



**JUDGES'
RETIREMENT
SYSTEM (JRS)**

**MONTANA PUBLIC
EMPLOYEES'
RETIREMENT
BOARD**

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PREFACE

This handbook is a general summary of the benefits provided by the Judges' Retirement System (JRS). It is intended to give you an overview of your retirement benefits and to acquaint you with JRS. Every effort has been made to ensure the information agrees 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 2017 law. If this handbook differs with the law or rules, the law or rules will apply. This handbook replaces all previous JRS member handbooks.

MONTANA CODE

The law governing JRS may be found in Title 19, Chapters 2 and 5, Montana Code Annotated (MCA).

- ◆ MCA is available online at: http://www.leg.mt.gov/bills/mca/title_0190/chapters_index.html.
- ◆ ARM is available at: <http://www.mtrules.org/>.

OVERVIEW

- ◆ JRS provides service retirement benefits, disability retirement benefits and survivor benefits in some cases.
- ◆ You and your employer both contribute to your future retirement benefits.
- ◆ You may withdraw only your contributions (plus interest) if you leave JRS-covered employment and don't retire. **Employer contributions are not refundable.** If you withdraw your contributions, you will lose your right to any future retirement benefit.

RETIREMENT SECURITY FOR OUR MEMBERS SINCE 1967

The JRS is a public pension plan for all Montana judges of the district courts, justices of the Supreme Court, and the chief water judge and associate water judge. The 1967 Legislature created JRS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. Membership of JRS consisted of the following as of June 30, 2018:

JRS MEMBERSHIP

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The Public Employees' Retirement Board (Board), is an independent, seven-member board appointed by the Governor and confirmed by the Senate. The Board administers JRS, eight other retirement systems, and the State's 457(b) 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.

* Disability benefits are automatically converted to service benefits without recalculation upon the member reaching normal retirement age.

WHAT IS JRS?

JRS is a **defined benefit** retirement system. The monthly benefit you receive upon retirement is based on your years of service and your highest average compensation (or current salary if you were hired before July 1, 1997 and did not elect GABA).

Money you contribute to JRS earns interest and helps pay for your benefits. MPERA tracks your contributions individually and credits interest to you, although we combine the funds from all accounts in a trust fund, which is invested by the Board of Investments. Income earned is reinvested in the trust fund. Only the Retirement Board can authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Retirement Board must pay administrative expenses from the investment earnings.

Every year, an actuary evaluates the trust fund's capability to pay the benefits promised to members. Benefits and contributions are set by law, and protected by the Montana Constitution and only the Legislature may change them. Before each legislative session, the Board reviews the sufficiency of the benefits and advises the Legislature.

MEMBERSHIP ENROLLMENT

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

JRS membership is mandatory for all Montana district court judges, Supreme Court justices, and the chief water judge and associate water judge. Judges and justices who were members of the Public Employees' Retirement System (PERS) prior to October 1, 1985, could have elected to remain in PERS.

DESIGNATION OF BENEFICIARY(IES)

As a new JRS-covered employee, you were asked to complete a JRS *Membership/Designation of Beneficiary* form to designate your beneficiary(ies) for your JRS account. After you completed the information, your employer sent it to MPERA.

Your beneficiary information is important. It is necessary that you keep it up-to-date. Some reasons to update your information are marriage, divorce, birth of a child, or death of a beneficiary. When you need to update your information, ask your payroll clerk for a new JRS *Membership/Designation of Beneficiary* form or go to our website at www.mpera.mt.gov and download a form. After you complete it, give it to your payroll clerk to return to MPERA.

**You should update
your beneficiary
information
whenever you have a
life-changing event.**

MPERA must have your updated information before any changes take effect. We will print your beneficiary information on your Annual Benefit Statement, which is mailed to you every July. Review the statement carefully. If your information is outdated, please update it as soon as possible.

CONTRIBUTIONS

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

MEMBER CONTRIBUTIONS

All members must pay part of their gross compensation to JRS. The current contribution rate is 7%.

Interest: Your JRS account earns interest each month. Although you would receive your interest if you withdraw your account, if you retire the interest credited to your account will not affect the amount of your monthly retirement benefit. Interest will be credited on service purchase payments at the same rate as regular contributions. All interest credited is tax-deferred.

Taxation: Contributions made before July 1, 1991 to JRS were taxed. If you have taxed money on account, when you take a lump sum refund or retire, part of your refund or monthly benefit will not be taxed.

Contributions made after July 1, 1991, to JRS are tax-deferred or pre-tax. 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 can 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.

EMPLOYER CONTRIBUTIONS

The state of Montana contributes an amount equal to 25.81% of the compensation of each JRS member to the trust fund. **Employer contributions are not refundable** and provide “pooled” funds for service retirement, disability retirement, and survivor benefits.

SERVICE

The amount of time you work and contribute to JRS directly affects the amount of your retirement benefit. The monthly benefit you will receive depends on the number of years you work in a JRS-covered position, 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 JRS benefits. You earn one month of membership service for any month you contribute to JRS, regardless of the number of hours you worked or the pay you received during that month.

VESTING

You are “vested” after you accumulate five years of membership service. Once 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 JRS benefits.

SERVICE CREDIT

MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get one month of service credit. If you work less than 160 hours, you will receive proportional service credit. For example, if you work 80 hours you would earn one-half of a month of service credit. However, if you work at least 2,080 non-overtime hours in a fiscal year and are reported as working less than 160 hours in any months during that year, you will receive one full year of service credit.

ANNUAL BENEFIT STATEMENT

Each July, MPERA will send you an Annual Benefit statement with your current membership information. Carefully review your annual statement to verify all the information is correct.

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

PURCHASE OF SERVICE

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.

Eligibility: As a JRS member, you can purchase various types of other public service at any time before retirement. Purchasing service may enhance your retirement benefit.

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 if you return to a JRS-covered position. To purchase the refund, you must repay the accumulated contributions you received and pay the interest that would have been credited to your account had the refund not taken place.

Refund service is both membership service and service credit.

- ◆ **Montana Public Service:** You may buy previous service (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. You cannot buy service from another public retirement system that will make you eligible for retirement until you receive a refund of the service from the other public system.

Public service is both membership service and service credit.

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.
- ◆ **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 service 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.

Limitations: Current law limits the purchase of active military, reserve military, additional, and other public service to a combined total of five years.

When purchasing service, your most recent service must be purchased first.

Requesting a cost statement: A cost statement provides 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.

Cost statements are only valid for 30 days.

If you make 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.

You should also send with your request any documents that relate to the service, including the approximate dates of service. We will review the

request and send you a cost statement and the necessary form 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 by rolling over funds from an eligible retirement plan.

Inactive vested members, active members not paid monthly, or active members who wish to pay in a lump-sum, can send payments directly to MPERA. These 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 payments on your service purchases before you retire, the service credit will be prorated based on the amount paid.

BENEFITS

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 JRS defined benefit retirement plan, you will need to have completed five years of membership service (become vested). Once vested, JRS pays a retirement benefit after you reach age 60 or meet the service requirement.

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.

You are an active member if you are in a JRS-covered position and making the required contributions to the system. If vested, and at least age 60, you may terminate and apply for monthly retirement benefits.

CALL TO DUTY OF A RETIRED JUDGE OR JUSTICE

A retired member or an inactive vested member with eight years or more of service, who has voluntarily retired or voluntarily terminated service, may be called to duty.

An inactive vested judge or justice called to duty, who is not eligible to receive a monthly retirement benefit because of age, will receive a daily salary of the position being filled. They will receive this compensation regardless of the number of days served in a calendar year.

Retired judges or justices who are receiving a monthly retirement benefit at the time they are called to duty will receive the daily salary of the position being filled, for a total of 180 days in a calendar year. For each day of duty after 180 days in a calendar year, the member will receive 1/20 of the monthly salary for the position being filled minus an amount equal to 1/20 of the monthly retirement benefit being received.

BENEFICIARIES

As an active employee (member), you can designate any persons, charitable organization, your estate, or a trust (for the benefit of a living person) 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 change your beneficiaries by completing a new *JRS Membership Card / Designation of Beneficiary* form. Return the completed document to your payroll clerk who will send it to us.

Keep your designated beneficiaries current. Change your beneficiaries by filing a new *Membership Card / Designation of Beneficiary* form with MPERA.

If you are an inactive member, go to our website and download a new form.

Any beneficiary change is not effective until the card is received in our office.*

Retired members who wish to change beneficiaries must contact MPERA for the proper forms. Eligibility to change beneficiaries after retirement is limited to Option 1 and Option 4 benefits and special circumstances under Option 2 and Option 3. See **RETIREMENT AND DISABILITY PAYMENT OPTIONS** section starting on page 19 for details.

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

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

* If your current designation is subject to a temporary restraining order issued under § 40-4-121, MCA, changes will not be effective.

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. 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.

SERVICE RETIREMENT

You are eligible for service retirement benefits when you complete five years of membership service and are 60 years of age.

The JRS retirement benefit is calculated in one of two ways, depending on whether you are covered under the Guaranteed Annual Benefit Adjustment (GABA) which is explained on page 23.

Non-GABA Coverage formula: 3.333% of **current salary** per year for the first 15 years of service credit, plus 1.785% of your current salary per year for each year of service credit after 15 years.

GABA Coverage formula: 3.333% of your **Highest Average Compensation (HAC)** per year for the first 15 years of service credit plus 1.785% of your HAC per year for each year of service credit after 15 years.

The factors used to calculate your lifetime benefit are:

- ◆ **Years of Service Credit** - the amount of service you earned.
- ◆ **HAC*** - (Highest Average Compensation) is the average of your highest consecutive 36 months of compensation.
- ◆ **A Factor** - 3.333% and 1.785% are the percentages that determine how much of your current salary or your HAC you receive for each year of service credit.
- ◆ **Current Salary** - the current compensation for the office you retired from.

* For members hired on or after July 1, 2013, HAC will be capped at 110% on compensation earned during the highest average compensation period.

INVOLUNTARY RETIREMENT BENEFIT

You may receive an actuarially reduced retirement benefit in either of the following circumstances:

- ◆ You were involuntarily discontinued from service after completing five years of membership service, but before reaching retirement age; or
- ◆ You were discontinued from service after completing at least 12 years of service credit but before retirement age, and appointed or elected to office after July 1, 1983.

DISABILITY RETIREMENT

If you become disabled, you may be entitled to a disability retirement benefit. Disability means the inability, even with reasonable accommodation, to perform your work due to physical or mental incapacity. The disability does not have to be work-related, but must occur while you were employed in a JRS-covered position and be of permanent or extended and uncertain duration.

DISABILITY BENEFIT

Duty

In the case of the disability of a vested or non-vested member, if the disability is a direct result of any service for the Montana judiciary, you will receive a disability retirement benefit equal to the greater of:

- ◆ one-half of your current salary
- ◆ one-half of your HAC

Non-duty

If you become disabled, and are vested, you can receive a disability retirement benefit based on the actuarial equivalent of the accrued service retirement benefit at the time of retirement.

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 you continue to qualify for disability retirement. The Board may require you to undergo a medical examination at the Board's expense.

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 refuse to submit to a current medical exam or provide updated medical records.

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

NOTE: If you are still disabled when you reach normal retirement age (60), we will convert your disability retirement to a service retirement. The benefit amount will not be adjusted but the conversion may change your tax status if your disability was duty-related. Converting to a service retirement will end medical reviews.

WHEN WILL YOU GET YOUR BENEFIT?

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

- ◆ Direct deposit transfer takes place on the last working day of the month.
- ◆ Checks are mailed on the last working day of the month.

RETIREMENT AND DISABILITY PAYMENT OPTIONS

JRS 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.

Once you receive and accept your first benefit payment, you cannot change your option, except under specific circumstances.

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.

The monthly benefit under Option 1 is for your life only and will cease upon your death.

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.

See sample benefit calculations on page 33.

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. Upon his or her death after receipt of any benefits,

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

your remaining account balance (if any) will revert to the JRS trust fund. The benefit amount of Option 2 is less than Option 1 because the 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.**

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. Upon his or her death after

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

receipt of any benefits, your remaining account balance (if any) will revert to the JRS trust fund. The benefit amount of Option 3 is less than Option 1 because the 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 in place, as defined in § 19-2-907, MCA, granting 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. Please note your retirement benefit calculation will change if you select a new option or new contingent annuitant, because the calculations are based on your age and your new contingent annuitant's age at the time of the election. Contact us to receive an estimate of the new benefit and an application form.

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**.

ADDITIONAL INFORMATION

BENEFIT INCREASES

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

If you became a member on or after July 1, 1997, or filed an election with MPERA prior to December 1, 2005 to receive GABA, you will be eligible for a 3% GABA.

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, 2018, you will meet the 12-month requirement on July 1, 2019. You will then receive your first GABA increase beginning with your January 1, 2020 benefit.

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.

DEATH BENEFITS

ACTIVE MEMBER

If you die as an active, vested JRS member before reaching normal retirement age, 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. See page 14 for more information on beneficiary designation.

If you die as a direct and proximate result of injury received in the course of your service or duty, a survivorship benefit will be paid to your designated beneficiary. The survivorship benefit is the contingent annuitant's benefit, if you were called to duty following retirement; or the actuarial equivalent of your applicable service retirement benefit.

INACTIVE MEMBER

If you are an inactive member with less than five years of service, JRS 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 or more years of membership service), your beneficiary may be able to receive a monthly benefit for their lifetime or take a lump-sum distribution of your account.

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 to be paid as an annuity.

If you chose Options 2, 3 or 4, see Payment Options starting on pages 20 - 22 for details on those benefits.

DEATH BENEFIT CLAIM

Upon notification of your death, MPERA will send a death benefit claim to your designated beneficiary or contingent annuitant. To claim a death benefit, the completed form must be returned to MPERA along with a certified copy of your death certificate.

REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your JRS-covered employment, you can leave your money on account to continue to earn interest and later receive a retirement benefit; or you can receive a refund of your accumulated contributions (your contributions plus interest). **Employer contributions are not refundable.**

To receive a refund after you terminate, you can download a refund application from our website or request one from our office. You need to complete the application and send it to MPERA.

Processing a Refund: We cannot process your refund before we receive 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 (see page 10) IRS regulations require that we distribute your contributions to you as follows.

- ◆ If you have less than \$200 in accumulated contributions, you will be sent a lump sum refund to the address we have on file within 90 days of your termination being reported to us. 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 to the address we have on file. The application allows you to request a lump-sum sent directly to you or to rollover your contributions 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.

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. You will be responsible for state income taxes and may also be subject to an additional 10% penalty for early withdrawal.

Return to Work After Receiving a Refund: If, after receiving a refund, you return to a mandatory JRS-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. For more information on purchase of service, see page 10.

Remember . . .

Requesting a refund of your contributions will mean you give up your rights to a monthly retirement benefit from JRS.

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. You have not paid income tax on contributions made on or after July 1, 1985, or service purchases you made through payroll deductions after the year 1999. You will be asked to elect to withhold federal and/or Montana state income tax on your benefit at the time you apply for your benefit. You may change your withholding at any time by completing and submitting a Tax Withholding Certificate form. These are available online at the MPERA website. We base withholding rates on current federal and state tax laws unless you request otherwise.

NOTE: Duty-related disability benefits may be fully or partly exempt from income tax until normal retirement age, when the benefit converts, without recalculation to a taxable service retirement.

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 benefit you received during the past calendar year along with any state or federal taxes withheld during the year.

TAX ADVICE

Tax laws 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.

If you choose to have the refund paid directly to you, IRS regulations require us to withhold 20% for federal taxes. 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 are subject to 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 immediately, as a direct rollover, or within 60 days. You will receive Federal Form 1099R with your refund or direct rollover 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.

However, the IRS may place a levy against your benefit for unpaid taxes and there are a few circumstances when your retirement benefit may be subject to attachment or assignment. If you have a court-ordered support obligation your benefits may be subject to an execution or income withholding order. A court may also assign all or a portion of your JRS benefits to an alternate payee (usually a former spouse) pursuant to a Family Law Order (FLO).

SUPPORT OBLIGATION

Your JRS benefits are subject to execution and income withholding for the payment of support obligations. A writ of execution or income-withholding order may not require a type of benefit, option, or payment not available to you or an amount or duration of payment greater than that available to you. This means we cannot make any payments from your JRS defined benefit account to satisfy a support obligation before you retire and begin drawing benefits or take a refund.

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.

A FLO may not require JRS to make payments for:

- ◆ a type of benefit that is not available to you; or
- ◆ an amount or length of payment greater than that payable to you.

This means a FLO cannot require any payments from your JRS defined benefit account before you retire and begin drawing benefits or take a refund.

GLOSSARY OF TERMS

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

ACTIVE MEMBER - a member in a JRS-covered job, who is making the required contributions, and is 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.

BENEFIT - a service, early or disability retirement or survivorship benefit provided by the JRS.

COMPENSATION - the pay an employee receives before deducting taxes or social security in accordance with §19-5-101, MCA. Compensation does not include bonuses provided after July 1, 2013 that are one time, temporary payments in addition to and not considered part of base pay.

COMPENSATION LIMIT - For a member hired on or after July 1, 2013, the following amounts of excess earnings in the calculation of a member's highest average compensation are **not** included:

- ◆ for the first year included in the calculation, any compensation that is greater than 110% of the compensation paid to the member in the previous year; and
- ◆ for each subsequent year included in the calculation, any compensation that is greater than 110% of the compensation included in the calculation for the previous year.

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

CURRENT SALARY - the current compensation for the office retired from.

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.

EXCESS EARNINGS - the difference, if any, between reported compensation and the limits provided in § 19-2-1005(2) used to calculate a member's highest average compensation.

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 that is paid if and when a member is eligible.

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. HAC may include termination payments, but only if they replace regular pay on a month for month basis. Excess earnings limits must be applied to the calculation of the highest average compensation. §19-2-1005(2), MCA.

INACTIVE MEMBER - a member who terminates JRS-covered employment and is not receiving a retirement benefit or has not withdrawn his or her JRS accumulated contributions.

INVOLUNTARY RETIREMENT - a retirement not for cause and before retirement age.

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 JRS.

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 JRS, even if you only work one day during that month.

NORMAL RETIREMENT AGE - A member who is vested and has reached the age of 60 has attained normal retirement age and may retire and receive the service retirement benefits.

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 JRS.

REFUND - a withdrawal of all the accumulated contributions in a member's JRS account. This does not include employer contributions. By taking a refund, the member gives up all rights to any other benefits from the JRS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the JRS. 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 annually 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.

RETIRED JUDGE - Any judge or justice who is receiving a retirement benefit in accordance with Title 19, Chapter 5, Montana Code Annotated.

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 contributions to JRS. Service credit is used to calculate your retirement benefit. If you work 160 hours or more in any month, you receive one 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, in a month you receive ½ 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 BENEFIT CALCULATIONS

The following are sample benefit calculations. These calculations are for educational purposes only and do not cover all scenarios.

SERVICE RETIREMENT EXAMPLE: JUDGE KENNETH

Age At Retirement	60
Service Credit	20 years
Current Monthly Salary.....	\$6,000 per month
Highest Average Compensation (HAC).....	\$5,500 per month
Account Balance at Retirement.....	\$169,337
Contingent Annuitant's Age.....	55

OPTION 1 FORMULA:

(If Judge Kenneth is **not covered** under GABA)

$$3.333\% \times 15 \text{ (years of service credit)} \times \$6,000.00 \text{ (current salary)} + \\ 1.785\% \times 5 \text{ (years of service credit > 15)} \times \$6,000.00 \text{ (current salary)} = \\ \mathbf{\$3,535.00}$$

(If Judge Kenneth is **covered** under GABA)

$$3.333\% \times 15 \text{ (years of service credit)} \times \$5,500.00 \text{ (HAC)} + \\ 1.785\% \times 5 \text{ (years of service credit > 15)} \times \$5,500.00 \text{ (HAC)} = \\ \mathbf{\$3,239.00}$$

Under Payment Option 1, Judge Kenneth will receive a retirement benefit, with increases based on the current salary of the position from which he retired:

- ◆ \$3,535 if not covered by GABA, for life; or
- ◆ \$3,239 plus GABA increases (when eligible), for life.

Upon his death, monthly payments will cease. If the total benefits paid to Judge Kenneth 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

(If Judge Kenneth is **not covered** under GABA)
 $\$3,535.00 \times 0.8211 = \$2,902.59$

Under payment Option 2, Judge Kenneth will receive a reduced retirement benefit, with increases based on the current salary of the position from which he retired.

(If Judge Kenneth is **covered** under GABA)
 $\$3,239.00 \times 0.08211 = \$2,659.54$

Under payment Option 2, Judge Kenneth will receive a reduced retirement benefit, with GABA increases when eligible. Upon his death, Judge Kenneth's contingent annuitant will receive the same monthly benefit amount plus increases when eligible, for life.

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**OPTION 3 FORMULA:**

**Option 1 Amount x Option 3 Factor**

(If Judge Kenneth is **not covered** under GABA)  
 $\$3,535.00 \times 0.9053 = \$3,200.24$

Under payment Option 3, Judge Kenneth will receive a reduced retirement benefit, with increases based on the current salary of the position from which he retired.

(If Judge Kenneth is **covered** under GABA)  
 $\$3,239.00 \times 0.9053 = \$2,932.67$

Under payment Option 3, Judge Kenneth will receive a reduced retirement benefit, with GABA increases when eligible. Upon his death, Judge Kenneth's contingent annuitant will receive **one-half** of the monthly benefit amount plus increases when eligible, for life.

**OPTION 4 FORMULAS:**

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

(If Judge Kenneth is **not covered** under GABA)

$$\$3,535 \times 0.9767 = \$3,452.63$$

Judge Kenneth will receive an initial benefit of \$3,452.63 per month with increases based on the current salary of the position from which he retired.

(If Judge Kenneth is **covered** under GABA)

$$\$3,239 \times 0.9767 = \$3,163.53$$

He will receive an initial benefit of \$3,163.53 per month with GABA increases when eligible.

Judge Kenneth will receive monthly payments for life. If he dies before the 10-year period ends, his contingent annuitant(s) will receive the same benefit until the end of the 10-year period. If Judge Kenneth dies after the 10-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

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

(If Judge Kenneth is **not covered** under GABA)

$$\$3,535.00 \times 0.9018 = \$3,187.86$$

Judge Kenneth will receive an initial benefit of \$3,187.86 per month with increases based on the current salary of the position from which he retired.

(If Judge Kenneth is **covered** under GABA)

$$\$3,239.00 \times 0.9018 = \$2,920.93$$

He will receive an initial benefit of \$2,920.93 per month with GABA increases when eligible.

Judge Kenneth will receive monthly payments for life. If he dies before the 20-year period ends, then his contingent annuitant(s) will receive the same benefit until the end of the 20-year period. If Judge Kenneth dies after the 20-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

# STATE OF MONTANA

**Steve Bullock, Governor**

## **PUBLIC EMPLOYEES' RETIREMENT BOARD**

### ***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**

##### **Sheena Wilson**

Retired Public Employee

Helena

Appointed April 2018

Term expires April 2023

#### **Robyn Driscoll**

Member At Large

Billings

Appointed June 2018

Term expires April 2023

#### **Terri Hogan**

Active DC Plan Member

Helena

Appointed January 2020

Term Expires April 2024

#### **Dustin LeRette**

Active Public Employee

Helena

Appointed December 2020

Term Expires April 2025

#### **Vice-President**

##### **Maggie Peterson**

Investment Management

Anaconda

Appointed June 2014

Re-Appointed March 2019

Term Expires April 2024

#### **Aaron Pratt**

Active Public Employee

Helena

Appointed March 2020

Term expires April 2022

#### **David Severson**

Missoula,

Member at Large

Appointed March 2019

Term Expires April 2021

# MPERA

## **MPERA Mission Statement**

*The Montana Public Employee Retirement Administration efficiently provides quality benefits, education, and service to help our plan members and beneficiaries realize a successful retirement.*

## **EXECUTIVE OFFICERS**

Dore Schwinden ..... Executive Director  
Bill Holahan..... Chief Legal Counsel  
Patricia Davis..... Member Services Bureau Chief  
Hollie Resler ..... Fiscal Services Bureau Chief  
Paul Lambeth..... Information Systems 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.

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