

**MONTANA  
SHERIFFS'  
RETIREMENT SYSTEM**



**MEMBER  
HANDBOOK**

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# PREFACE

This handbook is a general summary of the benefits provided by the Montana Sheriffs' Retirement System (SRS). It is intended to give you an overview of your retirement benefits and to acquaint you with SRS. 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 SRS member handbooks.

## MONTANA CODE

The law governing SRS may be found in Title 19, Chapters 2 and 7, Montana Code Annotated (MCA).

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

## OVERVIEW

- ◆ SRS 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 SRS-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 1974

The Sheriffs' Retirement System (SRS) is a public pension plan for all Montana Sheriffs hired after July 1, 1974, Department of Justice Investigators hired after July 1, 1993 and Detention Officers hired after July 1, 2005. The 1974 Legislature created SRS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. As of June 30, 2018, membership of SRS consisted of the following:

## SRS MEMBERSHIP

Number of participating employers.....	57
Active plan members.....	1,429
Inactive plan members:	
Vested.....	129
Non-vested.....	539
Retirees and beneficiaries receiving benefits:	
Service retirements.....	629
Survivor benefits.....	25
Disability retirements <sup>1</sup> .....	31

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

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<sup>1</sup> Disability benefits are automatically converted to service benefits without recalculation upon the member reaching normal retirement age. As a result, this number includes only disability benefit recipients that have not been converted to a service retirement.

## WHAT IS SRS?

SRS 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. Benefits and contributions are set by law, protected by the Montana Constitution and only the Legislature may change them.

Money you contribute to SRS earns interest and helps pay for your benefits. MPERA tracks your contributions individually and credits interest to you. We combine the funds from all member 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 from the trust fund to benefits and refunds for members or their survivors. In addition, the Retirement Board pays administrative expenses from the investment earnings.

Every year, an actuary evaluates the trust fund's capability to pay the benefits promised to members. Before each legislative session, the Board reviews the sufficiency of the benefits and advises the Legislature.

# MEMBERSHIP ENROLLMENT

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

SRS membership is mandatory for an elected or appointed county sheriff or undersheriff; deputy sheriff; a criminal or gambling investigator of the Department of Justice hired after July 1, 1993; and a full or part-time detention officer hired after July 1, 2005.

## DESIGNATION OF BENEFICIARY(IES)

As a new SRS-covered employee, you were asked to complete a SRS *Membership/Designation of Beneficiary* form to designate your beneficiary(ies) for your SRS account.

Your beneficiary information is important. It is necessary that you keep it up-to-date. Some reasons to update your information are marriage or divorce, the birth of a child, or the death of a beneficiary. When you need to update your information, ask your payroll clerk for a new [SRS Membership/Designation of Beneficiary form](#) or go to our website at [www.mpera.mt.gov](http://www.mpera.mt.gov) and download the form and give it to your payroll clerk to have it returned to MPERA.

Your beneficiary information is printed on your Annual Benefit Statement. Review the statement carefully. If your beneficiary information is outdated, please update it as soon as possible.

**Updates to beneficiary information will take effect when received by MPERA. Any beneficiary change is not effective until the form is received in our office.<sup>1</sup>**

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

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<sup>1</sup> If you are prohibited from changing your current beneficiary designation by a temporary restraining order (TRO) issued under § 40-4-121, MCA, such a change will not be effective while the TRO is valid.

## **RETIREMENT SYSTEM MEMBERSHIP OPTIONS**

A detention officer who was in PERS prior to July 1, 2005, has the option to remain with PERS or may join SRS at any time before retirement.

A member of PERS who begins employment in a SRS-covered position may remain in PERS or may elect to become a member of SRS. This election must be made within 90 days after beginning employment.

A member of the Municipal Police Officers' Retirement System (MPORS) who begins employment in a SRS-covered position following a city-county consolidation may remain in MPORS or may become a member of SRS. This election must be made within 30 days after beginning the employment.



## **CONTRIBUTIONS**

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

### **MEMBER CONTRIBUTIONS**

All members must contribute part of their gross pay to SRS. The current contribution rate is 10.495%. This rate will be reduced to 9.245% on July 1 of the year following the annual valuation determining the system's funding has improved as specified by statute.

**Interest:** Your SRS 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 after July 1, 1985, to SRS are tax-deferred. This means state and federal taxes are not paid until you receive the money as a benefit or refund.

If you have taxed money on account, part of your monthly benefit or refund will not be taxed.

### **EMPLOYER CONTRIBUTIONS**

Your employer currently contributes an amount equal to 13.115% of their total SRS-covered payroll to the pension trust fund. This will be reduced to 9.53% on July 1 in the year following an actuarial valuation determining the system's funding has improved as specified by statute. **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 SRS directly affects the amount of your retirement benefit. The monthly benefit you will receive depends on the number of years you work in a SRS-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 SRS benefits. You earn one month of membership service for any month you contribute to SRS, 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 SRS benefits.

### **SERVICE CREDIT**

We use service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you earn 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. Service credit is granted when you are paid, not when it is earned.

### **PART-TIME SERVICE**

If you work part-time, we will adjust either your service credit or your Highest Average Compensation (HAC) at retirement. We adjust one or the other to prevent a double reduction of your benefit. You will not see the adjustment to your service credit until retirement.

## ANNUAL BENEFIT STATEMENT

Each July, we 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 must 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.

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

## PURCHASE OF SERVICE

**Eligibility:** As a SRS member, you can purchase service at any time before retirement. Purchasing service may enhance your retirement benefit.

**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.

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

- ◆ **Refunded Service:** If you leave your job and request a refund of your accumulated contributions (contributions plus interest) and later return to a SRS-covered position, you can purchase the refunded service at anytime prior to retirement if you are an active member. You must be vested to purchase refunded service if you are inactive. 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.

*Refunded service is both membership service and service credit.*

- ◆ **Montana Public Service:** If you refunded (or you are eligible to receive a refund) from other public service employment with the state of Montana or a political subdivision, you may be eligible to purchase that service in SRS at **actuarial cost**. You cannot buy service from another public retirement system that will make you eligible for retirement in SRS until you receive a refund of the service from the other public

system. You must be an active SRS member to be eligible to purchase this service.

*Montana 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:** One-for-Five is both membership service and service credit for the Sheriff’s system. For each five-year period of membership service, you can buy one year of service credit. You may buy up to five years of “One-for-Five” Service.
- ◆ **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.**

Contact us if you would like to know approximately how much purchasing service may cost. If you are ready to purchase service, request an official cost statement.

**Requesting a cost statement:** A cost statement will tell you the amount you would be required to pay for the service you are interested in buying. The statement will also include your payment options. To make a request, you will need to provide the following information in writing:

- ◆ your full name (including any former names),
- ◆ a current mailing address,
- ◆ person ID,
- ◆ current employer, and
- ◆ the type of service you wish to buy.

You should also send any documents that relate to the service, including the approximate dates of service, your current retirement system and the name of the employer for whom service was performed. We will review the request and send you a cost statement and the necessary forms for buying any eligible service.

**Cost statements  
are only valid for  
30 days.**

**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 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. Payments made directly to MPERA 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.

If you do not complete payments on your service purchases before you retire, the service credit will be prorated based on the amount paid. Payment is subject to interest if not paid as a lump-sum.

# **BENEFITS**

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

## **ELIGIBILITY**

To receive retirement benefits under the SRS retirement plan, you will need to have completed five years of membership service (become vested). Once vested, SRS guarantees a retirement benefit after you reach age 50 or complete 20 years of membership service. If vested, and at least age 50, you may terminate and apply for monthly retirement benefits.

Retirement benefits are 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.

## **APPLYING FOR RETIREMENT**

Five years before you plan to retire, we recommend you attend the “Ready to Retire” interactive webinar. This will give you a detailed look at the retirement process and your options. The webinar schedule is available on our website. Or you can watch the “Steps to Retirement” video at your convenience.

Three months before you plan to retire, you need to contact us for an official Defined Benefit Estimate Request. This will give you an approximate amount of your monthly benefit and allow you to plan your retirement accordingly.

Thirty days before you plan to retire, you must complete the retirement forms that accompanied your benefit estimate and return them to MPERA.

**FOR MORE INFORMATION ABOUT RETIREMENT,  
GO TO [MPERA.MT.GOV](http://MPERA.MT.GOV).**

## CALCULATING YOUR RETIREMENT BENEFIT

Defined benefit retirement plans use a set or defined formula to calculate your benefit. 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. Information in this handbook is based on 2017 law.

### SERVICE RETIREMENT

You are eligible for service retirement benefits when you complete 20 years of membership service at any age.

For members hired **before** July 1, 2011: Your SRS service retirement benefit is based on your years of service credit and the average of your highest consecutive 36 months of salary. This does not have to be your last 36 months of employment.

For members hired **on or after** July 1, 2011: Your SRS service retirement benefit is based on your years of service credit and the average of your highest consecutive 60 months of salary. This does not have to be your last 60 months of employment.

The basic formula for a SRS monthly service retirement is:

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

Your benefit is calculated based on:

- ◆ **Years of Service Credit** - the amount of service you earned (see page 10).
- ◆ **Retirement Factor** - a percentage based on your years of service defined in law. For SRS members it is 2.5% (0.025).
- ◆ **HAC<sup>1</sup>** - (Highest Average Compensation) is the average of a set number of highest consecutive months of salary, depending on when you were hired. **For members hired on or after July 1, 2013**, HAC will be capped at 110% on compensation earned during each year of the highest average compensation period.

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<sup>1</sup> If you were hired **before** July 1, 2011, your HAC is 36 months. If you were hired **after** July 1, 2011, your HAC is 60 months.

## **EARLY RETIREMENT**

You are eligible for early retirement if you are at least age 50 and are vested, but have less than 20 years of membership service.

An early service retirement benefit is calculated by multiplying the formula from the previous page by an early retirement factor (ERF). The ERF depends upon how many years it will take you to reach age 60 or 20 years of membership service. We will use the ERF that gives you the larger benefit.



# **DISABILITY RETIREMENT**

If you become disabled, you may be entitled to a disability retirement benefit. Disability is the total inability to perform your work due to physical or mental incapacity even with reasonable accommodations required by the Americans with Disabilities Act (ADA). The disability does not have to be work-related, but must occur while you were employed in an SRS-covered position, and your condition must be of permanent or extended and uncertain duration. You must be vested to received a non-duty related disability.

## **DISABILITY BENEFIT**

If the Board determines you have become disabled and you are eligible for benefits, they will be calculated as follows:

### Duty Related Disability

Vesting is not required. If you have less than 20 years of membership service, you will receive a disability retirement benefit equal to one-half of your Highest Average Compensation (HAC).

If you have more than 20 years of membership service, you will receive a disability benefit equal to 2.5% of your HAC for each year of service credit.

### Non-Duty Related Disability

Vesting is required. You will receive a disability retirement benefit based on the actuarial equivalent of your accrued service retirement benefit when the disability occurred.

## **DISABILITY REVIEWS**

At its discretion, the Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to determine if you still qualify for disability retirement. If necessary, the Board may require you to undergo an independent medical examination at the Board's expense.

If the Board determines you are no longer disabled, you must be reinstated to the position you held immediately before retirement or to a position comparable in pay, benefits and duties within your capacity, whichever is first available.

## **PAYMENT OF DISABILITY BENEFIT**

Unless canceled by the Board for reasons described below, you will be paid the disability benefit until you reach age 50, the normal retirement age. After reaching the normal retirement age, your disability benefit will automatically be converted to a service retirement benefit without a recalculation.

You will receive applicable benefit increases, such as GABA, when you become eligible. See page 24.

## **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 position;  
or
- ◆ you refuse to submit to a medical examination during a disability review.

If the Board determines you are no longer disabled and can be reinstated, to your previously held position, we will notify your employer. Your former employer may request a medical or psychological review to determine your ability to return to work as a member of the sheriff's office.

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

## **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 check.

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

**You choose how you receive  
your benefit, Direct Deposit  
is safer and quicker.**

# BENEFIT PAYMENT OPTIONS

At retirement, SRS offers four benefit payment options. The option you choose determines whether or not the benefit continues to 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.

**Generally, once you receive and accept your first benefit payment, you cannot change your retirement option.**

## OPTION 1

Option 1 will provide a monthly benefit for your lifetime only and is the largest monthly amount you can choose. Option 1 is also the basis for calculating all other options. The benefit is computed using the defined benefit formula. See page 15.

**The monthly benefit under Option 1 is for your life only and will stop 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 Option 1 monthly benefit payments end upon your death.

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

## OPTION 2

To calculate a benefit for Option 2, your Option 1 benefit is multiplied by an actuarial factor based on both your age and your **contingent annuitant's** age at your retirement.

Option 2 provides a monthly benefit to you for your lifetime. When you die, your **contingent annuitant** will receive the same monthly benefit for the rest of their life, subject to annual benefit increases. Upon his/her death after receipt of any benefits, your remaining account balance, if any, will revert to the SRS trust fund. You may not change your option election or your contingent annuitant except in limited circumstances (see next page).

The benefit amount of Option 2 is less than Option 1 because the lifetime value of your benefit is spread over two lives instead of one. **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. This limit does not apply to a spouse.**

## 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, subject to annual benefit increases. Upon his/her death after receipt of any benefits, your remaining account balance, if any, will revert to the SRS trust fund. You may not change your option election or your contingent annuitant except in limited circumstances (see next page).

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 Option 3 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. The Option 3 factor is based on both your age and your contingent annuitant's age at your retirement date.

## 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, giving your contingent annuitant the right to receive part of your 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 benefit 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. The 10-year period begins on your effective date of retirement. 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.
- ◆ **20-year period certain.** You must be **age 65 or younger** when you retire to be eligible for this benefit. The 20-year period begins on your effective date of retirement. 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.

You can change your Option 4 contingent annuitant designation after retirement at will. 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**.

# CIRCUMSTANCES AFFECTING BENEFITS

## WORKING RETIREE

As a retiree, you may work in an SRS-covered position for less than 480 hours during a calendar year. If your yearly income from the SRS-covered position exceeds \$5,000, your retirement benefit will be reduced \$1 for each \$3 you earn over the limit. Income earned from non-SRS employment does not apply to your earnings limit.

Your SRS employer is required to report hours you work and your compensation. If you exceed the 480 hour limit, we will stop your retirement benefit and you will start paying membership contributions. We recommend you complete a new *SRS Membership / Designation of Beneficiary* form and send it to MPERA.

**Make sure you  
inform your  
employer of your  
SRS retiree status!**

**Benefit upon second retirement:** starting the month following your termination of active SRS-covered service, you will be eligible to begin receiving the same retirement benefit amount paid to you prior to returning to active service (postretirement benefit increases will not accrue on suspended retirement benefits during your active service). In addition:

- if you accrued less than 5 years of service credit after you returned to active service you will receive a refund of the accumulated contributions associated with that additional service.
- if you accrued 5 or more years of service credit after you returned to active service you will be eligible for a second retirement benefit for that additional service based on the laws in effect as of your rehire date

When you are ready to retire for the second time, notify MPERA.

# ADDITIONAL INFORMATION

## BENEFIT INCREASES

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

Before you receive an increase under GABA, you need to have received your benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment that following January. For example: If you retire on July 1, 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.

If you were hired **before** July 1, 2007, (including members who transferred to an SRS-covered position from another MPERA-administered system) you will be eligible for a 3% GABA. If you terminate employment, but do not withdraw your accumulated contributions (refund), your GABA will remain 3% if you return to SRS-covered employment.

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

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

### The GABA applies to:

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

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



# **DEATH BENEFITS**

## **DEATH BEFORE RETIREMENT**

If you die before retirement, your beneficiary may elect one of the following options for which your designated beneficiary qualifies:

- ◆ a lump-sum payment of your accumulated contributions; or
- ◆ a survivorship benefit equal to 2.5% of your Highest Average Compensation (HAC) for each year of service credit, reduced by a factor based upon the number of years your age was less than age 60, or the number of years required for you to have completed 20 years of membership service, whichever provides for the larger benefit; or
- ◆ a survivorship benefit equal to one-half your HAC, if you died as a direct and proximate result of injuries received in the course of employment.

## **DEATH AFTER RETIREMENT**

If you retire under Option 1, and you die before receiving benefits equal to your account balance (your contributions plus interest), your beneficiaries will receive your remaining account balance. Your remaining account balance is your contributions plus interest at the date of retirement, minus any benefit payments you received.

If you were receiving an Option 2, 3, or 4 retirement benefit, your contingent annuitant will receive the benefit explained in the Payment Options section.

## **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.

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

## REFUND OF CONTRIBUTIONS

If you are a vested member and decide to end your SRS-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 may take over four weeks from the date you get your last paycheck.

**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 receive a lump sum refund to the address we have on file. No taxes are withheld.
- ◆ If you have between \$200 and \$1,000 in accumulated contributions, request a refund application from MPERA and return it within 90 days of termination. 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. If you do not request a rollover within 90 days of termination your contributions will be directly refunded to you, less required federal income tax withholding.

**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 a refund greater than \$200 directly, the IRS requires us to withhold 20% for federal income tax purposes. You may also be subject to an additional 10% penalty if you withdraw your account before you reach age 59½. Montana state income tax can be withheld if requested.

**Return to Work After Receiving a Refund:** If, after receiving a refund, you return to a mandatory SRS-covered position, you will again become a member. We will consider you a new member. You may reinstate the refunded service through a service purchase. For more information on purchase of service, see page 11.

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

# 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 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. This is available online at the MPERA website.

## 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 benefit you received during the past calendar year along with the taxable amount of the benefit and 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, you may elect to have Montana state income tax withheld. IRS regulations require us to withhold 20% for federal income taxes. Refunds taken before age 59½ 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 SRS benefits to an alternate payee (usually a former spouse) pursuant to a Family Law Order (FLO).

### **SUPPORT OBLIGATION**

Your SRS 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 SRS 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, and/or specific option.

A FLO may not require SRS 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 SRS 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 SRS-covered job, making the required contributions and properly reported for the most current reporting period.

**ACTUARIAL COST** - the amount determined by the Board in a uniform and non discriminating 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 the current salary of the member.

**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 the SRS.

**COMPENSATION** - the pay an employee receives before deducting taxes or social security in accordance with [§19-7-101, 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** - the person the retired member names to receive a continuing benefit after the member's death.

**DESIGNATED BENEFICIARY** - the person(s), charitable organizations, estate of the payment recipient, or trusts for the benefit of natural living persons a member names before retirement, or later upon retiring and electing an Option 1 retirement benefit to receive any survivorship benefits or lump-sum payments upon the member's death. Designated beneficiaries are either primary or contingent.

**DETENTION CENTER** - a facility established and maintained by an appropriate entity for the purpose of confining arrested persons or persons sentenced to a detention center.

**DETENTION OFFICER** - a person employed in a detention center, a juvenile detention center, a temporary detention center, or a detention facility, who has authority and responsibility for maintaining custody of an inmate for any period of time, who performs tasks related to the operation of a detention center, and who completes appropriate training.

**DISABILITY** - total physical or mental incapacity of a member to do the essential functions of the member's job even with reasonable accommodations required by the ADA, for a permanent or extended and uncertain duration.

**EARLY RETIREMENT BENEFIT** - the retirement benefit payable to a member following early retirement. This is the actuarial equivalent of the accrued portion of the member's service retirement benefit.

**EMPLOYEE** - a person employed and salaried by a SRS employer in any capacity.

**EMPLOYER** - a governmental agency that covers their employees under the SRS.

**FAMILY LAW ORDER (FLO)** - an order from a court that may assign all or part of a member's payment. (§ 19-2-907, MCA)

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

**HIGHEST AVERAGE COMPENSATION (HAC)** - the member's average monthly compensation received for any 36 months (60 months for members hired on or after July 1, 2011) of continuous service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. HAC may include termination payments, but only if they

replace regular pay on a month for month basis. **For members hired on or after July 1, 2013**, HAC will be capped as provided by the compensation limit.

**INACTIVE MEMBER** - a member who terminates SRS-covered employment and does not withdraw his or her SRS account.

**INVESTIGATOR** - a person employed as a criminal investigator or a gambling investigator for the Department of Justice.

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

**MEMBER** - any person with contributions and service on account with the SRS. Persons receiving retirement benefits based on previous service credit are also members.

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

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

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

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

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

**RETIREMENT BENEFIT** - the monthly payment to a member, for life, following service or disability retirement.

**RETIREMENT or RETIRED** - the status of a member who ends active service and receives a monthly benefit.

**SERVICE** - employment of an employee in a position covered by a retirement system.

**SERVICE CREDIT** - the periods in which you contribute the required money to SRS.



**SERVICE RETIREMENT BENEFIT** - the retirement benefit that the member may receive at normal retirement age.

**SHERIFF** - any elected or appointed county sheriff or undersheriff or any appointed, lawfully trained, appropriately salaried and regularly acting deputy sheriff.

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

**TERMINATION OF EMPLOYMENT or TERMINATION OF SERVICE** - means the member left the employment relationship with the employer for at least 30 days, has no verbal or written agreement to return to work, 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. The tables containing service retirement factors are too large to include in this publication.

## SERVICE RETIREMENT EXAMPLE

<b>Sheriff Wanda</b> Age at retirement.....	47
Membership Service.....	22 years
Service Credit.....	22 years
Highest Average Compensation (HAC).....	\$3,000 per month
Account Balance at Retirement.....	\$79,796
Contingent Annuitant's Age.....	45

### Option 1 Formula: 2.5% x Service Credit x HAC

$$0.025 \times 22 \times \$3,000 = \$1,650 \text{ per month}$$

Under Payment Option 1, Wanda will receive a monthly benefit of \$1,650 plus GABA increases when eligible, for life. Upon her death, monthly payments will cease. If the total benefits paid to Wanda are less than her balance at retirement (\$79,796), the balance will be paid in a lump-sum to her designated beneficiary.

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

$$\$1,650 \times \text{Option 2 factor} = \$1,496 \text{ per month}$$

If Sheriff Wanda elects Option 2, she will receive a monthly benefit of \$1,496 plus GABA increases when eligible, for life. Upon her death, SRS will pay Wanda's contingent annuitant the same amount Wanda was receiving, plus increases when eligible, for life.

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

$$\text{\$1,650 x Option 3 factor} = \text{\$1,569 per month}$$

If Sheriff Wanda elects Option 3, she will receive monthly a benefit of \$1,569 plus GABA increases when eligible, for life. Upon her death, SRS will pay Wanda's contingent annuitant one-half of the amount Wanda was receiving, plus increases when eligible, for life.

**Option 4 Formulas:**

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

$$\text{\$1,650 x Option 4, 10-year factor} = \text{\$1,644 per month}$$

If Wanda chooses the 10-year certain payment option, she will receive monthly payments of \$1,644 plus GABA increases when eligible, for life. If she dies before the 10-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Wanda dies after the 10-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

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

$$\text{\$1,650 x Option 4, 20-year factor} = \text{\$1,623 per month}$$

If Wanda chooses the 20-year certain payment option, she will receive monthly payments of \$1,623 plus GABA increases when eligible, for life. If she dies before the 20-year period ends, then her contingent annuitant(s) will collectively receive the same benefit Wanda was receiving. Those payments will increase annually and will continue until the end of the 20-year period. If Wanda dies after the 20-year period ends, all payments end. Her contingent annuitant(s) will not receive any benefit payments.

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

# 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

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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

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##### **Maggie Peterson**

Investment Management

Anaconda

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Re-Appointed March 2019

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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 Technology Bureau Chief  
Ann Reber.....Editor

## **Contacting MPERA**

If you have any questions about the Sheriffs' Retirement System (SRS), 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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