



GLOSSARY OF TERMS

ALL RETIREMENT SYSTEMS

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

ACTIVE MEMBER - a member in a covered position, making the required contributions, and properly reported for the most current reporting period.

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

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

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

BENEFIT - a service, early or disability retirement or survivorship provided.

COMPENSATION - the pay an employee receives before deducting taxes or social security in accordance with § 19-3-108, MCA. After July 1, 2013, bonuses are excluded.

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. For members of PERS, JRS, SRS and GWPORS only.

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

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

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

[Type text]

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 in any capacity by a participating employer who pays the person's salary.

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

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. (§ 19-2-907, MCA)

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA) - a benefit increase, based on an annual actuarial valuation of the retirement system trust fund.

HIGHEST AVERAGE COMPENSATION (HAC) - a member's highest average monthly compensation during a set period of consecutive months of membership service. Lump-sum payments for severance pay, sick leave, banked holiday time and annual leave may not be added to a single month's pay. Your HAC may include termination payments, but only if they replace regular pay on a month for month basis. **For members hired on or after July 1, 2013, HAC will be capped as provided by the compensation limit. (Does not apply to MPORS)**

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

IRA - an individual retirement account.

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

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

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to determine vesting and eligibility for retirement or other benefits. You get 1 month membership service for any month you contribute to the retirement system, even if you only work one day during that month. If you contribute anything, you get membership service for the whole month.

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

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

[Type text]

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

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

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

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

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

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

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

SERVICE CREDIT - the periods of time for which the required contributions have been made to the retirement system and that are used to calculate retirement benefits or survivorship benefits.

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

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 benefits when he or she meet the minimum service or age provision.

FURS

DEPENDENT CHILD - A child of a deceased member: who is unmarried and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

FIREFIGHTER - a person employed as a full-paid or part-paid firefighter by an employer.

[Type text]

FULL-PAID FIREFIGHTERS - a person employed as a firefighter under § 7-33-4106, MCA.

MINIMUM RETIREMENT DATE - the first day of the month coinciding with or, if none coincides, the date on which a member both becomes age 50 and completes five years of membership service.

PART-PAID FIREFIGHTER - a person employed under § 7-33-4109, MCA who receives compensation in excess of \$300 a year for service as a firefighter.

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

SURVIVOR - a surviving spouse or dependent child of the member.

HPORS

DEPENDENT CHILD - A child of a deceased member: who is unmarried and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

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

SURVIVOR - a surviving spouse or dependent child of the member.

JRS

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

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

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

MPORS

DEPENDENT CHILD - A child of a deceased member: who is unmarried and under 18 years of age; or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

DROP - Deferred Retirement Option Plan.

DROP ACCOUNT - the member's accumulated monthly DROP accruals, including any post retirement adjustments, plus interest.

DROP PERIOD - the period of time that a member irrevocably elects to participate in the DROP. It may not be less than one month or more than five years.

FINAL AVERAGE COMPENSATION (FAC) - The monthly compensation of a member, averaged over the last 36 months of the member's service or, in the event a member has not been a member that long, over the period of membership. Your FAC may include termination payments, but only if they replace regular

[Type text]

pay on a month for month basis. Excess earnings limits must be applied to the calculation of the final average compensation. §19-2-1005(20), MCA.

MONTHLY DROP ACCRUAL - the amount equal to the monthly benefit that would have been payable to the participant had the participant terminated and retired.

STATUTORY BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary.

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

SURVIVOR - a surviving spouse or dependent child of the member.

SRS

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.

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

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

VFCA

ALLOWANCE - a total monetary and gift amount that is available to a volunteer firefighter from a fire company pursuant to § 19-17-110, MCA.

CLAIM - a request from a member, surviving spouse, or dependent child for payment of medical or funeral expenses.

COMPENSATION - remuneration for services rendered as a firefighter from the fire company requesting credit for that firefighter.

DESIGNATED OFFICIAL - a representative of a fire company appointed by the fire chief to perform specified actions and includes but is not limited to a fire company supervisor, a fire company secretary, and a fire company presiding officer.

FIRE COMPANY - an organization of volunteer firefighters created under the authority of a governing board or commission to serve an unincorporated area, town, or village.

IN THE LINE OF DUTY (or duty related) - the member's activities were duties of a volunteer firefighter. Duties include any activity authorized by an officer of the company relating to travel to, participation in, and return from calls for the following: fire protection; medical assistance; search and rescue assistance; and

[Type text]

calls for assistance to protect individual or public health and safety. It also includes travel to and participation in fire company meetings, training, and public service activities, such as parades.

PENSION BENEFIT - a full, partial or additional payment for service earned as a volunteer firefighter and does not include payment for disability.

REIMBURSED - the return by a fire company of an equivalent amount of money expended by a member for the benefit of the fire company.

SERVICE - all periods of active service. Members must serve with one fire company for the entire fiscal year and must complete at least 30 hours of formal training each fiscal year (July 1 to June 30) to receive credit for service.

SUPPLEMENTAL INSURANCE - insurance carried by a fire company to provide disability or death benefits. Supplemental insurance is insurance other than any insurance required by law, such as workers' compensation insurance.

TRAINING - a formal program of instruction pertaining to firefighting that has been formulated, supervised and certified to the Board by the chief or designated official of the fire company. Training does not include fire hall and vehicle maintenance, Emergency Medical Technician training, emergency calls or business meetings to conduct the business of the fire company.

VOLUNTEER FIREFIGHTER - an active member of an eligible fire company who is not compensated for services as a firefighter.

ACTUARIAL TERMS

ACTUARIAL ASSUMPTIONS – Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; inflation; rates of investment earnings, and asset appreciation or depreciation; and other relevant items.

ACTUARIAL COST METHOD – A procedure for determining the Actuarial present Value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a Normal Cost and an Actuarial Liability.

ACTUARIAL GAIN (LOSS) – A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

ACTUARIAL LIABILITY - The portion of the Actuarial Present Value of Projected Benefits which will not be paid by future Normal Costs. It represents the value of the past Normal Costs with interest to the valuation date.

ACTUARIAL PRESENT VALUE (PRESENT VALUE) – The value as of a given date of a future amount or series of payments. The Actuarial Present Value discounts the payments to the given date at the assumed investment return and includes the probability of the payments being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying

[Type text]

over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10% the actuarial present value is:

$$\frac{\text{Amount}}{\$100} \times \frac{\text{Probability of Payment}}{(1-.01)} \times \frac{1/(1+\text{Investment Return})}{1/(1+.1)} = \$90$$

ACTUARIAL VALUATION – The determination, as of a specific date, of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

ACTUARIAL VALUE OF ASSETS – The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purposes of an actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

ACTUARIAL EQUIVALENT – Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of actuarial assumptions.

AMORTIZATION PAYMENT – The portion of the pension plan contribution which is designed to pay interest and principal on the Unfunded Actuarial Liability in order to pay for that liability in a given number of years.

ENTRY AGE NORMAL ACTUARIAL COST METHOD – A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level bases over the earnings of the individual between entry age and assumed exit ages.

FUNDED PERCENTAGE – The ratio of the Actuarial Value of Assets to the Actuarial Liabilities.

INFLATION (CPI) – The assumed increase in dollar related values in the future due to the general increase in the cost-of-living. The usual measure for inflation is the Consumer Price Index (CPI).

INVESTMENT RETURN ASSUMPTION – The assumed interest rate used for projecting dollar related values in the future.

MORTALITY TABLE – A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and gender.

NORMAL COST – That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

PROJECTED BENEFITS – Those pension plan benefit amounts which are expected to be paid in the future under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and increases in future compensation and service credits.

UNFUNDED ACTUARIAL LIABILITY – The excess of the Actuarial Liability over the Actuarial Value of Assets.