



Montana Teachers' Retirement System FACT SHEET: Required Minimum Distributions

This Fact Sheet describes the date by which an inactive¹ TRS member must begin receiving **required minimum distributions** (RMDs) from TRS.

The RMD requirements arise under federal tax law (Section 401(a)(9) of the Internal Revenue Code (IRC)) and are applicable to TRS as a 401(a) tax-qualified retirement plan. If you are an *inactive* TRS member, the RMD requirements apply to you, regardless of whether you are vested in TRS.

A 2022 change to federal tax law² extended the RMD age for members born after 1950, as shown below.

| If you were born: | Your RMD age is: |
|--|------------------|
| Before July 1, 1949 | Age 70 ½ |
| Between July 1, 1949 and December 31, 1950 | Age 72 |
| in 1951 – 1959 | Age 73 |
| in 1960 or later | Age 75 |

Note: TRS members who remain employed in positions reportable to TRS beyond their RMD age are not yet subject to RMD requirements. Their **required beginning date (RBD)** for distributions is April 1 of the calendar year following the year in which they reach their RMD age *or* the year in which they terminate all TRS-reportable employment, *whichever occurs later*.

Example 1. If you were born February 1, 1949 but you did not terminate all TRS-reportable employment until sometime in 2023 (the year you turned 74), your RBD would be April 1, 2024.

Example 2. If you were born February 1, 1951 but you did not terminate all TRS-reportable employment until sometime in 2026 (the year you turned 75), your RBD would be April 1, 2027.

Example 3. If you were born February 1, 1965 and you terminated all TRS-reportable employment sometime in 2025 (the year you turned 60), you would not yet be subject to federal RMD requirements. However, you could apply at any time to begin receiving TRS retirement benefits (if you are vested) or to withdraw³ from TRS, thereby ensuring compliance with RMD requirements.

Important Information for TRS Members Approaching Their RMD Age

If you are approaching (or have already attained) your RMD age, you have terminated or will soon terminate all TRS-reportable employment, *and* you have not yet applied for a retirement benefit or withdrawal from TRS, **please contact us immediately.**

Failure to comply with the RMD requirement may result in a tax penalty for any RMD that you should have received but did not receive by your RBD.

¹ For purposes of this document, an “inactive” member is one who no longer works in any position reportable to the retirement system but whose contributions remain on account with TRS.

² The SECURE 2.0 Act of 2022 was signed into law on December 29, 2022.

³ See the TRS Fact Sheet ***Withdrawing TRS Membership***, available on the TRS website (trs.mt.gov).

Frequently Asked Questions

Does the RMD requirement establish a mandatory retirement age?

No. It merely places a time limit on when you must begin receiving your TRS retirement benefit (or withdraw from TRS) *after* you have both reached your RMD age and terminated all TRS-reportable employment.

Your RBD does not change the age at which you may be eligible to apply for a TRS retirement benefit⁴ (see Example 3, above). Your RBD only establishes the *latest* date on which you may begin receiving monthly benefit payments without incurring a tax penalty.

How do I begin receiving RMDs from TRS?

If you are a **vested member**, you will fulfill your RMD requirement:

- by applying for retirement and receiving your first monthly benefit payment on or before your RBD,
- Or
- by applying for withdrawal⁵ from TRS and receiving a lump-sum refund of your accumulated contributions account balance (your member contributions and interest) on or before your RBD.
 - *Important Note:* Upon withdrawal from TRS you will forfeit your right (or the right of a joint annuitant or eligible beneficiary on your behalf) to receive any retirement or death/survivor benefit from TRS. Your forfeited retirement benefit is guaranteed to be at least equal to your accumulated contributions account balance and may significantly exceed your account balance, as it is payable for your lifetime. As a rule of thumb, TRS retirees receive retirement benefits at least equal to their accumulated contributions account balance within approximately five years. TRS strongly advises that you give careful consideration and seek competent financial advice before deciding to withdraw from TRS as a vested member.

If you are a **non-vested member**, you are not eligible to receive a retirement benefit and will fulfill your RMD requirement by applying for withdrawal from TRS so that you receive a one-time, lump-sum refund of your accumulated contributions account balance on or before your RBD.

How do I apply for retirement or withdrawal?

- **If you are a vested member who wants to receive a lifetime, monthly benefit:** Contact TRS to request an estimate of retirement benefits and an *Application for Retirement Allowance* as soon as you know you will terminate employment in all TRS reportable positions. You must complete and submit the application and all required supporting documentation to TRS by the March 1st preceding your RBD.
- **If you are a vested member who wishes to withdraw from TRS rather than receive a lifetime, monthly retirement benefit:** Contact TRS to discuss your options. You will be provided an estimate of retirement benefits to ensure you have the information you need to make the best decision for you and your family. If you choose to forfeit the lifetime benefit, you may apply for withdrawal as described below.
- **If you are a non-vested member:** You may apply for withdrawal as described below.

⁴ See the TRS Fact Sheet *Terminating Employment and Retiring With TRS*, available on the TRS website (trs.mt.gov).

⁵ See the TRS Fact Sheet *Withdrawing TRS Membership*, available on the TRS website (trs.mt.gov).

Applying for Withdrawal

You may be eligible to apply for withdrawal online if (a) you have already terminated all TRS reportable employment (or your last day of work is no more than 30 days in the future), *and* (b) your RBD is at least 60 days in the future. Visit our website (trs.mt.gov) and look for the Login button to access **My TRS**, the secure online member portal. Follow instructions to create a user account or to log in with your existing account. Then navigate to "My Account Balances." If you are eligible to apply online, you will see a button labeled "Online Withdrawal Application." Click the button and follow the on-screen instructions.

If you prefer to complete a paper application for withdrawal (or if you are not eligible to apply online), you may contact TRS and request Form 119 *Application for Withdrawal*. You must complete and return your signed, notarized application to TRS, along with any required documentation, no later than the March 1st preceding your RBD.

Will TRS notify me when I am about to reach my RBD?

Not necessarily. Although TRS can readily determine when you will reach your RMD age, TRS may not know whether you have terminated employment in all TRS-reportable positions as of that date.

For example, many TRS employers do not report service to TRS during the summer break, even though teachers may remain legally employed during that break. Many substitute teachers also have gaps of one or more months between teaching days while remaining on the employer's substitute teacher rolls. A non-tenured teacher may terminate employment with one TRS employer and then begin work with another TRS employer several months later; or, a teacher may take an unpaid sabbatical during which no service is reported. Because of circumstances such as these, TRS does not assume you have terminated employment until no TRS employer has reported service on your behalf for at least 180 consecutive days. It is possible your RBD will have passed by that time.

How is the amount of a late RMD determined?

In every case, unless TRS receives written documentation that conclusively establishes a later date of termination of employment, TRS will deem you to have terminated employment in all TRS reportable positions as of the last day of the last month for which service was reported on your behalf by any TRS employer.

If you receive your RMD in the form of monthly retirement benefit payments, your late RMD will be the total of all payments you should have received as of the end of the month prior to the month in which you receive your first distribution from TRS.

If you receive your RMD in the form of a lump-sum distribution upon withdrawal, the portion of the distribution that constitutes a late RMD will be calculated in conformity with 26 CFR 1.401(a)(9)-6(d)(1).

Is there a penalty for a late RMD? Are there other repercussions?

If you do not begin receiving distributions on or before your RBD, the portion that constitutes a late RMD is subject to a **tax penalty**. TRS *does not* withhold the penalty tax from your distribution. You are responsible for reporting the late RMD when you file your federal tax return.

In addition, if you withdraw from TRS, any portion of the distribution that constitutes an RMD is not eligible for rollover to an IRA or another eligible plan. For additional information, please consult your tax advisor or accountant.

Questions?

If you have questions about any information provided in this Fact Sheet, please contact us.

Montana Teachers' Retirement System ♦ 406-444-3134 ♦ 866-600-4045 ♦ trs.mt.gov

Please Note: This Fact Sheet is intended to provide a concise, easy-to-understand summary of TRS law and policy. The actual application of TRS law will depend upon the specific circumstances and facts presented. In determining the rights and obligations of any person, TRS law will supersede any contradictory information provided in this Fact Sheet.