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Write to:

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

You may contact MPERA at:

Telephone (406) 444-3154
Toll Free (877) 275-7372
Fax (406) 444-5428
E-mail mpera@mt.gov

For more information, contact:

Department of Administration
Human Resource Division
Phone (406) 444-3871
TDD number (406) 444-1421

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MONTANA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

MEMBER HANDBOOK

July 2008

Public Employees' Retirement Board

State of Montana
 Brian Schweitzer, Governor
Public Employees' Retirement Board

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John Paull Vice President	Active Public Employee	Butte	3/31/10
Terrence Smith	Active DC Plan Member	Bozeman	3/31/09
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 Ann Reber.....Editor

PERB Mission Statement



The Montana Public Employees' Retirement Board will fiduciarily administer its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.

who is receiving, or may receive, a benefit or payment from PERS.

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

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

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

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

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

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

SERVICE CREDIT - the periods in which you contribute the required money to PERS. MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

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

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

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

contract with the Board to cover their employees under PERS.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

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

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

HIGHEST AVERAGE COMPENSATION (HAC) - a member's highest average monthly compensation during any 36 consecutive months of membership service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your HAC may include termination payments, but only if they replace regular pay on a month for month basis.

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

IRA - an individual retirement account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

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

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

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

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

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant

Contacting MPERA

If you have any questions about the Public Employees' Retirement System (PERS), call or e-mail us or visit our website.

Helena Office

<i>Telephone</i>	<i>Mailing Address</i>	<i>Office Address</i>
(877) 275-7372	P.O. Box 200131	100 North Park Ave.
(406) 444-3154	Helena, MT 59620-0131	Suite 200 Helena, MT 59620

E-Mail

In most cases, if you know the name of the person you are e-mailing, use their first initial and their last name plus @mt.gov. For example, John Doe's address is: **jdoe@mt.gov**.

If you don't know who to contact, e-mail our "front desk" and we'll forward your question to the right person: **mpera@mt.gov**.

Web Site

For updated information and to view MPERA newsletters and other publications visit us on the web at **<http://mpera.mt.gov/>**.

MPERA Mission Statement

The Montana Public Employee Retirement Administration (MPERA) will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

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GLOSSARY OF TERMS

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

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

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

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

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

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

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

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

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

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

EMPLOYER - the state, its university system, or political subdivisions that

5. For More Information

- If you would like an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you receive from any other source may be wrong. MPERA is not responsible for any information from other sources.
- You must contact us for application forms if you are considering service or disability retirement.
- You should instruct your beneficiaries to contact us in the event of your death.

When you correspond with MPERA by mail or fax, please include your full name, printed and signed, the last four digits of your social security number, your return address and your daytime telephone number.

Mailing Address: **MPERA**
 P.O. Box 200131
 Helena MT 59620-0131

FAX Number: **(406) 444-5428**

You may also e-mail requests to MPERA at mpera@mt.gov. Be sure to include your full name, the last four digits of your social security number, return address and daytime telephone number.

We invite you visit MPERA in Helena at 100 North Park Avenue, Suite 200. Our office hours are Monday through Friday, 8 a.m. to 5 p.m., except on designated state holidays. **It is most helpful for staff if you make an appointment in advance.** Phone our office at (406) 444-3154 or toll free (877) 275-7372. If our phone lines are busy, you may leave a voice mail message. Be sure to leave your name, telephone number, and the last four digits of your social security number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response**.

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Preface

This *Public Employees' Retirement System Member Handbook* is a general summary of the benefits provided by the Montana Public Employees' Retirement System (PERS). It is intended to give you an idea of what your benefits are and to acquaint you with PERS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date soon after it is published. 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 2007 law. Benefits are based on the law in effect at the time of your termination from employment; therefore, some information found here may not apply in specific cases. If this handbook differs with the law or rules, the law or rules will apply. This handbook replaces all previous PERS member handbooks.

Montana Code

The law governing PERS may be found in Title 19, Chapters 2 and 3, Montana Code Annotated (MCA). The MCA is available on line at: http://data.opi.mt.gov/bills/mca_toc/index.htm. References to the pertinent sections of MCA are provided in parentheses throughout this publication.

Overview

- PERS provides service retirement benefits, disability retirement benefits and survivor benefits, if eligible.
- You are eligible to retire and receive a service retirement benefit if you complete 30 years of membership service at any age or you are age 60 with at least five years membership service.
- You and your employer both contribute toward your future retirement benefits.
- You may withdraw only your contributions plus interest if you leave PERS-covered employment and don't retire.
- If you withdraw your contributions, you lose your right to any future retirement benefit.

4. Assignment of Benefits

In most circumstances your retirement benefit is protected from attachment and cannot be assigned to or acquired by a third party. Your retirement benefit may not be assigned to another person under federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person.

However, there are circumstances when your retirement benefit may be subject to attachment or assignment. The IRS may place a levy against your benefit for unpaid taxes. Further, a court may assign all or a portion of your PERS benefit pursuant to a Family Law Order (FLO) which must be a judgment, decree, or order of a Montana court. Courts from other states may also assign your benefit with a Support Obligation if that Support Obligation meets requirements similar to those for a FLO. (§§ 19-2-907 and 19-2-909, MCA)

Family Law Order (FLO)

A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that we pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require us to pay \$500 per month until a set sum of \$12,000 has been paid. Or, the FLO may require us to pay 50% of your monthly benefit to your alternative payee for as long as you receive a benefit. The FLO may also require you to choose a specific option, contingent annuitant, or beneficiary.

A FLO may not require MPERA to pay a type of benefit unless that benefit is available to you; nor can a FLO require an amount or length of payment greater than that payable to you. This means a FLO cannot require MPERA to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount MPERA may pay you.

(§ 19-2-907 and 19-2-909 MCA)

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. The taxable amounts under state law differs for that under federal law, because the state does not tax the interest credited to your account.

MPERA must withhold federal taxes and the IRS may charge early withdrawal penalties on refunds. Roll the money over and no money will be withheld for taxes.

The IRS requires us to withhold 20% for federal taxes if you choose to have the refund paid directly to you. Depending on your personal circumstances, the amount withheld may not cover all taxes you may owe on the refund. The IRS may also, at the time you file your income tax return, assess an additional 10% penalty for early withdrawal if you are under age 59 1/2.

You may avoid paying the 20% withholding tax and possible imposition of a 10% penalty by “rolling-over” the taxable portion into an IRA or other eligible plan. If you choose a lump-sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into an eligible plan to avoid paying the 10% penalty. Be prepared to provide the IRS documentation of this roll-over.

You will receive a Distribution Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part of the distribution, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not automatically send another 1099R at the end of the year. However, if you lose your 1099R, you can request a duplicate from us.

Introduction

Retirement Security for our Members Since 1945

The Public Employees' Retirement System (PERS) is a public pension plan for employees of the state, university system, and local governments. The 1945 Legislature created PERS to grant service retirement, disability retirement, or survivor benefits to plan members and their beneficiaries. Unless another state plan covers the position, PERS will cover all state and university workers. Local governments may contract with the Board to cover their workers under PERS. Membership of PERS consisted of the following as of June 30, 2007:

PERS Defined Benefit Membership

Number of participating employers	528
Active plan members.....	27,977
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	2,576
Non-vested.....	6,401
Retirees and beneficiaries receiving benefits:	
Service Retirements.....	15,488
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Survivor Benefits	333

The Public Employees' Retirement Board (PERB) is an independent, seven-member board appointed by the Governor to administer PERS, eight other retirement systems, and the State's 457 Deferred Compensation Plan. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the following terms: we, us, MPERA, and Board interchangeably.

PERS Plan Options

All new PERS members will have an opportunity to choose membership in either the **Defined Benefit Retirement Plan (DBRP)** or the **Defined Contribution Retirement Plan (DCRP)**. Once made, your choice can not be changed. A clear knowledge and understanding of both the DBRP and the DCRP is very important to help members make this decision. MPERA provides information and training to help PERS members understand the plans and the necessity of retirement planning. (§§ 19-3-2102 and 19-3-2103, MCA)

Following is a brief explanation of the DBRP and the DCRP:

Defined Benefit Retirement Plan (DBRP): A DBRP guarantees a specified retirement benefit, based on a percentage of your highest average compensation and your years of service credit. When eligible, your monthly benefit will be increased each year by a Guaranteed Annual Benefit Adjustment (GABA). Your monthly benefit will be paid to you for your lifetime. In a DBRP, the employers bear the risk when it guarantees your lifetime retirement benefit.

Money that you pay into PERS earns interest and helps pay for your benefits. At MPERA, we keep track of your money in your own account, and credit your account with interest. We combine the funds from all accounts in a trust fund, which the Board of Investments controls. Income earned from the trust fund investments is returned to the trust fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings.

(§§ 19-2-408 and 19-2-505, MCA; Montana Constitution, Art. VIII, § 13)

Every year, an actuary evaluates the trust fund's capability to pay the benefits promised to members. Based on the trust fund's strength and the actuary's advice, the Board may initiate increases in benefits. Benefits are set by law, and only the Legislature may change them.

3. 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 derived from contributions which were not taxed (made pre-tax) during your working career. You paid income tax on any money you contributed before July 1, 1985. You paid taxes on any contributions you made to buy service before the year 2000. You have not paid taxes on your regular contributions since July 1, 1985, nor have you paid taxes on the interest your account earns. If some of your benefit comes from pre-tax money, or tax-deferred interest, you must pay taxes on that portion.

(§19-3-315, MCA)

Tax Statements

Once you are retired and receiving a benefit, each year MPERA will send you a Distribution Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people charitable organizations, and trusts, who receive any payment from PERS, not just members. The 1099R will show the gross taxable amount you received during the past calendar year and any state or federal taxes withheld during the year. You may elect to withhold federal or Montana state income tax by submitting a tax withholding certificate form available from MPERA. We base withholding rates on current federal and state tax law unless you request otherwise.

Tax Advice

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Eligibility for and Effective Date of GABA Benefits

Before you will receive an increase under GABA you must receive your benefit for at least 12 months. Once eligible, you will receive your first increase in your retirement benefit payment the following January.

Example: If you retired on July 1, 2008, you will meet the 12-month requirement on July 1, 2009. You will then receive your first GABA increase beginning with your January 1, 2010 benefit.

Timing for Benefit Payments

Benefit payments are processed the last working day of the month. For example: the January benefit payment is mailed on the last working day of January.

If you receive your benefit by direct deposit, the transfer takes place on the last working day of the month. However, your bank may not add the transfer to your account until the next working day. With direct deposit, you receive your money one or two days sooner than with a paper check through the mail.

If you receive your benefit by hard copy check, the check will be mailed on the last working day of the month. Due to mail time, you may not receive your benefit for several days.

Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature.
(§§ 19-2-403 and 19-2-405, MCA)

Defined Contribution Retirement Plan (DCRP): In a DCRP, the contributions into the plan are known; the benefit is not. A DCRP establishes individual member accounts and offers a variety of investment options. Members direct their (and a large portion of the employers') monthly contributions to investment options selected from those offered by the plan. The retirement benefit received is based upon the account balance - contributions plus investment earnings (or losses), less administrative cost. In a DCRP, members bear the risk that their investment and accumulated account balance will be sufficient for their retirement needs.

All new members of PERS will receive educational information to assist them in making a decision to remain in the DBRP or select the DCRP. The educational materials will be sent directly from MPERA once the new member has been reported on a payroll. All newly-hired PERS members will have 12 months from the date first reported to MPERA to decide which retirement plan is right for them.

NOTE: This *PERS Member Handbook* provides information for the Defined Benefit Retirement Plan. It does **not** explain the Defined Contribution Retirement Plan.

Defined Contribution Retirement Plan information can be found on our web site at:

<http://mpera.mt.gov/docs/DCBasics.pdf>

Section I: Membership

Generally, if PERS covers the job, you must become a member though there are some exceptions. This section explains membership enrollment, contributions, and service.

1. Membership Enrollment

Membership enrollment is required for most PERS-covered jobs. Optional membership for some positions is explained on page 11. Pages 12 and 13 contain information for working retired members and an explanation of employees who are excluded from membership.

Membership Cards

New employees must complete a membership card upon starting work in a PERS-covered position. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the payroll clerk who will send it to us. Membership may not be discontinued until employment in a PERS-covered position is terminated. (§19-3-401, MCA)

A membership card is a vital record; you must keep it up-to-date. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us in order for the changes to take effect. Marriage, divorce, birth of a child, any name changes and death of a beneficiary are some of the reasons to update your card. We print data from your membership card on your Annual Membership Statement which is mailed to you each July. Check the statement carefully. If any of the member or named beneficiary data is wrong, submit a new card to your payroll clerk. (§ 19-2-801, MCA)

Update your membership card whenever any of the information on the card changes.

2. Benefit Increases

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

GABA

PERS members hired **on or** after July 1, 2007, will be eligible for a 1.5% GABA when eligible for retirement and receiving a benefit. Other events which increase your benefit will reduce the amount you get from GABA. If the other increases are 1.5% percent or more, then you will get no increase from GABA.

Members of PERS, or another MPERA administered system who transfer to a PERS-covered position, hired **prior** to July 1, 2007, will be eligible for a 3% GABA increase when retired and receiving a benefit. Other events which increase your benefit will reduce the amount you get from GABA. If the other increases are 3% or more, then you will get no increase from GABA.

(§§19-2-1101 and 19-3-1605, MCA)

The GABA applies to:

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

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

If you were hired before July 1, 2007 and end PERS covered employment, but do not withdraw your accumulated contributions (take a refund), your GABA will remain 3% if you return to PERS covered employment.

payments, the beneficiary must send a written election to the Board. (§§ 19-3-1201, 19-3-1202 and 19-3-1203, MCA)

Death of an Inactive Member

PERS will pay a lump-sum death payment to an inactive member's beneficiary. This death payment will be the member's accumulated contributions (member's contributions plus interest). If the inactive member is vested (has five years of membership service), the beneficiary may be able to receive a monthly benefit for their lifetime.

Death of a Retired Member

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

If you chose Options 2, 3 or 4, see Section III, Payment Options for details on death benefits.

Survivorship Benefit

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

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

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

Optional Membership

Listed below are the types of new employees who are not required, but who may choose, to become members of PERS. The following positions are optional:

- Elected officials of state or local government paid on a salary or wage basis, or receiving retirement benefits under the DBRP or a distribution under the DCRP. (§19-3-412)
- Employees scheduled to work less than 960 hours per fiscal year (cumulative if in more than one PERS position).
- Employees directly appointed by the Governor.
- Employees of the legislative branch, working 10 months or less, performing work related to the legislative session.
- Chief administrative officers of a city or county.
- Employees of a county hospital or rest home.

If you are a new employee and PERS membership is optional for your position, you may choose to become a PERS member by: (1) filling out a membership card, and (2) completing an Optional Membership Election form. If you wish to decline membership in PERS, you must still complete the Optional Membership Election form. You, not your employer, must decide if you should be a member.

The Optional Membership Election form must be completed and returned to MPERA whether or not you choose PERS membership.

Your payroll clerk will give you the card and form and will send them to MPERA after you complete them. The employer must keep a copy of the form on file and return the original to MPERA. Once you become a member, you must follow the same laws and rules as any other member. **Do not complete a membership card if you do not want to become a member.**

(§§ 19-2-303, 19-3-401 and 19-3-412, MCA)

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

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

Working Retiree Membership

A retired member may work for a limited time in a PERS-covered job without becoming an active member. Current law imposes various limits on working retirees. If they exceed the limits, their benefit may be reduced. Each employer must report all working retirees to MPERA monthly. The report must show each retiree's total paid hours and total wages. Retirees must verify all the information on the form, sign and date it to meet their reporting requirements. See page 32 for more details about working retirees. (§ 19-3-1106, MCA)

NOTE: A member must be retired for at least 30 days, have no agreement, written or verbal, to return to that employer, and **receive one benefit check before accepting a PERS-covered job.**

Working retirees may end retirement and become active members. They need to complete a membership card and have their payroll clerk send the card to us. Upon receipt, we will stop paying a benefit to the working retiree. When these members are ready to retire for the second time, they must notify MPERA. We will calculate a new benefit using the additional service.

Death Benefit Claim

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

Death Benefits or Payment

At the death of an active member, the designated beneficiary may receive a lump-sum payment or a monthly survivorship benefit. The benefit is the actuarial equivalent of the applicable service retirement benefit. (§ 19-3-1201, MCA)

This death payment will be the sum of:

- (1) the member's accumulated contributions (member's contributions plus interest); and
- (2) an amount calculated as 1/12 time your last twelve months of pay times the lesser of six or your years of service credit.

Interest will be paid on the amounts in (1) and (2) to the date the payment is made. This lump-sum death payment will be paid if the member's death occurs in any of the following cases:

- while in active service.
- within six months after the discontinuance of service but before receiving a benefit.
- within six months after a disability benefit begins.
- if disabled continuously since leaving active service, when the member is not receiving a disability retirement benefit.

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

The fixed monthly annuity payment is guaranteed for life. The amount of the monthly payment will not change. Increases that may apply to other monthly benefits will not apply to these monthly annuity payments. To receive the monthly annuity

Section IV: Additional Information

1. Death of an Active Member

Upon your death, if you are an active member, your named beneficiary is entitled to receive either a lump-sum payment or a monthly benefit.

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

Beneficiaries

You may designate any persons, charitable organization, estate, or trust (for the benefit of a living person) you wish as a beneficiary (ies). Beneficiaries are either primary or contingent. Contingent beneficiaries will receive a payment or a benefit only if no primary beneficiary survives you. (§§ 19-2-801 and 19-2-802, MCA)

You must designate your beneficiaries on a PERS membership card and give the card to your payroll clerk. The clerk will send the card to us. If you are an inactive member, call us and we will send you a new membership card. **Any change is not effective until the card is received in our office.**

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

Exclusion from Membership

The following types of employees may not become members:
(§ 19-3-403, MCA)

- Inmates of state institutions.
- Persons in state institutions mainly for training, but who receive compensation.
- Independent contractors.
- Persons who receive credit for their current employment in any other public retirement plan, except Social Security.
- Court commissioners, elected officials, or members appointed to boards or commissions who serve part-time and receive only per diem.
- Full-time students working at and attending the same public school, community college, or unit of the state university system.*

* A student of a public community college or a unit of the university system who later becomes a member of PERS may purchase this time. (See Purchase of Service, on pages 20 - 23.)

2. Contributions

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

Member Contributions

All members must pay part of their gross compensation to PERS. The current contribution rate is 6.9%. Your employer will withhold this money from your gross pay and send it to us. We will credit your contributions to your individual account. (§19-3-315, MCA)

Interest: Your PERS account earns interest each month. **The interest credited to your account will not affect the amount of your monthly retirement benefit.** The exception is the money purchase benefit (see page 28). The monthly service retirement benefit is set by a statutory formula (see page 26). However, if you end your PERS-covered employment and leave your money on account, it will continue to earn interest. If you take a lump sum refund instead of a monthly benefit, you will receive your contributions plus accrued interest.

Taxation: Since July 1985, the money you contribute to PERS is pre-tax. The interest your account earns has always been tax-deferred. This means state and federal taxes are not paid until you receive the money as a benefit or refund. Any money you paid to PERS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to PERS. If you have taxed money in your account and elect to take a lump sum refund, or retire, then part of your refund or monthly benefit will be not be taxed.

Purchase of Service: To purchase refunded or other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are pre-tax if you authorize payment by a payroll deduction contract. If these

Option 3 Formula: Option 1 Amount x Option 3 Factor

$$\$612.50 \times 0.9382 = \$574.65 \text{ per month}$$

If Kenny elects Option 3, he will receive a monthly benefit of \$574.65 plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive **one-half** of the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

Option 4 Formulas:

$$\text{10-Year certain: Option 1 Amount} \times 0.992$$

$$\$612.50 \times 0.992 = \$607.60 \text{ per month}$$

If Kenny chooses the 10-year certain payment option, he will receive \$607.60 per month, plus GABA increases when eligible, for life. If he dies before the 10-year period ends, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end of the 10-year period. If Kenny dies after the 10-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

$$\text{20-Year certain: Option 1 Amount} \times 0.966$$

$$\$612.50 \times 0.966 = \$591.68 \text{ per month}$$

If Kenny chooses the 20-year certain payment option, he will receive \$591.68 per month, plus GABA increases when eligible, for life. If he dies before the end of the 20-year period, then his contingent annuitant(s) will collectively receive the same benefit Kenny was receiving. Those payments will increase annually and will continue until the end when the 20-year period. If Kenny dies after the 20-year period ends, all payments end. His contingent annuitant(s) will not receive any benefit payments.

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

Early Retirement

Kenny Retire, Age.....	51
Membership Service	25 Years
Service Credit.....	25 Years
Highest Average Compensation (HAC).....	\$1,750 per month
Account Balance at Retirement	\$42,796
Contingent Annuitant's Age.....	51

Because Kenny has 25 years of Membership Service, the basic formula will use the **2%** factor. If Kenny had less than 25 years of Membership Service, the **1.7857%** factor would be used. (See page 26 for an explanation of the basic formula.)

Option 1 Formula:

$$2\% \times \text{Service Credit} \times \text{HAC} \times \text{Early Retirement Factor}$$

$$2\% \times 25 \times \$1,750 \times 0.70 = \$612.50/\text{month}$$

The early retirement factor is 0.70 for Kenny. Two factors could apply to Kenny, either 0.556 for age 51 or 0.70 for 25 years of service credit. MPERA will use 0.70 because it gives Kenny a larger benefit. See Table 1 on page 27 for a list of early retirement factors.

Under Payment Option 1, Kenny will receive a monthly benefit of \$612.50 plus GABA increases when eligible, for life. Upon his death, monthly payments will cease. If the total benefits paid to Kenny are less than his balance at retirement, the remainder of his account will be paid in a lump-sum to his designated beneficiary. The account balance will be equal to his contributions plus interest at retirement minus all benefits paid to him.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$$\$612.50 \times 0.8775 = \$537.47 \text{ per month}$$

If Kenny elects Option 2, he will receive a monthly benefit of \$537.47, plus GABA increases when eligible, for life. Upon his death, Kenny's contingent annuitant will receive the same monthly benefit Kenny was receiving, plus increases when eligible, for life.

contributions are not made through payroll deduction, they may be taxed. (For more details and other methods of paying, see Purchase of Service section on page 20.)

You will earn interest on service purchase payments at the same rate you earn interest on regular contributions. All interest credited to your account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

Your employer also contributes to the trust fund. Each month State and University employers contribute 7.035% of their total PERS-covered payroll. Each month local government employers contribute 6.935% while the State contributes 0.1% for a total of 7.035%. School district employers pay 6.8% of their total payroll each month with the State contributing 0.235% for a total contribution of 7.035%. These contributions provide “pooled” funds for retirement, disability and death benefits. Employer contributions are not refundable. (§§ 19-3-316 and 19-3-319, MCA)

Refund of Contributions

Vested members who end PERS-covered employment may leave their money on account to continue to earn interest; or receive a refund of their accumulated contributions (member contributions plus interest).

When you receive a refund, you are no longer a member of PERS. You will have no right to any form of PERS benefit.

To receive a refund, complete an application from your employer. The application has two parts. You must complete the member section, then give it to your employer. Your employer will complete the employer section and send it to MPERA.

If you have been inactive for more than three months, you should contact MPERA directly to apply for a refund. (§19-2-602, MCA)

Processing a Refund: MPERA cannot process your refund before your employer sends us the application and the final payroll information. This process may 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 may increase the processing time.

Mandatory Refunds: If you are not a vested member (less than five years of membership service) IRS regulations may require that we distribute your contributions to you. If you have:

- less than \$200 in accumulated contributions, you will automatically be sent a lump sum refund. No taxes are withheld.
- Between \$200 and \$1,000 in accumulated contributions, you will be sent a notice and a refund application. The application allows you to request that your contributions be rolled over to another eligible plan. Rolling your contributions to another eligible plan protects the tax-deferred status of your contributions.
- more than \$1,000 in accumulated contributions, you may leave your contributions on account and continue to earn interest.

(§19-2-602, MCA)

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. (For more information, see Taxes on Refunds, on pages 53 and 54.)

Return to Work After Receiving a Refund: If, after receiving a refund, you accept a mandatory PERS-covered position, you will again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded time plus interest to reinstate that service. (For more details see Purchase of Service, on pages 20-23.) (§19-2-603, MCA)

Option 4 Formulas:

10-Year certain: Option 1 Amount x 0.975

$$\mathbf{\$562.50 \times 0.975 = \$548.44 \text{ per month}}$$

If Wanda chooses the 10-year certain payment option, she will receive monthly payments of \$548.44 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 0.904

$$\mathbf{\$562.50 \times 0.904 = \$508.50 \text{ per month}}$$

If Wanda chooses the 20-year certain payment option, she will receive monthly payments of \$508.50 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.**

6. Sample Calculations

Service Retirement

Wanda Retire, Age	60
Membership Service	18 years
Service Credit.....	18 years
Highest Average Compensation (HAC).....	\$1,750 per month
Account Balance at Retirement	\$28,796
Contingent Annuitant's Age.....	65

Option 1 Formula: 1.7857% x Service Credit x HAC

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

Because Wanda has less than 25 years of Membership Service, the 1.7857% factor is used. (See page 26 for an explanation of the basic formula.) Under Payment Option 1, Wanda will receive a monthly benefit of \$562.50, plus GABA increases when eligible, for life. Upon her death, monthly payments will cease. If the total benefits paid to Wanda are less than her balance at retirement (\$28,796) the remainder of her account will be paid in a lump-sum to her designated beneficiary.

Option 2 Formula: Option 1 Amount x Option 2 Factor

$$\$562.50 \times 0.8511 = \$478.74 \text{ per month}$$

If Wanda elects Option 2, she will receive a monthly benefit of \$478.74, plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant the same amount Wanda was receiving, plus increases when eligible, for life.

Option 3 Formula: Option 1 Amount x Option 3 Factor

$$\$562.50 \times 0.9240 = \$519.75 \text{ per month}$$

If Wanda elects Option 3, she will receive monthly a benefit of \$519.75 plus GABA increases when eligible, for life. Upon her death, PERS will pay Wanda's contingent annuitant one-half of the amount Wanda was receiving, plus increases when eligible, for life.

3. Service

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

Membership Service

MPERA uses membership service to determine if you are eligible for vesting, retirement, or other PERS benefits. You earn one month of membership service for any month you contribute to PERS, regardless of the number of hours you work or pay you receive that month.

If eligible, active and inactive vested members may purchase some types of service that will count as membership service. (See Purchase of Service, on pages 20-23.) Your total membership service will not match service for other employee benefits, such as the rate at which you earn annual leave. Service for different benefits may vary because the laws and rules that apply are different. (§§ 19-2-303, 19-2-702, and 19-3-401, MCA)

NOTE: Retirees do not earn membership service, nor may they buy service.

Vesting

You are vested after you accrue five years of membership service. Once vested, you are entitled to any retirement benefits for which you are eligible. (See page 26, Retirement Benefits.) If you withdraw your accumulated contributions, you give up your right to retirement benefits.

Example: You become vested after earning five years of membership service. If you leave PERS-covered employment at age 37 with nine years of membership service, and do not withdraw your contributions, you may receive a monthly benefit when you are eligible for retirement. (Age 60, see page 26)

Service Credit

Your service credit affects the amount of your retirement benefit. You earn one month of service credit for each month of full-time service. Full-time service means your employer paid you for at least 160 hours of work during that month. You may not get more than one month of service credit even if you work more than 160 hours during a month. If you work less than 160 hours during any month, you will receive proportional service credit. For example, if you worked 80 hours during a given month, you would earn 0.5 months of service credit. However, for that same month you will earn one month of membership service. (§19-2-701, MCA)

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

Example: Suppose you were hired April 1, 1986 and you work full-time until June 30, 2006, when you will retire. Your months of service credit would be calculated as follows:

Period of Employment	Months
April 1986 - December 1986	9.0
January 1987 - December 2005	228.0
January 2006 - June 2006	6.0
TOTAL	243.0

243 months divided by 12 months = 20.25 years of service credit. The service credit used to calculate your service retirement benefit would be 20.25. (See page 26.)

5. Changes to Options

There are limited circumstances which will allow you to change your Option or contingent annuitant, if you are eligible. A written application must be filed with MPERA to make a change if one of the following conditions are met.

- ◆ Your original contingent annuitant dies.
- ◆ You and your contingent annuitant divorce and the court does not grant the contingent annuitant the right to receive part of the benefit.

If you retired **before October 1, 1999** and selected Option 2 or 3 you may file a written application to name a new contingent annuitant **and** choose a new option if one of the above conditions are met.

If you retired **on or after October 1, 1999**, and selected Option 2 or 3, you may revert to the higher Option 1 retirement benefit as was available at the time of your retirement, if one of the above conditions are met. The notification and change must occur within 18 months of the death of or divorce from the contingent annuitant (see below).

NOTE: 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. You must contact MPERA to receive an estimate of the new benefit and an application form. (§ 19-3-1501, MCA)

4. Option 4

Option 4 provides a continuing benefit to one or more contingent annuitants. As with all options, you will receive the monthly benefit for **life**. If you die before the end of the “certain” or guaranteed period, the 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 within the 10-year period, 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 within the 20-year period, 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.

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

The Option 4 benefit is calculated using Option 4 factors based on your age **only**. Factors are provided on the previous two pages for members 47 to 62 years of age. There is not enough space available in this publication to provide the complete actuarial table.

Part-time Service

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

Annual Membership Statement

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

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

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

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

Purchase of Service

*Mem = Member's Age ** CA = Contingent Annuitant's Age

Eligibility and Cost Statements: Vested members, both active and inactive, may purchase membership service and service credit at any time before retirement. Purchasing service may enhance your retirement benefit. Be aware, any delay may increase the cost because of added interest or higher salaries.

You may not buy any service that will make you eligible for a retirement from another public retirement system until you receive a refund of the service from the other public system.

Requesting a Cost Statement:

A cost statement provides the amount required to purchase service as well as payment options. You must provide the following written information:

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

your full name (including any former names), a current mailing address, social security number, and the type of service you wish to buy. If you are sending your request via e-mail, include all of the above information, however, provide **only the last four digits** of your social security number. You should also send any documents that relate to the service, including the approximate dates of service. We will review the request and send you a cost statement for buying any eligible service.

You must pay the lump-sum cost or start monthly payments within 30 days. Only MPERA can give you a cost statement. A cost statement from any other source may not be used.

Paying for Service Purchases: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by pre-tax payroll deduction. You may also purchase service through a rollover of funds from an eligible employer plan. Inactive vested members, active members not paid monthly, or active members who wish to self-pay may send

Mem *	CA **	Opt2	Opt3	Opt4 10-yr	Opt4 20-yr	Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr
55	40	0.7807	0.8815	0.987	0.945	59	44	0.7415	0.8571	0.978	0.914
55	45	0.8031	0.8954	0.987	0.945	59	49	0.7674	0.8739	0.978	0.914
55	50	0.8279	0.9103	0.987	0.945	59	54	0.7962	0.8918	0.978	0.914
55	55	0.8540	0.9254	0.987	0.945	59	59	0.8267	0.9100	0.978	0.914
55	60	0.8800	0.9398	0.987	0.945	59	64	0.8572	0.9274	0.978	0.914
55	65	0.9044	0.9528	0.987	0.945	59	69	0.8860	0.9431	0.978	0.914
55	70	0.9261	0.9641	0.987	0.945	59	74	0.9120	0.9568	0.978	0.914
56	41	0.7713	0.8758	0.985	0.938	60	45	0.7311	0.8504	0.975	0.904
56	46	0.7946	0.8904	0.985	0.938	60	50	0.7579	0.8680	0.975	0.904
56	51	0.8203	0.9060	0.985	0.938	60	55	0.7878	0.8868	0.975	0.904
56	56	0.8475	0.9218	0.985	0.938	60	60	0.8194	0.9058	0.975	0.904
56	61	0.8746	0.9369	0.985	0.938	60	65	0.8511	0.9240	0.975	0.904
56	66	0.9000	0.9505	0.985	0.938	60	70	0.8812	0.9405	0.975	0.904
56	71	0.9228	0.9624	0.985	0.938	60	75	0.9083	0.9549	0.975	0.904
57	42	0.7617	0.8698	0.983	0.931	61	46	0.7204	0.8435	0.971	0.893
57	47	0.7858	0.8851	0.983	0.931	61	51	0.7482	0.8619	0.971	0.893
57	52	0.8125	0.9014	0.983	0.931	61	56	0.7792	0.8816	0.971	0.893
57	57	0.8408	0.9180	0.983	0.931	61	61	0.8120	0.9015	0.971	0.893
57	62	0.8689	0.9338	0.983	0.931	61	66	0.8449	0.9205	0.971	0.893
57	67	0.8955	0.9481	0.983	0.931	61	71	0.8763	0.9379	0.971	0.893
57	72	0.9193	0.9606	0.983	0.931	61	76	0.9045	0.9529	0.971	0.893
58	43	0.7517	0.8636	0.981	0.923	62	47	0.7096	0.8364	0.967	0.882
58	48	0.7767	0.8796	0.981	0.923	62	52	0.7383	0.8556	0.967	0.882
58	53	0.8045	0.8967	0.981	0.923	62	57	0.7704	0.8762	0.967	0.882
58	58	0.8339	0.9141	0.981	0.923	62	62	0.8044	0.8971	0.967	0.882
58	63	0.8631	0.9306	0.981	0.923	62	67	0.8386	0.9170	0.967	0.882
58	68	0.8908	0.9457	0.981	0.923	62	72	0.8713	0.9352	0.967	0.882
58	73	0.9157	0.9587	0.981	0.923	62	77	0.9007	0.9509	0.967	0.882

Table 3: Service Retirement Option Factors

Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr	Mem *	CA **	Opt 2	Opt 3	Opt 4 10-yr	Opt 4 20-yr
47	32	0.8445	0.9190	0.995	0.979	51	36	0.8150	0.9020	0.992	0.966
47	37	0.8608	0.9284	0.995	0.979	51	41	0.8341	0.9135	0.992	0.966
47	42	0.8787	0.9385	0.995	0.979	51	46	0.8553	0.9257	0.992	0.966
47	47	0.8975	0.9488	0.995	0.979	51	51	0.8775	0.9382	0.992	0.966
47	52	0.9159	0.9586	0.995	0.979	51	56	0.8995	0.9501	0.992	0.966
47	57	0.9332	0.9675	0.995	0.979	51	61	0.9200	0.9609	0.992	0.966
47	62	0.9483	0.9752	0.995	0.979	51	66	0.9382	0.9701	0.992	0.966
48	33	0.8376	0.9150	0.995	0.976	52	37	0.8069	0.8972	0.991	0.962
48	38	0.8545	0.9249	0.995	0.976	52	42	0.8268	0.9093	0.991	0.962
48	43	0.8732	0.9356	0.995	0.976	52	47	0.8488	0.9221	0.991	0.962
48	48	0.8928	0.9463	0.995	0.976	52	52	0.8720	0.9352	0.991	0.962
48	53	0.9121	0.9567	0.995	0.976	52	57	0.8949	0.9477	0.991	0.962
48	58	0.9301	0.9660	0.995	0.976	52	62	0.9163	0.9590	0.991	0.962
48	63	0.9459	0.9740	0.995	0.976	52	67	0.9353	0.9687	0.991	0.962
49	34	0.8303	0.9109	0.994	0.973	53	38	0.7984	0.8922	0.990	0.957
49	39	0.8480	0.9213	0.994	0.973	53	43	0.8192	0.9049	0.990	0.957
49	44	0.8675	0.9324	0.994	0.973	53	48	0.8421	0.9184	0.990	0.957
49	49	0.8879	0.9438	0.994	0.973	53	53	0.8662	0.9321	0.990	0.957
49	54	0.9081	0.9546	0.994	0.973	53	58	0.8901	0.9452	0.990	0.957
49	59	0.9269	0.9644	0.994	0.973	53	63	0.9125	0.9570	0.990	0.957
49	64	0.9435	0.9728	0.994	0.973	53	68	0.9324	0.9672	0.990	0.957
50	35	0.8228	0.9065	0.993	0.970	54	39	0.7897	0.8870	0.989	0.951
50	40	0.8412	0.9175	0.993	0.970	54	44	0.8113	0.9003	0.989	0.951
50	45	0.8615	0.9292	0.993	0.970	54	49	0.8351	0.9144	0.989	0.951
50	50	0.8828	0.9410	0.993	0.970	54	54	0.8602	0.9288	0.989	0.951
50	55	0.9039	0.9524	0.993	0.970	54	59	0.8852	0.9425	0.989	0.951
50	60	0.9235	0.9627	0.993	0.970	54	64	0.9085	0.9550	0.989	0.951
50	65	0.9409	0.9715	0.993	0.970	54	69	0.9293	0.9657	0.989	0.951

payments directly to MPERA. (These payments are not made pre-tax.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be prorated.

MPERA 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. You must complete all service purchases before you retire or the service purchase will be prorated. (§§ 19-2-704 and 19-2-708, MCA)

Types of Service Which May Be Purchased:

1. Refund: A member who terminates their job and requests a refund of the accumulated contributions (contributions plus interest) may purchase the refunded service if they return to a PERS-covered position. To purchase the refund, the member must repay the contributions and interest received as a refund. The interest the refund would have earned if it had been left on deposit must also be repaid. Refund service is both membership service and service credit. (§ 19-2-603, MCA)

2. Retroactive: Retroactive service is service with a PERS-covered employer that wasn't credited to PERS at the time. A member who has retroactive service may buy all or a part of that service. Retroactive service is both membership service and service credit. (§ 19-3-505, MCA)

3. Montana Public Service: Members may buy service refunded from (or for which they are eligible to receive a refund) other Montana statewide retirement systems administered by MPERA. Other full-time public service employment with the state or a political subdivision of the state may also qualify. Members may also buy service from the Teachers' Retirement System for which they have received, or are eligible to receive, a refund. All service referenced in this paragraph is both membership service and service credit. (§§ 19-3-509 and 19-3-511, MCA)

4. Absence Due to Illness or Injury: Time that a member is absent from work due to a work-related injury or illness is considered membership service. To qualify, the illness or injury must be work-related. The time which can be purchased may not exceed five years. If the member is eligible and pays the contributions and interest, the absence will also count as service credit. Upon return to work, the employee and employer must file a written application to buy the time. MPERA must receive certification the injury was work-related within one year of the member's return to work. Members lose the right to contribute for the absence if they received a refund of their account during the absence. (§ 19-3-504, MCA)

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

5. "One-for-Five" Additional Service: For each five-year period of membership service, you may buy one year of additional service credit. You may buy no more than five years of additional service credit. Members eligible to buy one year may buy less than a full year.

"One-for-Five" service is not membership service and cannot make you eligible to retire or to purchase other types of service. Your total service credit on your annual membership 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. If you meet the 25 year requirement for early retirement without the "One-for-Five" service, you can use that service to reduce or eliminate the early retirement reduction of your monthly benefit. (§19-3-513, MCA)

6. Military/Reserve Military Service: When you have at least five years of membership service, you may, at any time prior to retirement, purchase up to five years of active military service or reserve military service. Reserve military service may include service in the army or air national guard. Both active and reserve military service is purchased at the actuarial cost.

You may not purchase your military time if you are receiving a retirement benefit from the military, or from another retirement sys-

3. Option 3

Option 3 provides a monthly benefit to you for your lifetime. When you die, your named contingent annuitant will receive **one-half** of that amount for the rest of his or her life. The benefit amount of Option 3 is less than Option 1 because the lifetime value is spread over two lives instead of one. However, because the contingent annuitant receives only one-half of the member's benefit, your benefit is 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.

You may not change your Option 3 election or your designated contingent annuitant, except in limited circumstances. (See page 43.)

NOTE: The Option 3 factors listed on pages 40 - 41 are for members 47 to 62 years of age. Contingent annuitant ages are in increments of 5 years and provide factors for contingent annuitants both older and younger than the member. The factors on pages 40 - 41 are **examples**. There is not enough space available in this publication to present the complete actuarial table for all Option 3 factors.

2. Option 2

Option 2 provides a monthly benefit to you for your lifetime. When you die, your named contingent annuitant will receive the same amount for the rest of his or her life. Option 2 is an annuity based on the lives of two people. The benefit amount of Option 2 is less than Option 1 because the lifetime value is spread over two lives instead of one.

The benefit under Option 2 is for both your lifetime and the lifetime of your contingent annuitant.

Your Option 2 benefit is calculated by multiplying the Option 1 benefit by an Option 2 factor. The Option 2 factor is based on **both** your age and your contingent annuitant's age at your retirement date.

You may not change your Option 2 election or your designated contingent annuitant, except in limited circumstances. (See page 43.)

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.

NOTE: The Option 2 factors listed on pages 40 - 41 are for members 47 to 62 years of age. Contingent annuitant ages are in increments of 5 years and provide factors for contingent annuitants both older and younger than the member. The factors on pages 40 - 41 are **examples**. There is not enough space available in this publication to present the complete actuarial table for all Option 2 factors.

tem or plan for that time. You may not purchase your reserve military service if you have received service credit under USERRA for the same time period. You may purchase your reserve military time prior to separation from the services in the reserves.

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

7. Volunteer in a U.S. Service Program: Vested members may, at any time prior to retirement, buy membership service and service credit for up to five years of the member's volunteer service in a United States service program, such as the Peace Corps. You may also purchase any documented, successfully completed required term of service in the Americorps Vista, Americorps National Community Conservation Corps; or any other National and Community Service Act (NCSA) program that requires the volunteer to enroll for a specific term of service. (§19-3-515, MCA)

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

Limitations: Current law limits your purchase of active military, reserve military, additional, volunteer in U.S. service program, and other public service to a combined total of five years. For example, suppose you had twenty years of state service and three years of military service. Without any limit, you would be eligible to buy seven years: four years of additional (One-for-Five) service and three years of military service. However, current law limits you to only five years, but it can be any combination of the above service. (§ 19-3-514, MCA)

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

Section II: Benefits

To receive retirement benefits under the PERS defined benefit retirement plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you. The benefit option you choose at retirement may also provide for a continued survivor benefit. This section explains how to qualify for retirement, the payment options available, how to calculate your benefit, and sample calculations for benefit options.

1. Qualifying for Benefits

Vested Members

When you complete five years of **membership service** (explained on page 17), you become a vested member. Once vested, PERS guarantees a retirement benefit after you reach the minimum age or service requirement.

Active Members

You are an active member if you are in a PERS-covered position and making the required contributions to the system. If vested, and at least age 50 or 25 years of membership service at any age, you may terminate and apply for monthly retirement benefits.

You could also take a refund of your account, rather than a retirement benefit. When you withdraw your accumulated contributions from your account, you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a retirement benefit. (§ 19-3-401, MCA)

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

20	357	393	429	464	500	536	571	607	643	679	714
21	375	413	450	488	525	563	600	638	675	713	750
22	393	432	471	511	550	589	629	668	707	746	786
23	411	452	493	534	575	616	657	698	739	780	821
24	429	471	514	557	600	643	686	729	771	814	857
25	500	550	600	650	700	750	800	850	900	950	1,000
26	520	572	624	676	728	780	832	884	936	988	1,040
27	540	594	648	702	756	810	864	918	972	1,026	1,080
28	560	616	672	728	784	840	896	952	1,008	1,064	1,120
29	580	638	696	754	812	870	928	986	1,044	1,102	1,160
30	600	660	720	780	840	900	960	1,020	1,080	1,140	1,200
31	620	682	744	806	868	930	992	1,054	1,116	1,178	1,240
32	640	704	768	832	896	960	1,024	1,088	1,152	1,216	1,280
33	660	726	792	858	924	990	1,056	1,122	1,188	1,254	1,320
34	680	748	816	884	952	1,020	1,088	1,156	1,224	1,294	1,360
35	700	770	840	910	980	1,050	1,120	1,190	1,260	1,330	1,400

- (1) Rounded to the nearest whole dollar.
- (2) Members not choosing “new” disability benefits will receive 90% of this amount. See Disability Retirement section starting on page 29 for details.
- (3) Average of the highest consecutive 36 months.
NOTE: If your HAC is not shown, you can add the amount from two or more columns to calculate your benefit. For example, if your HAC is \$3,500 and you have 20 years of service, then $\$2,000 + \$1,500 = \$3,500$; your estimated monthly benefit will be $\$714 + \$536 = \$1,250$.
- (4) These calculations assume your membership service is the same as your service credit.

Table 2. Service Retirement Benefit

Option 1 Monthly Benefit (1)
 Disability Retirement Benefit (2)
 (Age 60 and over, or at least 30 years of membership service)

Years service credit (4)	HIGHEST AVERAGE COMPENSATION (HAC) (3)										
	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400	\$1,500	\$1,600	\$1,700	\$1,800	\$1,900	\$2,000
5	89	98	107	116	125	134	143	152	161	170	179
6	107	118	129	139	150	161	171	182	193	204	214
7	125	138	150	163	175	188	200	213	225	238	250
8	143	157	171	186	200	214	229	243	257	271	286
9	161	177	193	209	225	241	257	273	289	305	321
10	179	196	214	232	250	268	286	304	321	339	357
11	196	216	236	255	275	295	314	334	354	373	393
12	214	236	257	279	300	321	343	364	386	407	429
13	232	255	279	302	325	348	371	395	418	441	464
14	250	275	300	325	350	375	400	425	450	475	500
15	268	295	321	348	375	402	429	455	482	509	536
16	286	314	343	371	400	429	457	486	514	543	571
17	304	334	364	395	425	455	486	516	546	577	607
18	321	354	386	418	450	482	514	546	579	611	643
19	339	373	407	441	475	509	543	577	611	645	679

Inactive Vested Members

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

(§ 19-3-401, MCA)

Non-Vested Members

You will not be eligible for a retirement benefit. However, you are eligible for a refund of your accumulated contributions (your contributions plus interest). PERS will pay you interest until you receive the refund. Remember, if you do take a refund of your accumulated contributions, you give up all rights in PERS. (See page 16 for information on refunds for non-vested members.) (§ 19-3-401, MCA)

General

Once you are eligible to retire and begin taking a retirement benefit, you will receive your retirement benefit for life. We will not reduce your benefit by amounts that you receive from other retirement programs, such as Social Security. Upon your death, if you select Option 2 or 3, your contingent annuitant will receive a benefit for life. (Section III: Payment Options explains your payment options.)

2. Retirement Benefits

PERS members are eligible to receive benefits upon meeting certain requirements. The PERS defined benefit retirement plan provides benefits for members as outlined on the following pages.

Service Retirement

You are eligible for service retirement when you meet **any** of the following criteria:

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

As stated earlier, defined benefit retirement plans use a set or defined formula to calculate your benefit. The PERS retirement benefit is based on your highest consecutive 36 months of compensation. This does not have to be your last 36 months of employment. It may come from earlier in your career. (§ 19-3-901, MCA)

The factors used to calculate your lifetime benefit are:

- (A) **Service Credit** is the amount of full-time service you earned (see page 18).
- (B) **1.7857% (1/56) or 2% (1/50)** is the factor that determines how much of your HAC you get for each year of service credit.
- (C) **HAC** is the average of your highest consecutive 36 months of salary. Add your highest consecutive 36 months of compensation and divide by 36 to get the average monthly compensation.

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

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

Section III: Payment Options

When you retire, you must select a benefit payment option. Currently, PERS offers four benefit payment options. The option you choose determines whether or not income is provided for someone else (the 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 reduced benefit depends upon the option you choose, your age and the age of your named “contingent annuitant.” (§ 19-3-1501, MCA)

This section provides information on each option, a table to help you calculate your benefit, and some sample calculations.

1. OPTION 1

Option 1 provides a monthly benefit for your lifetime and is the largest monthly amount you may choose. Option 1 is also the basis for calculating all other options. The benefit is computed using the defined benefit formula or the money purchase benefit formula. (See pages 26 and 28) If you retire early, the early retirement factor will reduce your benefit. (See page 27.)

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

Upon your death, the designated beneficiary will receive any balance left in your account. That account balance is the amount available at retirement, less the total benefits paid to the member. All monthly benefit payments end upon your death.

NOTE: Once you receive and accept your first benefit payment, you may not change your option.

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

Example: assume you are under age 65, and you are involuntarily terminated from a state agency due to reorganization. You decide to retire, and the state pays **part** of the cost of buying three years of additional service. You can accept lesser service, or pay the additional amount to receive three full years. Later, you accept a PERS-covered job with a state agency. We will apply the 959-hour limit. After 959 hours, you will lose the additional service. We will recalculate your benefit without the employer paid share of the three years of additional service. If you were to return to work in another retirement system, the 599-hour limit would apply. After 599 hours, we will recalculate the benefit without the additional service.

Independent Contractors

The above limits do not apply if you work as an independent contractor. An independent contractor is an individual engaged in an independent trade, occupation, profession, or business; who works under contract; and who is free from control or direction when performing services under the contract. Factors which determine whether services are free from control or direction include, but are not limited to, the following:

- Exercise of control — contractor control of the means by which the work is done shows independence.
- Method of payment — payment based on hours — shows employment rather than independence.
- Furnishing of equipment — contractor-furnished equipment shows independence.
- Right to fire — employer right to fire the contractor shows employment rather than independence.

If you are not engaged in an independent trade, occupation, profession, or business, or if you do not perform your services free from control, you are not an independent contractor.

Early Retirement

You are eligible for early retirement if you meet **either** of the following criteria:

- Age 50, with at least five years membership service.
- 25 years of membership service at any age.

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

To estimate your early service retirement benefit, you must first calculate your Option 1 service retirement benefit from Table 2 on pages 37-38, or by using the formula on the previous page. Next, select the ERF from the table below which applies to you. If both an age and service category apply, then use the largest factor. (§§ 19-3-902 and 19-3-906, MCA)

TABLE 1: EARLY RETIREMENT FACTORS

AGE	EARLY RETIREMENT FACTOR (ERF)	YEARS OF MEMBERSHIP SERVICE
59	0.940	29
58	0.880	28
57	0.820	27
56	0.760	26
55	0.700	25
54	0.664	NOTE: Members under age 50 with less than 25 years of membership service are not eligible for early retirement.
53	0.628	
52	0.592	
51	0.556	
50	0.520	

Money Purchase Benefit

PERS has a money purchase benefit available instead of the benefit calculated by the defined formula. It is a lifetime monthly benefit just like the service retirement benefit. If you retire after a long period as an inactive member, the money purchase benefit may give you a larger benefit. **We will calculate your benefit using both the defined benefit formula and the money purchase benefit methods. You will receive the larger of the two benefits.** You may also choose any of the payment options. (§19-3-904, MCA)

The money purchase benefit is based on the following formula:

$$\text{(Account Balance x 2) x Single Lifetime Annuity (SLA)}$$

The SLA is based on actuarial tables too large to present in this publication.

Example: You terminate your PERS employment at age 37 with 9 years of service and a highest average compensation (HAC) of \$3,200. In 14 years, at age 50, you are eligible for early retirement and your accumulated contributions (your contributions plus interest) in PERS now total \$48,000.

The monthly **service retirement benefit** would be:

$$1.7857\% \times \text{years of Service Credit} \times \text{HAC} \times \text{ERF}$$

$$1.7857\% \times 9 \times \$3,200 \times 0.520 = \$267 \text{ per month}$$

The **money purchase benefit** would be:

$$\text{(Account Balance x 2) x SLA x ERF}$$

$$(\$48,000 \times 2) \times 6.391 \times 0.520 = \$319 \text{ per month}$$

The money purchase benefit in this case is \$52 more than the monthly service retirement benefit.

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

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

Each month, your PERS employer must certify the hours you were paid to work in a PERS-covered job, and how much pay you received. Only the regular hours you were paid to work will count toward the 960-hour limit. Annual, sick, or holiday pay are not included. Also, any donated hours do not count, and you don't need to report them.

We will supply the form necessary to report your hours and wages as a working retiree. Both you and your employer must report this data to MPERA. Your signature on the employer's report will meet your reporting requirements. We do not require a report for a month in which you do not work. If you become an active member, the report is no longer required. (§19-3-1106, MCA)

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

Involuntary Termination

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

If you accept the additional service, then special restrictions besides those previously discussed will apply. You may work in the same jurisdiction for only 959 hours in a PERS-covered position or for only 599 hours in a position covered under any of the other public retirement systems. All state agencies and units of the university system are the same jurisdiction, the State of Montana. Local government units are separate jurisdictions.

4. Circumstances Affecting Benefits

Working Retiree

As a PERS retiree, you may wish to work in a job covered by PERS, but the law imposes some limits. Whether or not a limit applies will depend on your age.

If you are less than age 65, your benefit will be reduced \$1.00 for each \$1.00 earned from PERS employment in excess of 960 hours. Only the hours you are paid to work will count toward the 960-hour limit. This does not include paid sick or annual leave. The limit applies to each calendar year and MPERA reduces benefits only if you exceed the limit.

If you are 65 to 70 1/2 years of age, the limit is either the 960 hours or an earning limitation, whichever is higher. The earning limitation is equal to your Highest Average Compensation (HAC) adjusted for inflation. The sum of your retirement benefit and PERS job-covered earnings must be less than the earning limitation (HAC adjusted for inflation). Any other earnings that you have from other sources will not apply to the limit. Both limits apply to a single calendar year and only reduce benefits for those years that your hours or earnings exceed the limit. Your benefit will be reduced \$1.00 for each \$1.00 earned from employment exceeding the limit.

If you are age 70 1/2 or older, there are no limits restricting the earnings of retired members.

The above limits apply only to retirees of PERS and to employment covered by PERS. The PERS covers most positions with the state, university system, local governments, and school districts. If unsure, ask potential employers if PERS covers the position before you start work. Any retiree working in a covered job may become an active member anytime. If the retiree becomes an active member, MPERA will stop the retiree's benefit. You may re-retire later and MPERA will recalculate your retirement benefit based on the additional service. (§19-3-1106, MCA)

3. Disability Retirement

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

- You must be a vested member (have at least five years of membership service) **and** be under the age of 60.
- Your disability must be permanent, or at least of uncertain duration.
- Your disability must totally prevent you from doing the essential elements of your job.
- Employers must catalog the essential elements of your job.
- Your disability must occur during your active membership.

Effective Date of Disability Retirement Benefit

You should apply for the disability retirement benefit while you are an active member, or 120 days after termination of PERS employment. You must also prove the disability occurred during PERS employment. Once you are approved, disability retirement benefits are effective the day after you terminate your employment. To receive disability retirement benefits, you must terminate all current PERS-covered employment.

If you terminate your job first, then an application made within four months of your termination must prove your disability occurred before you terminated. If you apply for the disability retirement benefit after four months have passed since your termination of employment, you must prove your disability occurred before you terminated and also that it has been continuous from when you terminated. (§§ 19-3-1002 and 19-3-1005, MCA)

Disability Benefit

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

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

A disabled member who chose coverage under the new law, or joined PERS after February 24, 1991, will receive a monthly benefit equal to one of the following:

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

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

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

1. **0.90 x (1.7857% x years of Service Credit x Highest Average Compensation); or**
2. **0.25 x (Highest Average Compensation)**

Disability Reviews

The Board may review the medical condition of any member receiving a disability benefit. Periodic reviews may be performed to decide if the member still qualifies for disability retirement.
(§ 19-3-1015, MCA)

Employment

While receiving a disability benefit, you may earn income (other than PERS-covered employment), but the law limits how much you may earn. This limit is the monthly amount you were earning when you became disabled. For any month that your other income **plus** your disability retirement benefit is more than the limit, MPERA will reduce your benefit.

Your benefit will be reduced \$1 for every \$1 your earnings are over the limit. After receiving a disability retirement benefit for 36 months, the board will automatically adjust your limit for inflation. (§ 19-3-1103, MCA)

MPERA will review the monthly income of all disability retirees every year. You must report your annual income on forms provided by MPERA.

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

Disability Benefit Cancellation

The Board will cancel a member's disability retirement in the following cases:

- The member is no longer totally disabled and can return to his or her former job.
- The member accepts a PERS-covered job.
- The member refuses to submit the results of a current medical exam for review.

(§§ 19-3-1015 and 19-3-1104, MCA)

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

NOTE: When you reach service retirement age (60), we will convert your disability retirement to a service retirement. The benefit amount will not be adjusted. Converting to a service retirement will end medical reviews and annual financial reviews and eliminate the earnings limit. If you accept a PERS-covered job after conversion, your limits will be the same as for all other service retirees. See the next page for more information on Working Retirees.