
Benefit determined by	Formula	Individual account balance
Benefit/payment frequency	Monthly	Individual Selects
Benefit guarantee	Guaranteed for life	None: depends on account balance
Benefit adjustments	Guaranteed Annual Benefit Adjustment (GABA) 1.5% - Member hired on or after 7/1/07	Individual selects amount (May change when needed)

FEATURE	DEFINED BENEFIT RETIREMENT PLAN	DEFINED CONTRIBUTION RETIREMENT PLAN
Eligibility	<p style="text-align: center;"><u>Service Retirement</u></p> <ul style="list-style-type: none"> <li>- Age 65 &amp; 5 years membership</li> <li>- Age 70 &amp; in active service</li> <li>- 30 years membership: any age</li> </ul> <p style="text-align: center;"><u>Early Retirement</u></p> <ul style="list-style-type: none"> <li>- Age 55 &amp; 5 years membership</li> <li>- 25 years membership: any age</li> </ul>	<p>Individual account available upon:</p> <ul style="list-style-type: none"> <li>- Termination of service</li> <li>- Retirement</li> <li>- Death</li> </ul>
Prior to 5 year vesting	Employee may receive lump sum refund of only his or her contributions & Board set interest	Employee may receive lump sum refund of only his or her contributions and earnings
5 year vesting	Entitles employee to lifetime monthly benefit or refund of employee contributions plus interest only	Entitles employee to employer contributions in the individual account
Investments	Pension trust fund invested by Montana Board of Investments	Individual account invested by employee among the investment alternatives available in the plan
Investment risk	Assumed by employers	Assumed by employee
Plan loans Hardship withdrawals	Not permitted	Not permitted

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# NOTICE

This handbook is an educational tool for PERS members who are evaluating the **PERS Retirement Plans**. It is intended to provide you with a general idea of possible benefits under each plan and to assist you in making your retirement plan election. This handbook reflects applicable laws and rules as they exist at the time of publication. **THIS HANDBOOK SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY.** If any information in this publication conflicts with the Public Employees' Retirement Board's (PERB) interpretation of statute or rule, statute or rule will apply.

Neither the Montana Public Employee Retirement Administration (MPERA) nor the Board provide professional financial or tax-related services. We encourage you to compare the PERS plans based on your personal situation, and to consult with a financial planner and/or tax advisor as needed.

Permission is granted to reproduce, copy, or duplicate the information in this publication for use by others while making their PERS retirement plan decision, provided credit is given to MPERA. Reproduction for personal use by members is not only permitted, but encouraged.

The PERB is an independent, seven-member board, appointed by the Governor and confirmed by the Senate, to administer PERS, seven other retirement systems, and the State's Deferred Compensation Plan. MPERA does the day-to-day work. This handbook uses the terms we, us, MPERA, and Board interchangeably.



**WELCOME  
TO  
PERS!**

# WELCOME TO PERS!

This handbook is designed to provide you with an overview of the Public Employee's Retirement System (PERS), information about the State of Montana's optional 457(b) Deferred Compensation Plan, and some general guidance for retirement planning. Please read the information carefully to ensure you make the best choice for your personal circumstances.

## **PERS Plan Choices**

In your new PERS-covered position, you have two\* retirement plan options to choose from:

The **Defined Benefit Retirement Plan (DBRP)** – This is considered a typical pension plan. You and your employer contribute to a pension trust fund. When you retire, you will receive a guaranteed monthly payment based on a formula that includes your salary and years of service; or

The **Defined Contribution Retirement Plan (DCRP)** – This plan puts you in charge of controlling how your contributions are invested. When you retire, your benefit will depend on the size of your account and you will choose how to receive your funds.

*\* If you are a University System employee, you have a third option. See [page 33](#) for details.*

## **Optional 457(b) Deferred Compensation Plan**

Along with your retirement plan option, you may also be eligible to participate in your employer-sponsored supplemental retirement plan such as the State of Montana's 457(b) Deferred Compensation Plan.

## General Retirement Planning

It's important to begin planning your retirement early in your career. It's likely that your retirement benefit will not be enough to maintain your current standard of living once you retire. You will want to consider where all sources of income will come from. For many people, retirement income includes:

- ◆ Employer Sponsored Retirement Plan - your PERS plan
- ◆ Supplemental Retirement such as a 457(b) or IRA
- ◆ Social Security
- ◆ Personal Assets and Savings

As you make your retirement choices or engage in additional retirement planning, you should also consider your individual circumstances. Some points you may consider are:

### Your expectations:

- ◆ How long will you work in a PERS-covered position?
- ◆ Inflation?
- ◆ Tax rates?
- ◆ Interest rates?
- ◆ The stock market?

### Your timeframes:

- ◆ When will you begin drawing your retirement income?
- ◆ How long will you need retirement income?
- ◆ When will you begin drawing Social Security?

### Your knowledge about investing:

- ◆ How much do you know about investing?
- ◆ Would you tolerate a negative return?
- ◆ Can you tolerate a 0% return in one year and a 25% return in another year?
- ◆ How important is the rate of return?

Your individual circumstances:

- ◆ Do you have other income?
- ◆ Do you need stable/fixed monthly income or more flexible income?
- ◆ Are you married?
- ◆ Does your spouse work and have a retirement plan?
- ◆ Do you have dependent children?
- ◆ How is your health?
- ◆ What is your desired retirement lifestyle?

The core of retirement planning can be summarized in a relatively simple way:

- ◆ How much income will you need in retirement?
- ◆ Will your retirement income meet your needs?
- ◆ How much income is supplied from various sources?

**Additional Retirement Considerations**

As you start retirement planning, you may discover the potential for:

- ◆ A time gap between your PERS retirement age and your eligible age to draw Social Security.
- ◆ A projected income gap between your combined PERS and Social Security income and your retirement income needs.

Some methods to fill the gaps can be:

- ◆ Delaying your retirement.
- ◆ Reducing your retirement income goals (needs).
- ◆ Working during retirement (part-time or periodically).
- ◆ Using personal assets and savings.

You can build other assets and savings. Depending on your employer, you may have access to tax-advantaged retirement saving programs such as:

- ◆ 457(b) Deferred Compensation Plans ([see page 37](#));
- ◆ Traditional or Roth IRAs; and
- ◆ 403(b) Tax Sheltered Annuities.

You may wish to explore the availability of these options with your employer.

Ideas to help you start building sufficient personal assets and savings:

- ◆ Determine how much you currently have in personal assets and savings.
- ◆ Determine if your current personal assets and savings will grow sufficiently to fill your retirement income gaps.
- ◆ Determine how much more you will need to fill anticipated income gaps.

Full financial planning is not the purpose or intent of this handbook. You may wish to consult with a financial planner or use other resources such as reliable books or internet sites to assist in planning your personal assets and savings growth.

# FILING YOUR PERS RETIREMENT PLAN ELECTION

## The Choice Is Yours, The Time Is Now!

You have 12 months from the month you are reported to the Montana Public Employee Retirement Administration (MPERA) by your employer to file your PERS retirement plan election with us.

### Retirement Plan Choice Webinars and Workshops

MPERA provides regular Retirement Plan Choice webinars that you can attend at your convenience from your own computer. Live workshops at different locations across the state are also offered. Check the MPERA website at [mpera.mt.gov](http://mpera.mt.gov) for the current times and locations.

Filing your retirement plan election with MPERA means:

- ◆ You complete and sign the [PERS Retirement Plan Election form](#); and
- ◆ You mail or hand deliver your completed election form before the end of your 12-month election window to:

**The Montana Public Employees' Retirement Board**  
**PO Box 200131**  
**Helena MT 59620-0131**

Giving your election to your employer or payroll clerk does not constitute filing with the Board.

Your retirement plan election is irrevocable. If you do not file a retirement plan election by the end of your 12-month election window, by statute, you will “default” to the PERS Defined Benefit Retirement Plan.

We strongly encourage you to make an actual election. This will ensure you are in the retirement plan you have determined best meets your individual needs.

**DEFINED  
CONTRIBUTION  
RETIREMENT  
PLAN  
(DCRP)**

**DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)**

# DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)

The Defined **Contribution** Retirement Plan specifies how much you and your employer **contribute** to the plan. The benefit depends on the size of your individual account balance at retirement. Your account balance, in turn, depends on employer and member contributions and investment earnings. Investment earnings can be either positive or negative during any period of time. In the Defined Contribution Retirement Plan you assume the investment risk, but are also entitled to all investment returns.

Your account will grow over time, depending on the following:

- ◆ Contributions;
- ◆ Investment Earnings (either positive or negative); and
- ◆ Length of time invested.

## CONTRIBUTIONS

Both you and your employer will make regular contributions to your individual account.

### Member Contributions

You contribute 7.9% of your compensation to your individual account. Your 7.9% contribution is calculated based on your gross compensation, before any pre-tax deductions. This means your contributions are made on a pre-tax basis and grow tax deferred until you withdraw the funds. At that time, you pay taxes on the amount you withdraw.

### Employer Contributions

Your employer will contribute 4.19% of your compensation to your individual account. In addition to the 4.19% to your individual account, your employer also contributes the following amounts to PERS for a total of 7.17%:

**Plan Choice Rate - 2.37%** Required by statute, the rate is determined to maintain the actuarial funded stability of the Defined Benefit Retirement Plan.

**Education Fund - 0.04%** The percent established by statute to fund various PERS member education programs.

Total contributions to your individual account will be 12.09%.

- ◆ 7.90% Employee
- ◆ 4.19% Employer

**Additional Contributions:**

By law, you cannot make additional payroll contributions more than the amount defined in statute to your Defined Contribution account. Roll over funds from other eligible retirement plans are discussed below.

## **VESTING**

Members are vested when they have earned five years of membership service. However, members have a vested interest, or a right to the contributions in their individual account based on the type of contribution as described below.

## **INDIVIDUAL ACCOUNT COMPONENTS**

You will have an individual account consisting of three components. Each component has different vesting criteria. Members are vested when they have earned five years of membership service. Contributions are vested as described below.

### **Member Contribution Component**

Your contributions are credited to the “member contribution” component of your individual account. All of your contributions and earnings are immediately 100% vested. This means that you have a right to those funds when you terminate PERS-covered employment. You will never forfeit funds in the “member contribution” component of your individual account.

Funds you have transferred or rolled over to your individual account, as well as any earnings, are immediately 100% vested.

### **Other Contribution Component**

If you transfer or roll over funds from another eligible retirement plan, for example: a 403(b) plan, a 457(b) plan, or an IRA, those funds will be credited to the “other contribution” component of your individual account. Done correctly, transfers and rollovers involve no income tax or penalty taxes. Be sure to consult your tax advisor.

### **Employer Contribution Component**

Employer contributions are credited to the “employer contribution” component of your individual account. Once you have five years of membership service, you are vested for all employer contributions credited to your individual account, as well as any earnings from those contributions.

**Remember:**

Your member contributions and other contributions are always vested. Your employer contributions are forfeited if you terminate prior to 5 years of membership service.

You forfeit all employer contributions and any earnings on those contributions if you terminate PERS-covered employment or die before attaining five years of membership service.

## **FUNDS TRANSFERRED**

From your first date of employment you are automatically a member in the Defined Benefit Retirement Plan. You have 12 months from the month your employer properly reports you to MPERA to choose to remain in the Defined Benefit Retirement Plan or transfer to the Defined Contribution Retirement Plan. If you choose the Defined Contribution Retirement Plan, the following funds will transfer into your individual account.

## Member Contributions

MPERA will transfer:

- ◆ The amount you have contributed to the Defined Benefit Retirement Plan since you were hired; and
- ◆ 7.75% interest compounded annually.

## Employer Contributions

MPERA will transfer:

- ◆ 4.19% of the contributions your employer has made to the Defined Benefit Retirement Plan since you were hired; and
- ◆ 7.75% interest compounded annually.

**NOTE:** Future earnings will depend on the performance of the investment options you select. You will not be guaranteed a 7.75% return on your funds once they are transferred to your individual account. Transferred funds will automatically be placed in the plan's default fund until you choose other investment options.

# PLAN FEATURES

Your Defined Contribution Retirement Plan has numerous features including:

- ◆ Managing Your Individual Account
  - ◇ Investment Options
  - ◇ Fees and Changes
- ◆ Payment Options
- ◆ Death Benefits
- ◆ Disability Benefits

## MANAGING YOUR INDIVIDUAL ACCOUNT

You will be actively involved in investing and managing your individual account, including the following activities:

## **Investment Options**

You will choose your investment options from among those offered within the plan. You can choose to invest in one, several, or any number of the available investment options. Your investment options range from conservative to aggressive. Mutual funds are offered to ensure you can diversify your investments.

In addition to mutual funds, a stable value/fixed fund is available. The stable value/fixed fund guarantees both principal and a rate of return. Mutual funds do not guarantee either principal or rate of return.

Specific information on the investment options is available from Great-West Retirement Services (Great-West), our contracted record keeper at:

Key Talk: 1-877-699-4015

Web Site: <https://www.gwrs.com/login.do>

Annually, the Employee Investment Advisory Council (EIAC) and the Public Employees' Retirement Board (PERB) review each investment option to ensure it continues to meet performance standards and criteria in the PERB's adopted investment policy statement. The annual review can result in changes in the available investment options. You will be notified of the results from each annual review.

## **Changing Your Investment Options**

Generally, there is no limit on the number of times you can change your investment options. However, specific investment houses may impose defined trading restrictions to help manage their cash flow. Any restrictions will be in the individual fund prospectus. Great-West will provide instructions on how to select or change investment options.

## **Reviewing Quarterly Statements**

Great-West will provide quarterly individual account statements. Reviewing your quarterly statement on a regular basis is a good habit to develop. Regular reviews will quickly bring you up to date on your investments' performance and allow you to monitor and adjust your investment strategy.

## FEES AND CHARGES

The following are the fees and charges associated with your account.

### **Record Keeping & Administrative Charges**

Great-West charges a fee for their recordkeeping services. This charge is no more than \$57 per year (\$14.25 per quarter). It will be deducted directly from your individual account.

### **MPERA Administrative Charges:**

MPERA charges an asset based fee for their administrative services. This charge is currently 0.20% of your account balance per year and will be deducted quarterly (0.05% per quarter) from your individual account. This charge is currently capped at \$300 per year.

The MPERA administrative charges are regularly reviewed by the PERB and may change.

### **Investment Management Fees:**

Each investment option charges for its expenses and investment management fees. These charges are deducted before investment returns are credited to your account. All expenses and management fees are shown as “expense ratios” in each investment options’ prospectus.

## PAYMENT OPTIONS

You or your beneficiaries have access to the vested components of your individual account when you:

- ◆ Terminate your PERS covered employment;
- ◆ Retire; or
- ◆ Die.

You can take a lump-sum or use your account balance to provide periodic payments for your retirement income. Income tax must be paid on any

amount you withdraw from your individual account. This is the same tax paid on wages, interest or dividends.

Your beneficiaries will receive any remaining balance in the vested components of your individual account when you die.

### **Lump-sum payment**

You can take your entire vested account balance as a single payment. However, please be aware that these funds may be subject to income tax regulations.

In addition to income tax, a 10% penalty tax applies to lump-sum distributions taken from tax deferred accounts prior to age 59½.

### **Periodic Payments**

You have a number of periodic payment options for your vested account balance, including:

- ◆ **Fixed Amount** - The fixed amount option will provide the largest payment from your account until it is exhausted. You can change your fixed payment amount once per year.
- ◆ **Life Expectancy** - The life expectancy option will provide the largest payment possible calculated to your expected life. Each year your life expectancy is recalculated and the payment amount adjusted accordingly.
- ◆ **Flexible Combination (Your Choice)** - You can request a combination of periodic payments to meet your individual needs. Example: You can receive a \$5,000 lump-sum in January and receive \$500 per month for the remainder of the year.

### **Continued Tax Deferral**

You can also continue to shelter your contributions and earnings from taxation by leaving your money in the Defined Contribution Retirement Plan, if you have an account balance over \$5,000 or by transferring or rolling your money to an IRA or other eligible plan.

## Purchase of Annuity

Because you will “own” your vested account balance, at retirement you can use it to purchase an annuity from an insurance company.

**NOTE:** We encourage you to consult with your tax or financial advisor when choosing your payment option to ensure the option best meets your personal needs.

## DEATH BENEFITS

The rules regarding death benefits vary depending on whether you die before or after your payments begin, and whether your payments were annuitized. “Annuitized” means that your payments were calculated to exhaust your account balance over your life expectancy.

If you die **after** payments have begun, your beneficiaries will generally receive the balance of your vested account or continuing payments under an annuity contract.

If you die **before** payments have begun, the rules regarding payments differ depending on whether or not your beneficiary was your spouse.

- ◆ Spouse as Beneficiary: Your spouse can
  - ◇ Take a lump-sum distribution;
  - ◇ Begin periodic distributions;
  - ◇ Roll your account balance over to his or her IRA or eligible employer plan; or
  - ◇ Delay distributions until you would have been 70½, then receive payments over his or her lifetime.
- ◆ Non-Spouse as Beneficiary: Your non-spouse beneficiary can receive benefits in compliance with applicable federal and state law; including periodic payments, a lump-sum payout, or rollover of your account balance.

## DISABILITY BENEFITS

The Defined **Contribution** Retirement Plan has a disability benefit provision for vested members. You must apply to the PERB to receive disability benefits from the Long Term Disability Trust Fund. The Trust Fund is funded by the 0.30% allocation from employer contributions.

Once the PERB determines you are disabled, you must terminate employment before your benefit payments can begin. When you start receiving your disability benefits, you may be subject to on-going medical reviews to document your continued disability status.

Subject to these reviews, if the disability occurs when you are less than age 65, you may receive disability benefits from the Trust Fund until age 65; if the disability occurs after age 65, you may receive disability benefits for five years. When disability benefits cease, you can begin to receive distributions from your individual account.

You can choose to access your individual account instead of applying for and receiving a disability benefit. You cannot receive a benefit from both the Trust Fund and distributions from your individual account at the same time.

## SERVICE PURCHASES

**You cannot purchase service in the DCRP.** However, rollovers and transfers from other eligible retirement plans are permitted.

If you accept another position with your employer that is covered by a different MPERA-administered retirement system, you can transfer the vested portion of your individual account to purchase service credit and membership service in your new retirement system. Non-vested employer contributions will be forfeited.

**DEFINED  
BENEFIT  
RETIREMENT  
PLAN  
(DBRP)**

**DEFINED BENEFIT RETIREMENT PLAN (DBRP)**

# DEFINED BENEFIT RETIREMENT PLAN (DBRP)

The Defined **Benefit** Retirement Plan uses a specific formula to determine your lifetime retirement benefit. This monthly benefit will be paid to you for your lifetime. Once you have received your retirement benefit for a full 12 months, the following January your monthly benefit will increase by a Guaranteed Annual Benefit Adjustment (GABA).

The formula for calculating your monthly benefit is:

$$\text{MEMBERSHIP SERVICE FACTOR} \times \text{HIGHEST AVERAGE COMPENSATION} \times \text{SERVICE CREDIT}$$

## **Membership Service Factor:**

You earn a full month of **membership service** for any month in which you are reported to us by your employer. One hour reported in a month will result in one month of membership service. Membership service is used to determine the membership service factor.

The Membership Service Factor is:

- ◆ 1.5% for members with less than 10 years of membership service.
- ◆ 1.7857% for members with 10 or more but less than 30 years of membership service.
- ◆ 2.0% for members with 30 or more years of membership service.

## **Highest Average Compensation (HAC):**

Highest average compensation (HAC) is your highest average monthly compensation during any consecutive 60 months of membership service.

## **Service Credit:**

You earn a full month of service credit when 160 hours or more is reported to PERS by your employer during any given month. If less than 160 hours are reported, you earn proportional service credit.

Often amounts of membership service and service credit differ.  
Part time employees tend to see the biggest difference.

## **SERVICE RETIREMENT**

To be eligible for service retirement, you must meet one of the following requirements:

- ◆ Age 65, with at least 5 years of membership service; or
- ◆ Age 70 and in active service.

## **EARLY RETIREMENT**

You may decide to retire early. Early retirement allows you to retire at a younger age or with fewer years of membership service than required under service retirement. However, early retirement means you will receive benefits for a longer time. Therefore, your benefits are reduced to adjust for the expected additional payments.

To be eligible for **early retirement** you must be age 55, with at least 5 years of membership service.

### **Early Retirement Benefit Calculation**

Early retirement benefits are calculated using the same basic formula as service retirement benefits. The only difference is the use of an early retirement factor (ERF).

### **Early Retirement Benefit Formula:**

$$\begin{aligned} & \text{MEMBERSHIP SERVICE FACTOR X} \\ & \text{HIGHEST AVERAGE COMPENSATION X SERVICE CREDIT X} \\ & \text{EARLY RETIREMENT FACTOR (ERF)} \end{aligned}$$

The appropriate ERF will be determined by MPERA.

# PLAN FEATURES

The Defined **Benefit** Retirement Plan has numerous features. These include:

- ◆ Contributions
- ◆ Guaranteed Annual Benefit Adjustment
- ◆ Five Year Vesting
- ◆ Purchase of Service
- ◆ Payment Options
- ◆ Death Benefits
- ◆ Disability Benefits
- ◆ Refunds

## CONTRIBUTIONS

Both you and your employer will make regular contributions to your account.

### Member Contributions

As a member, you contribute 7.9% of your compensation to PERS. Your 7.9% contribution is calculated on your gross compensation, before any other pre-tax deductions. Your employer will withhold the contributions and send them to PERS.

### Employer Contributions

Employers contribute 7.17% of your compensation to PERS. Of the 7.17% employer contribution, the State contributes 0.1% for local governments and 0.37% for school districts. Employer contributions provide “pooled” funds for:

- ◆ Retirement, disability, and death benefits; and
- ◆ Education.

**\*\* In the DBRP, employer contributions are not refundable \*\***

### Additional Contributions:

Payments to purchase various types of optional service credit are the only method of contributing additional funds to the Defined Benefit Retirement Plan. ([see Purchase of Service on page 28](#))

## **GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)**

Whether you retire with a service retirement or an early retirement benefit, you are eligible for the GABA. The GABA ensures an increase in your benefit from the previous year.

**GABA Increase:** 1.5% for members hired **on or after** July 1, 2007.

**GABA Eligibility:** You will receive your first GABA increase the January after you have received your monthly benefit for a full 12 months. This applies to:

- ◆ Service retirement benefits;
- ◆ Early retirement benefits;
- ◆ Disability benefits; and
- ◆ Survivorship benefits.

The GABA is not tied to inflation, but provides some inflation protection!

## **FIVE YEAR VESTING**

- ◆ You are vested when you complete five years of membership service.
- ◆ “Vested” means that you are guaranteed a retirement benefit when you meet the age and membership service requirements for an early or service retirement.
- ◆ Once vested, you may also be eligible for disability retirement.

### **Remember:**

Being vested in the DBRP means you have the right to a benefit. The benefit is a lifetime income in the form of monthly retirement payments.

## PURCHASE OF SERVICE

If you elect the Defined Benefit Retirement Plan you can purchase various types of service to increase your retirement benefit. These optional service purchases include:

- ◆ Refunded; \*
- ◆ Retroactive; \*
- ◆ Absence Due to Illness or Injury; \*
- ◆ Montana Public Service;
- ◆ Military;
- ◆ Federal Volunteer Service; and
- ◆ Other Public Service.

\* These types of service can be purchased before you are vested. The remaining service types can only be purchased after you are vested.

Purchased service entitles you to both service credit and membership service. It can also improve your early retirement factor or qualify you for an early retirement.

Another type of service you can purchase is One-for-Five service. You can purchase one year of service credit for every five years you earn of membership service. When you purchase One-for-Five service, you receive service credit but **not** membership service. Purchasing additional years of service credit will increase the amount of your retirement benefit because service credit is used in the formula.

If you are interested in purchasing service, you must send us a written request. This can be in the form of an email sent to [mpera@mt.gov](mailto:mpera@mt.gov).

We will assist you in determining:

- ◆ If you are eligible to purchase service;
- ◆ The amount you can purchase; and
- ◆ The cost of your purchase.

Only you can determine if purchasing service would be to your advantage. You may wish to contact a financial or tax advisor.

## PAYMENT OPTIONS

As a Defined **Benefit** Retirement Plan member, you have several benefit payment options at retirement:

- ◆ Option 1: Lifetime Retirement Benefit;
- ◆ Option 2: Joint and 100% Survivor;
- ◆ Option 3: Joint and 50% Survivor; or
- ◆ Option 4: Lifetime Benefit with Period Certain:
  - ◇ 10 Year Period Certain; or
  - ◇ 20 Year Period Certain.

You can choose the payment option that best meets your personal circumstances, financial needs and objectives. Although you will not select your payment option until you retire, a general understanding of your options may be helpful in making your retirement plan choice. Examples for all of the following options can be found on page 46.

**Beneficiary:** The person named by an Option 1 retiree, or by an **active** or **inactive member**, to receive any survivorship benefits or lump-sum payments after the member's death.

**Contingent Annuitant:** A person named by the **retired member** to receive a continuing benefit after the **member's** death.

The beneficiary and the contingent annuitant may be the same or a different person.

### Option 1

Both the **service** and **early** retirement formulas calculate **Option 1: Lifetime Benefit**.

**Option 1** pays the largest monthly benefit for your lifetime only. The monthly benefit ends upon your death. However, your beneficiary will receive any amount left in your account. Your account balance is the amount available at retirement less the total benefits already paid to you. Retirees typically exhaust their account balance in three to five years.

Each of the alternatives to Option 1 involves a reduction in your benefit in exchange for continuing benefits to your **contingent annuitant**.

### **Option 2**

**Option 2** pays you less than Option 1; however, after your death, your contingent annuitant receives the same benefit you received for his or her lifetime.

### **Option 3**

**Option 3** pays you less than Option 1, but more than Option 2. After your death, your contingent annuitant receives one half of the benefit you received for his or her lifetime.

### **Option 4**

**Option 4** pays you a lifetime benefit and may pay a continuing benefit to your contingent annuitant if you die before the end of the certain or guaranteed period (10 or 20 year period certain). Your contingent annuitant receives the benefit until the guaranteed period ends.

## **Service Death Payment**

The service death benefit payment includes your account balance and an amount calculated as 1/12 times your last 12 months of pay times the lesser of 6 **or** your years of service credit. This is usually a half year of salary.

A service death payment will be paid to your beneficiaries if you die:

- ◆ While in active service;
- ◆ Within 6 months after terminating active service, but before receiving a retirement benefit;
- ◆ Within 6 months after a disability benefit begins;
- ◆ While disabled, if you have been continuously disabled since leaving active service and are not receiving a disability retirement benefit; or
- ◆ While an inactive member.

Beneficiaries can receive the death payment as a lump sum or as a fixed monthly annuity payment. Annuity payments under a death payment are not entitled to receive Guaranteed Annual Benefit Adjustment (GABA).

### **Survivorship Benefit**

If you are vested at the time of your death and your beneficiary is eligible for a **death payment**, they can choose to receive a survivorship benefit. The survivorship benefit is a lifetime monthly payment, which is often more than the monthly annuity payments under the death payment.

The GABA applies to a survivorship benefit. Beneficiaries must apply for a **survivorship benefit** within 90 days of receiving notice that they are eligible for a death payment.

#### **Remember:**

Keep your beneficiary information up to date. You can update your beneficiary information by completing a PERS membership card and submitting it to your payroll clerk. Your payroll clerk must forward the membership card to MPERA. Beneficiary changes will take effect when MPERA has the updated card on file.

### **DISABILITY BENEFITS**

The Defined **Benefit** Retirement Plan has a disability benefit provision for vested members. You must apply to the Public Employees' Retirement Board (the Board) to receive disability benefits. Once the Board determines you are disabled, you must terminate employment before your benefit payments can begin.

When you start receiving disability benefits, you may be subject to on-going medical reviews to document your continued disability status. Subject to these medical reviews, disability payments continue to normal retirement age or later if applicable. At that time your disability benefit automatically converts to a service retirement benefit. Your benefit does not change when it is converted.

## REFUNDS

If you terminate your employment and wish to take a refund, you will receive only your contributions plus interest. You can receive your refund as a taxable lump-sum or roll it into another eligible employer plan, IRA or a Roth IRA.

**By taking a refund, you give up all rights to any benefits from PERS**

# **OPTIONAL RETIREMENT PROGRAM (ORP)**

**OPTIONAL RETIREMENT PROGRAM (ORP)**

## **OPTIONAL RETIREMENT PROGRAM (ORP)**

Employees of the Montana University System (MUS) who are new or rehired members of PERS may elect to:

- ◆ Remain in the PERS Defined Benefit Retirement Plan;
- ◆ Transfer to the PERS Defined Contribution Retirement Plan; or
- ◆ Transfer to the Montana University System Optional Retirement Program (ORP).

### **OPTIONAL RETIREMENT PROGRAM**

The Montana University System's Optional Retirement Program (ORP) is a defined contribution plan. This means that, similar to the PERS Defined Contribution Retirement Plan, the ORP does not specify a benefit in retirement. Instead, it specifies how much is contributed to your retirement account. Your retirement account will grow over time depending on:

- ◆ How much is contributed to the account;
- ◆ How long the money remains invested; and
- ◆ The rate of return earned over that time period.

In the ORP you select the investment options for the contributions. You assume all of the investment risk, but are also entitled to all investment returns. Please see the Defined Contribution Retirement Plan section of this handbook for illustrations on how defined contribution plan accounts can accumulate.

The Montana Board of Regents administers the ORP under Montana law and has contracted with TIAA-CREF (Teachers Insurance and Annuity Association-College Retirement Equities Fund) as plan provider.

#### **Comparison with the DCRP**

The ORP and the PERS DCRP are similar because they are both defined contribution plans. However; there are key differences between the plans shown on the following page.

<b>ORP</b>	<b>DCRP</b>
<b>Vesting on Employer Contributions</b>	
Immediate. Depending on age and account balance, distributions of employer contributions may be restricted.	5 years
<b>Allocations of Employer Contributions</b>	
Total Contributions = 7.17% Less Plan Choice Rate - 2.64% Education Fund <u>- 0.04%</u> Member Account 4.49%	Total Contributions = 7.17% Less Plan Choice Rate - 2.64% Education Fund - 0.04% Disability Plan <u>- 0.30%</u> Member Account 4.19%
<b>Long Term Disability Plan</b>	
Not available through ORP. Is required as part of the Montana University System Choices benefits program	Component of the Plan
<b>Administrative Costs</b>	
Taken from quarterly returns on investments and range from 0.32% and 1.00% of assets. For example, on a \$10,000 account balance, cost would average between \$128-\$400 per year.	Recordkeeping fee is \$57 per year-deducted quarterly (\$14.25/quarter) from members account. MPERA administrative costs are 0.20% per year. For example, on a \$10,000 account balance, cost would be \$20.
<b>Investment Options</b>	
Selection of variable annuity products. Variable annuities do not guarantee principal or return. Traditional fixed annuity product guarantees principal and return.	Selection of retail and institutional mutual funds. These funds do not guarantee principal or return. Stable value product guarantees principal and return.

## FREQUENTLY ASKED QUESTIONS

### **If I elect the ORP, what amount will transfer from PERS?**

The amount that will transfer is:

- ◆ The contributions you have made to PERS since you were hired, plus 7.75% interest compounded annually.
- ◆ 4.49% of the contributions your employer has made to PERS since you were hired, plus 7.75% interest compounded annually.

### **How do I elect the ORP?**

You choose the Optional Retirement Program by completing the PERS Election Plan choice form included in this handbook, and sending it to MPERA.

Do not file the Plan Choice Election form with your campus payroll personnel. An ORP election filed with your campus payroll personnel is not valid. Upon receipt of your ORP election, MPERA will coordinate university system employee elections and transfer of funds with the appropriate personnel within the MUS.

You will need to contact your payroll and personnel office to complete TIAA-CREF enrollment forms if you elect the ORP.

### **What happens to my rights under PERS if I elect the ORP?**

As a MUS employee only, if you elect the ORP, you waive all rights and benefits under PERS.

**457(b)  
DEFERRED  
COMPENSATION  
PLAN**

## **457(b) DEFERRED COMPENSATION PLAN**

Another benefit available to you if you are a State of Montana Employee, University System Employee, or if your employer has contracted with MPERA, is the State of Montana's 457(b) Deferred Compensation Plan. This is a voluntary supplemental retirement plan that allows you to contribute and invest pre-tax dollars. Participating in the 457(b) plan is a great way to build your personal retirement savings.

### **Overview**

Sponsored by the Montana Public Employees' Retirement Board and held in trust for the exclusive benefit of public employees and their beneficiaries, the Plan is authorized by Internal Revenue Code (IRC) Section 457(b) and is subject to specific Internal Revenue Services laws and requirements. It allows you to voluntarily contribute a portion of your compensation on a pre-tax basis. The amount invested, plus interest credited on any fixed options, and any gain on the variable options, is not taxable until you withdraw the funds at a future date.

### **457(B) FREQUENTLY ASKED QUESTIONS**

#### **How does the plan work?**

You elect the amount you wish to defer from your gross salary each pay period and choose investment options. The amount you elect to defer is withheld from your paycheck before taxes. Because this reduces the amount of federal and state tax withheld, your net salary is not reduced by the total amount you defer.

#### **How much can I defer?**

The minimum deferral is \$10 per month. Under the governing IRC, the annual deferral limit is the lesser of 100% of "includable compensation" or the applicable dollar limit. The applicable dollar limit for 2011 is \$16,500.

### **When can I join the plan?**

You can join at any time. Your deferral becomes effective as of the first day of the month following the filing of your application and Salary Deferral Agreement (SDA).

### **When can I change my deferral amounts?**

You can request increases, decreases or cessation of your deferrals at any time. Requested changes become effective as of the first day of the month following your filing of an SDA.

### **What are my investment options under the Plan?**

The Plan provides a wide range of investment options. These are separated into two categories:

- ◆ Fixed Option: The Montana Fixed Fund guarantees your principal and has a guaranteed interest rate. The guaranteed interest rate is set each calendar quarter and may change each calendar quarter.
- ◆ Variable Options: These are an assortment of mutual fund options selected by Board with the assistance of the Employee Investment Advisory Council (EIAC) according to the criteria established in the Board's adopted Investment Policy Statement. The mutual funds do not guarantee either principal or investment results. Values may increase or decrease based on the investment performance of the mutual fund(s) you select. Please see "Investment Options at a Glance" at <https://www.gwrs.com/login.do> for a summary of the mutual funds currently available. Please note that these options may change from time to time based on the Board and EIAC's annual review.

### **Can I utilize both fixed and variable investment options and transfer funds among options?**

Yes, you may invest in both fixed and variable options, and you may transfer funds among options at any time. To initiate transfers, you access your account online at <https://www.gwrs.com/login.do>

## **Can my deferrals ever exceed the specified dollar limit?**

Yes. Two provisions of the IRC allow you to defer amounts greater than the specified dollar limit.

- ◆ **“Regular” Catch-Up Provision:** Under the regular catch-up provision, you may defer amounts you could have deferred in prior years, but did not. The maximum amount that may be deferred under the regular catch-up provision is twice the applicable dollar limit. For 2011, the maximum is \$33,000 (applicable dollar limit of \$16,500 x 2). You can take advantage of the regular catch-up provision for any, or all, of the last three calendar years ending before the year in which you attain your selected normal retirement age, as defined by your retirement system, but not later than age 70½.
  
- ◆ **“Additional” Age 50+ Catch-Up Provision:** If you are age 50 or older, you may make additional catch-up contributions except during years when regular catch-up contributions are being made. The additional catch-up amount that may be deferred is \$5,500 in 2011.

## **What happens if I leave my employment? When am I required to withdraw my money?**

The IRC allows distribution of funds only upon retirement, separation from service with the participating employer, or attainment of age 70½. At the time you sever employment, you may:

- ◆ Keep your money invested in the Plan and, if desired, continue to manage your money within the offered investment options.
- ◆ Withdraw your money in an elected and defined method, subject to ordinary income tax.
- ◆ Roll your money to another eligible employer’s plan that accepts rollovers, or to an Individual Retirement Account (IRA).

## **What if I need some of my funds while still working?**

The IRC and the Plan contain two provisions that allow withdrawal of funds while still employed. These two provisions are limited and have strict

requirements, which must first be met. They are:

- ◆ An unforeseen emergency, which must be documented, meet the IRC definitions and criteria, and be approved by the Board.
- ◆ A “de minimis” withdrawal, which allows a withdrawal while employed if your balance is \$5,000 or less, you have not deferred for the last 24 months, and you have never before used this provision.

### **Are any withdrawals subject to penalty?**

No, under the IRC, all withdrawals—both as a terminated employee or an active employee qualifying for a withdrawal under the above provisions—are taxable, but there are no “penalties for early withdrawal.” However, if 401(k), 401(a) or 403(b) plan assets from the previous employers are rolled over into this 457(b) Plan, then a 10% penalty for withdrawal before age 59½ may apply.

### **Does the 457(b) Plan accept Qualified Domestic Relations Orders?**

Yes, please contact MPERA for the proper procedures and format for filing.

### **Can I roll my deferred compensation account balance to an IRA or another tax-deferred program?**

Yes. You can roll your money—upon retirement or termination of service—into another eligible retirement plan or an IRA. If you roll over your 457(b) account to another eligible retirement plan or IRA and take a withdrawal before attaining age 59½ or older, you may be subject to a 10% early withdrawal penalty. This 10% early withdrawal does not apply to 457(b) account withdrawal made from the 457(b) Plan.

### **How often are Statements of Accounts generated?**

Statements of Accounts are generated each quarter and include a complete history of your activity for that quarter. For each investment option it shows the contributions, earnings or losses, fees, and beginning and ending account balance. They are normally mailed within a few weeks after the end of the calendar quarter directly to the members home address.

## **What are the fees to participate in the Plan?**

There are two “types” of fees within the Plan:

- ◆ An administrative fee, which includes a \$5/year (\$1.25/quarter) fee plus a “graduated” asset-based fee. The annual asset-based fee varies, depending on your account balance. The first \$20,000 (in your account) will be charged 0.35% the next \$30,000 will be charged 0.25% and the next \$50,000 will be charged 0.15%. This fee is prorated across all investment options and is an explicit dollar amount on the statement.
- ◆ Investment management fees
  - ◇ Each fund has its own operating expenses that vary depending on the investment option you select.
  - ◇ The Montana Fixed Fund also has an investment management fee of approximately 0.40% - the quarterly declared rate is net of this management fee.

## **SUMMARY OF STATE DEFERRED COMPENSATION PLAN:**

### **Advantages**

- ◆ Tax-Deferred - Taxes on your deferrals plus any accumulated gains are deferred until funds are distributed.
- ◆ Convenient Investing - Payroll deduction makes it easy for you to invest regularly in the various available options, which cover all asset class categories.
- ◆ Additional Financial and Retirement Security - Investing in the Plan “helps you help yourself” to attain a more secure financial future.
- ◆ Assistance from Professionals - The Asset Guidance Tool is available through Great-West Retirement Services to help you determine your personal risk and return comfort level and to illustrate investment allocations tailored to your investment objectives.
- ◆ Local Representatives - Great-West Retirement Services also has representatives available in Montana to help you determine your personal risk and return comfort level and determine investment allocations tailored to your personal objectives and strategies.

## Disadvantages

- ◆ Accessibility - You may not receive your funds until you sever employment except in two circumstances previously noted.
- ◆ Defined Plan Investment Options - Only those options within the Plan are available, these options may not always meet your individual criteria.

## Selection of Investment Options

The Board, with assistance of the EIAC and an outside consultant, reviews all offered investment options annually. The annual review ensures that the offered investment options meet the criteria established in the Board's Investment Policy Statement and provide appropriate and sufficient opportunity to diversify.

**If your employer does not participate in MPERA's 457(b) plan, check with your Human Resources Department to find out if there is a plan available. Most public employers statewide offer some form of deferred compensation plan.**

Go to: <https://www.gwrs.com/login.do> for detailed information

**PERS  
RETIREMENT  
SYSTEM  
EXAMPLES**

# DEFINED CONTRIBUTION RETIREMENT PLAN (DCRP)

Your **Defined Contribution** Retirement Plan specifies the amount that goes into your account. Your individual account will grow over time, depending on:

- ◆ Contributions;
- ◆ Earnings (either positive or negative);
- ◆ Length of time invested.

### Example 1: Sam

- ◆ 40 years of age;
- ◆ Expects to retire in 20 years at age 60;
- ◆ \$3,000 monthly compensation (remains constant throughout career);
- ◆ Sam/Employer contributions equal 12.09% of compensation;
- ◆ Annual contribution to individual account is approximately \$4352;
- ◆ Approximate amount invested over 20 years is \$87,040.

Sam's account balance in 20 years will be determined by his annual rate of return. The following table illustrates how the different rates of return affect Sam's account balance over 20 years:

Time Invested	Rate of Return	Account Balance
20 years	10%	\$274,187
20 years	8%	\$215,089
20 years	6%	\$169,696
20 years	4%	\$134,778

### Example 2: Aaron

- ◆ 25 years of age;
- ◆ Expects to retire in 30 years at age 55;
- ◆ \$3,000 monthly compensation (remains constant throughout career);
- ◆ Aaron/Employer contributions equal 12.09% of compensation;
- ◆ Annual contribution to individual account is approximately \$4352; and
- ◆ Approximate amount invested over 30 years is \$130,560.

Aaron's account balance in 30 years will be determined by his annual rate of return. The table on the next page illustrates how different rates of return affect Aaron's account balance over 30 years:

<b>Time Invested</b>	<b>Rate of Return</b>	<b>Account Balance</b>
30 years	10%	\$787, 466
30 years	8%	\$532, 449
30 years	6%	\$364, 705
30 years	4%	\$253, 845

*Note: See how a greater length of time invested increased Aaron's account balance as compared to Sam's!*

### Example 3: Jessica

- ◆ Began PERS-covered employment at 25 years of age;
- ◆ Terminated PERS-covered employment at age 35 (contributions stopped);
- ◆ Contributions remained on account until age 55;
- ◆ \$3,000 monthly compensation (during 10 year employment);
- ◆ Jessica/Employer contributions equaled 12.09% of compensation;
- ◆ Annual contribution to individual account was approximately \$4352; and
- ◆ Approximate amount invested over 10 years is 43,520.

Jessica's account balance in 30 years will be determined by her annual rate of return. The following table illustrates how the different rates of return affected Jessica's account balance over 30 years:

<b>Time Invested</b>	<b>Rate of Return</b>	<b>Account Balance</b>
30 years	10%	\$513,278
30 years	8%	\$317,360
30 years	6%	\$195,008
30 years	4%	\$119,066

*Note: See how Jessica's invested account balance continued to grow even without additional contributions!*

# DEFINED BENEFIT RETIREMENT PLAN (DBRP)

## DBRP SERVICE RETIREMENT

### Example 1: Mike

Membership Service.....	30 years
Service Credit.....	30 years
Age.....	65
HAC.....	\$3,000

**Eligibility:** Mike’s age and years of membership service make him eligible for a service retirement.

**Membership Service Factor:** Mike’s 30 years of membership service makes him eligible for the 2% factor.

**Benefit Calculation:** Mike’s defined benefit calculation is 2% (membership service factor) times 30 (years of service credit) times \$3,000 (HAC), which provides an initial service retirement benefit of \$1,800 per month.

**Calculation:**  $2\% \times \$3,000 \times 30 = \$1,800$  per month

**Survivor Benefit:** If Mike wants to provide a survivor benefit, he would take a reduced monthly benefit. If Mike dies first, his survivor would receive all or a portion of that reduced monthly benefit.

### Example 2: Molly

Membership Service.....	23 years
Service Credit.....	23 years
Age.....	65
HAC.....	\$3,000

**Eligibility:** Molly’s age, combined with her years of membership service, make her eligible for service retirement.

- ◆ She is age 65, with at least 5 years of membership service.

**Membership Service Factor:** Molly’s 23 years of membership service requires use of the 1.7857% factor.

- ◆ She has less than 30 years of membership service.

**Benefit Calculation:** Molly's defined benefit calculation is 1.7857% (membership service factor) times 23 (years of service credit) times \$3,000 (HAC), which provides an initial service retirement benefit of \$1,232 per month.

**Calculation:**  $1.78572\% \times \$3,000 \times 23 = \$1,232$  per month

**Survivor Benefit:** Similar to Mike, if Molly wants to provide a survivor benefit, she would take a reduced monthly benefit. If Molly dies first, her survivor would receive all or a portion of that reduced monthly benefit.

### DBRP EARLY RETIREMENT

**Example: Shelly**

Membership Service.....	25 years
Service Credit.....	25 years
Age.....	55
HAC.....	\$3,000

**Eligibility:** Shelly's combination of age and years of membership service do not meet the eligibility requirements for a service retirement.

- ◆ She is less than 65 years old.
- ◆ She has less than 30 years of membership service.

However, she is eligible for **early retirement**.

- ◆ She is at least age 55, and has at least 5 years of membership service.

**Membership Service Factor:** Shelly's 25 years of membership service means MPERA will use the 1.7857% factor.

**Early Retirement Factor (ERF):** MPERA will determine the correct ERF by using actuarial tables that are too large for this publication.

**Benefit Calculation:** Shelly's defined benefit calculation is 1.7857% (membership service factor) times 25 (years of service credit) times \$3,000 (HAC) times 0.373698 (ERF), which provides an initial monthly benefit of \$500.48 per month.

**Calculation:**  $1.7857\% \times \$3,000 \times 25 \times 0.373698 = \$500.48$  per month

**Survivor Benefit:** Similar to Mike and Molly, if Shelly wants to provide a survivor benefit, she would take a reduced monthly benefit. If Shelly dies first, her survivor would receive all or a portion of that reduced monthly benefit.

# **GLOSSARY OF TERMS**

# 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.

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

**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 or disability retirement or survivorship provided by PERS.

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

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

**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 incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended and uncertain period.

**EMPLOYEE** - a person employed by a PERS employer in any capacity and the employer 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 member'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, 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 any 60 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, 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 PAYMENTS** - amounts, which may include interest, that are payable instead of monthly benefits.

**MEMBER** - any person with contributions and service on account with 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 one 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 money in a member's PERS account. 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 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.

**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 left the employment relationship with the employer and has been paid all compensation due, including but not limited to payment of accrued annual and sick leave. Upon termination, the member will cease to accrue benefits attributable to that employment.

**VESTED MEMBER or VESTED** - the status of a member with at least five years of membership service. A vested member of the DBRP is entitled to retirement when they meet the minimum service or age provision. A vested member of the DCRP is entitled to the employer portion of their account.

# STATE OF MONTANA

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.*

#### **President**

John Nielson  
Active Public Employee  
Glendive  
Appointed 4/4/2007  
Term expires 3/31/12  
[mperb.jnielsen@gmail.com](mailto:mperb.jnielsen@gmail.com)

#### **Vice President**

Terrence Smith  
Active DC Plan Member  
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# 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  
Renaë Justice.....Internal Auditor  
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**

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### **Mailing Address**

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# ALTERNATE ACCESSIBLE FORMATS

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

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