



## Montana Teachers' Retirement System FACT SHEET: Creditable Service and Service Purchases

Since retirement allowance is based in part on the amount of service credit posted to a member's account at the time of retirement, it may be beneficial for a member to purchase additional service credit if the member is eligible to do so.

### What Creditable Service Is and Why It Is Important

Creditable service is defined as a number, expressed as whole and partial years, that represents the aggregate amount of time for which a member is entitled to receive a retirement benefit and upon which the member's retirement benefit will be calculated. The accrual of creditable service is of vital importance to a member for the two following reasons:

#### 1. Vesting:

Vesting is the first threshold a member must attain to be eligible for retirement, disability, or death/survivor benefits from the retirement system. A member is vested when she or he has accrued five full years of membership service or five full years of a combination of membership service and other creditable service counted toward vesting. Membership service is defined as creditable service awarded for time a member is employed in a position reportable to TRS.

In addition to membership service, a member may receive creditable service counted toward vesting in TRS benefits for time employed in a capacity other than in a position reportable to TRS, but which by law must be counted toward vesting in TRS benefits, including:

- Service credit earned in a PERS reportable position (and the related employer and member contributions) may be transferred to TRS upon the death of a member who died before vesting in TRS if the aggregate service will vest the deceased member in TRS benefits.
- Credit may be awarded, without cost, for military service performed under the Federal Uniformed Services Employment and Re-employment Rights Act (USERRA) or the Montana Military Service Employment Rights Act (MMSERA). The service credited without cost will be credited only for purposes of vesting in TRS benefits, but will not be used in the calculation of benefits or for any other purpose. However, a member may purchase the service to be used in the calculation of retirement benefits as described in the Purchasing Creditable Service section below.

#### 2. Calculation of Retirement Benefits:

A member's total number of years of accrued creditable service is a factor in calculating her or his retirement, disability, or death/survivor benefits. The more years of creditable service a member has accrued (and not withdrawn) at the time a benefit is calculated, the higher the benefit amount will be.

## **How Creditable Service Is Earned and Accrued**

### **Employment/Service for Which Creditable Service is Earned**

An active member accrues membership service for:

- Each month the member is employed in a position reportable to TRS. The active member's employer is required to report each month the time worked by the member and the gross earned compensation paid to the member and to remit the required employer and picked-up member contributions based on the gross earned compensation. The employer must report service and remit contributions by the 15th of the month following the month in which the service was provided by the member.
- Service reported in error to PERS when purchased as described in the Purchasing Creditable Service section below.
- Service not reported to either TRS or PERS when purchased as described in the Purchasing Creditable Service section below.
- Periods of employment in TRS reportable positions while the member was not yet an active member or was on a leave of absence when purchased as described in the Purchasing Creditable Service section below.

A member may receive creditable service, without cost, for uniformed service during the Korean or Vietnam conflicts. Details are included in the Purchasing Creditable Service section below.

Finally, a member may purchase additional creditable service for periods of leave from TRS reportable employment or for service in positions not reportable to TRS as described in the Purchasing Creditable Service section below.

## **Amount of Creditable Service Earned and When Credited**

### **Plan Year/Fiscal Year**

A member accrues creditable service with TRS on the basis of TRS's plan year/fiscal year—from July 1st through June 30th—regardless of the member's/employer's employment year, fiscal year, or contract term.

### **Full-Time Service and Part-Time Service**

TRS is a pension plan that serves the public education community. Therefore, many TRS members work for fewer than 12 months each year and/or for fewer than eight hours each day and are still considered full-time employees in the education field. Therefore, a member earns creditable service based on employment service as follows:

- A workday of seven hours or more will constitute a full-time day.
- Full-time service is service that is
  - at least 180 days in a fiscal year,
  - at least 140 hours a month in at least nine months in a fiscal year, or
  - full-time under an alternative school calendar adopted by a school board that is less than 180 days, but meets the minimum accreditation requirements of 1,080 hours.

- Part-time service is service that is less than full-time. Part-time service will be credited based on the number of hours, days, or months reported to TRS for a member in a fiscal year, divided by the number of hours, days, or months that constitutes full-time service.

### **Limitations on Award of Creditable Service**

The following limitations apply to the awarding of creditable service:

- Creditable service is awarded only when all required contributions (and interest, if applicable) have been paid to TRS for the period of service to be credited.
- Creditable service may not be awarded in excess of full-time service for any period of time. In other words, no more than one day of creditable service may be awarded for any calendar day, no more than one month of creditable service may be awarded for any calendar month, and no more than one year of creditable service may be awarded for any fiscal year, regardless of the number of hours, days or months worked within the relevant time period.
- Service time may not be carried over or otherwise reported as creditable service for any month other than the month in which the service was actually performed.
- Creditable service may not be awarded for any period of time during which the member was receiving any benefit from TRS.

### **Creditable Service Posted on a Monthly Basis**

Creditable service is posted to the member's account each month and the member may view her or his total accrued creditable service at any time through the member's online account. Service is credited to a member's account based on the monthly reporting of the employer and is not audited by TRS as it is reported. Upon application for retirement (and in other limited circumstances), TRS staff will manually audit the member's creditable service. The audit may result in adjustment of the member's total creditable service, though adjustments are typically minor. All TRS benefits are calculated based on audited creditable service.

### **Correcting Errors in Reporting Creditable Service**

While uncommon, an employer may fail to fully and correctly report membership service to TRS on behalf of a member as explained in the following situations.

#### **Service Reported in Error to PERS**

Most TRS employers are also participating employers in PERS and employ individuals in positions covered by PERS in addition to those employed in positions reportable to TRS. For example, most school districts employ individuals as janitors, school clerks, kitchen staff, and in other positions that would be covered by PERS rather than TRS. An employer may incorrectly determine that a position is reportable to PERS when it is actually reportable to TRS and may, consequently, incorrectly report the individual's service time and remit contributions to PERS rather than TRS.

#### **Service Not Reported to Either TRS or PERS**

In other cases, an employer may fail to report service and remit contributions to TRS and may also not report the individual to PERS, either because the employer is not a participating employer with PERS or

because the employer has incorrectly determined that the position or individual is not reportable to either retirement system. For example, the employer may incorrectly believe the individual is an independent contractor or is eligible to elect not to participate in TRS or PERS.

In either case, service that should have been reported to TRS but was not must be corrected when discovered. In the case of service reported in error to PERS, the employer and member contributions remitted to PERS must be transferred to TRS. In addition, because TRS's employer and member contribution rates are slightly higher than PERS's, "catch-up" employer and member contributions will have to be remitted to TRS. In the case of service not reported to either TRS or PERS, the full required employer and member contributions must be remitted to TRS prior to creditable service being awarded. The amounts owed to TRS for unpaid (or catch-up) employer and member contributions will be subject to compounding interest at TRS's actuarially assumed rate of return.

In all cases, the employer will be responsible to pay all unpaid employer contributions, with interest. In addition, the employer will generally be responsible to pay all unpaid member contributions, with interest, if the service not reported to TRS was performed by the member on or after July 1, 2015. For service performed on or before June 30, 2015, the member will be required to purchase the unreported service by paying the required member contributions and interest, as described in the Purchasing Creditable Service section below.

### **Purchasing Creditable Service**

(Including Re-Purchase of Withdrawn Creditable Service and Correction of Service Reporting Errors)

#### **General Limitations on Creditable Service Purchases**

The following limitations apply to service purchases:

- There is an aggregate five-year limit on service purchases (or award of creditable service at no cost) applicable to the following: out-of-state teaching service; leaves of absence from TRS reportable employment; non-USERRA/MMSERA military service leave and service in the Red Cross and Merchant Marines; private school teaching service; extension service, and Montana University System Retirement Program (MUSRP) service.
- Creditable service may not be purchased for any period of time for which the member is receiving or will receive a retirement benefit from any other retirement plan or system.
- Creditable service may not be purchased for any service or leave in any period of time during which the member was receiving a retirement benefit from TRS.
- Creditable service may not be purchased after retirement benefits to the member have started, even if the member returns to active member status.
- A service purchase must be complete before TRS processes the member's application for retirement benefits. If a service purchase is not complete prior to TRS processing the member's application for retirement, the service purchase will be terminated and creditable service will be credited only for the portion of the service for which all required contributions and interest have been paid.

#### **General Considerations for Eligibility and Cost of Service Purchases**

Keep the following considerations in mind when deciding whether to purchase service:

- A member's vesting status and membership status, work/compensation history, dates of employment/service for which creditable service will be purchased, and/or the actuarial value of the TRS benefit enhancement resulting from the service purchase will determine the types of service a member may be eligible to purchase and the cost of purchase.
- The cost of a service purchase usually increases as the member's annual compensation increases and the member gets closer to retirement eligibility.
- To determine eligibility to purchase service and obtain a cost estimate, a member should contact TRS at his or her earliest opportunity.

### **How Member Contributions on Service Purchases Are Paid to TRS**

#### *Employer Pick-Up With Pre-Tax Dollars*

The member contributions owed by an active member for any service purchase may be paid to TRS through an employer pick-up of the member contributions—increased withholding by the member's current employer and direct remittance to TRS. If paid by employer pick-up, the member's contributions for a service purchase are paid on a tax-deferred basis. In order to have member contributions picked up by her or his employer, the active member must make a service purchase irrevocable election for the salary deferral. Once made, the irrevocable election may only be terminated due to completion of the service purchase for which the pick-up is being made, the member's termination of employment with the employer, or death of the member.

#### *Direct Rollover From Another Eligible Plan*

Member contributions may be paid to TRS through a direct rollover from another eligible retirement plan or account. Tax-deferred contributions rolled over from another eligible plan retain their tax-deferred status until paid out by TRS as benefits or as a withdrawal. A member who wishes to initiate a direct rollover for a service purchase must obtain the necessary documents from TRS and must contact the administrator of the retirement plan or account from which the rolled over contributions will be sent to verify that the sending plan is a rollover eligible plan.

#### *Member Payment With Post-Tax Dollars*

Member contributions that are not paid to TRS through employer pick-up or by direct rollover from another eligible plan must be paid to TRS by personal payment from the member. These contributions are made with taxed dollars and are subject to the IRC Section 415 limits.

### **Service Purchase Procedure**

The following procedures apply to purchasing service:

- A member may obtain information regarding eligibility and a cost estimate for a service purchase by contacting TRS.
- After receiving a cost estimate, a member may establish a service purchase by completing a service purchase request and providing any information/documentation necessary to establish the member's eligibility for the service purchase.

- If member contributions are to be made by employer pick-up or direct rollover from another eligible plan, the appropriate forms must be requested and completed.
- To establish eligibility to purchase military service, the member must provide proof of the military service to be purchased. The date of entry to active duty and the date of separation from active duty are provided on Form DD-214 or a Retirement Credits Record. A copy of Form DD- 214, or a Retirement Credits Record, may be obtained by writing or calling:  
General Services Administration  
Military National Personnel Records Center 9700 Page Blvd  
St Louis, MO 63132  
314-801-0800  
The application to obtain a Form DD-214 can also be found at the Military National Personnel Records Center website at <http://www.nara.gov>.
- The effective date of the service purchase is the date of the service purchase request provided that:
  - all additional information and documentation is provided to TRS within 30 days of the service purchase request, and
  - the payment of member contributions by lump-sum payment directly from the member or by direct rollover from an eligible plan is received by TRS within 60 days of the service purchase request, or
  - the member has signed a service purchase irrevocable election form (SPIEF) and has started making monthly payments to TRS through employer pick up and remittance of contributions to TRS.
- Unless made by a single payment from the member or employer or through a direct rollover, member contributions may be paid by the member in equal monthly payments for a minimum of three months and a maximum of 60 months.

**Effect of Member's Death or Disability Prior to Completion of Service Purchase**

In the event of a member's death or disability while an effective service purchase request is in place but before the service purchase has been completed, the balance due on the service purchase may be paid in a lump sum by the member's estate or by the member's beneficiary. If the balance due on the service purchase is not paid by the member's estate or beneficiary, creditable service will be credited to the member's account only for the portion of the service for which all required contributions and interest have been paid at the time of the member's death.

### Types of Creditable Service Available to Purchase

Following this chart is a list of the detailed descriptions of the terms and conditions for each type of service purchase.

| SERVICE TYPE                                                                                                                                         | PURCHASE LIMIT | MEMBER STATUS REQUIRED FOR PURCHASE                    | COUNTS TOWARD VESTING | EMPLOYEE COST | EMPLOYER COST |
|------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------|-----------------------|---------------|---------------|
| <b>Re-Purchase of Withdrawn Membership Service</b>                                                                                                   | No             | Active/Inactive Member                                 | Yes                   | Yes           | No            |
| <b>Correction of Service Not Reported to TRS</b>                                                                                                     | No             | Active/Inactive Member                                 | Yes                   | Maybe         | Yes           |
| <b>Correction of Service Reported in Error to PERS</b>                                                                                               | No             | Active/Inactive Member                                 | Yes                   | Maybe         | Yes           |
| <b>Purchase of Service for First 30 Days (210 Hours) of Service</b>                                                                                  | Yes            | Active Member                                          | Yes                   | Yes           | Maybe         |
| <b>Transfer of Service from PERS - Defined Benefit</b>                                                                                               | No             | Active Member                                          | Yes                   | No            | No            |
| <b>Transfer of Service from PERS - Defined Contribution</b>                                                                                          | No             | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Legislative Service</b>                                                                                                                           | No             | Active/Inactive Member                                 | Yes                   | Yes           | Yes           |
| <b>Non-TRS Reportable Teaching Service in Schools Located in the U.S. (State or Federal Public, and Private Schools)</b>                             | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Teaching Service in Schools Located Outside the United States (U.S. Federal or Other Public, and Private Schools)</b>                             | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Service Under the Montana University System Retirement Program (MUSRP)</b>                                                                        | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Montana Cooperative Extension Service</b>                                                                                                         | Yes            | Vested                                                 | No                    | Yes           | No            |
| <b>Purchase of Leave Time</b>                                                                                                                        | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Uniformed Services Employment and Reemployment Rights Act (USERRA) Military Service / Montana Military Service Employment Rights Act (MMSERA)</b> | Yes            | Active Member - Pre-Military Leave Employer            | Yes                   | Yes           | Yes           |
| <b>Non-USERRA/MMSERA Military Service / Service in the Red Cross or Merchant Marines</b>                                                             | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | Yes           | No            |
| <b>Uniformed Service During Conflicts in Korea or Vietnam</b>                                                                                        | Yes            | Active Member - Vested - One Full Year Service in TRS* | No                    | No            | No            |
| <b>Leave for Employment-Related Injury</b>                                                                                                           | Yes            | Active Member                                          | Yes                   | Yes           | Yes           |

\* Member must have one full year of membership service following the period for which service is being purchased.

## Service Purchase Terms and Conditions Defined by Type

### Re-Purchase of Withdrawn Membership Service

An active or inactive member who has previously withdrawn from TRS may have all or a portion of her or his withdrawn membership service reinstated by redepositing the member's withdrawn contributions, plus interest at TRS's actuarially assumed rate of return.

Creditable service purchased under this provision is **membership service**, and the member's earned compensation for the period of purchased service will be credited at the rate that the member's earned compensation was reported for the withdrawn years.

### Correction of Service Not Reported to TRS

An error resulting in TRS reportable service not being reported to TRS must be corrected.

If the unreported service was provided by the member prior to July 1, 2015, the employer must pay all employer contributions that should have been paid, and the member must pay all member contributions that should have been paid, both with interest at TRS's actuarially assumed rate of return. If the member fails to pay all or any portion of the member contributions and interest billed to the member, the member will receive no creditable service or will receive partial creditable service as appropriate based on the portion of the member contributions and interest paid. The employer must pay all unpaid employer and member contributions and interest billed to the employer whether or not the member pays all or any of the contributions and interest billed to the member.

If the unreported service was provided by the member on or after July 1, 2015, the employer must pay all employer and member contributions that should have been paid, with interest at TRS's actuarially assumed rate of return.

Creditable service purchased under this provision is **membership service**, and the member's earned compensation for the period of purchased service will be credited at the rate that the member's earned compensation should have been reported.

### Correction of Service Reported in Error to PERS

Service that was reportable to TRS but was reported to PERS in error must be corrected. The employer's and member's contributions on account with PERS for the period of service at issue must be transferred to TRS. Any additional amount owed to TRS for employer and member catch-up contributions, plus interest, must be paid by the employer and member as appropriate.

If the unreported service was provided by the member prior to July 1, 2015, the employer must pay all employer contributions that should have been paid, and the member must pay all member contributions that should have been paid, both with interest at TRS's actuarially assumed rate of return. If the member fails to pay all or any portion of the member contributions and interest billed to the member, the member will receive no creditable service or will receive partial creditable service as appropriate based on the portion of the member contributions and interest paid. The employer must pay all unpaid employer and member contributions and interest billed to the employer whether or not the member pays all or any of the contributions and interest billed to the member.

If the unreported service was provided by the member on or after July 1, 2015, the employer must pay all employer and member contributions that should have been paid, with interest at TRS's actuarially assumed rate of return.

Creditable service purchased under this provision is **membership service**, and the member's earned compensation for the period of purchased service will be credited at the rate that the member's earned compensation should have been reported.

#### **Purchase of Service for First 30-Days (210 Hours) of Service**

An active member who:

- was a substitute teacher or part-time teacher's aide/paraprofessional and elected not to participate in TRS until completion of the first 30 days (210 hours) of service, or
- was employed in a TRS reportable position but appropriately was not reported to TRS by the employer for the first 210 hours of service in that position,

may purchase creditable service for the first 210 hours of service by paying to TRS an amount equal to all employer and member contributions owed for the period of service at issue with interest at TRS's actuarially assumed rate of return.

Creditable service purchased under this provision is **membership service**, and the member's earned compensation for the period of purchased service will be credited at the rate that the member's earned compensation would have been reported.

#### **Transfer of Service from PERS**

##### *Transfer of Service from PERS Defined Benefit*

An active member who has service and contributions on account with the PERS defined benefit (DB) plan may consolidate the member's PERS service with her or his TRS service by transferring the member's service credit and employer and member contributions from PERS to TRS. The member must have terminated all PERS covered employment to be eligible to transfer her or his PERS service to TRS.

##### *Transfer of Service from PERS Defined Contribution*

A vested, active member who has an account with the PERS defined contribution (DC) plan may purchase creditable service for the time spent in the PERS DC plan by contributing to TRS the amount determined to be necessary to actuarially fund the TRS benefit based on the most recent actuarial valuation. The member must have terminated all PERS covered employment, and must have been an active member of TRS for one year following termination of all PERS covered employment to be eligible to make this service purchase. In addition, the member must have cashed out her or his PERS DC account and/or must have rolled it over to TRS to purchase creditable service with TRS. The service credited by TRS will be determined according to the laws and rules governing service credit in PERS.

If an active TRS member who was previously a PERS member dies before vesting in TRS, the deceased member's survivor beneficiary may transfer the deceased member's service credit from PERS to TRS

as described above if the aggregated service would entitle the survivor beneficiary to a benefit from TRS.

For information on transferring TRS service to PERS, please contact the Montana Public Employees' Retirement Administration at 406-444-3154 or toll free at 877-275-7372.

### **Legislative Service**

A TRS member who serves as a Montana legislator concurrent with her or his TRS active membership and did not elect to participate in TRS for her or his legislative service may later purchase creditable service in an amount necessary to make the member's creditable service whole based on the creditable service the member would have accrued in her or his non-legislative position but for the member's legislative service. In addition, upon purchase of the creditable service, the member will be credited with the earned compensation the member would have received in her or his non-legislative position for purposes of calculating the member's average final compensation.

In order to purchase the legislative service, the member must pay an amount equal to the member contributions on the non-legislative compensation the member would have received but for the legislative service with interest at TRS's actuarially assumed rate of return. Upon payment by the member, the legislative branch must pay the employer contributions on the non-legislative compensation, plus interest at TRS's actuarially-assumed rate of return, the member would have received but for the legislative service.

### **Non-TRS Reportable Teaching Service in Schools Located in the U.S. (State or Federal Public, and Private Schools)**

A vested active member who has been credited with at least one full year of creditable service in a TRS reportable position following the period of non-TRS teaching service may purchase creditable service for up to five years of teaching in a non-TRS public (state or federal) or private elementary, secondary, or post-secondary educational institution located in the United States. An educational institution is defined as an institution or school that normally maintains a regular faculty and curriculum and normally has a regular organized body of students in attendance at the place where its educational activities are carried on and has been accredited by either the state in which it operates or a recognized association. The term does not include a school or other educational function operated in a private home.

To be eligible for purchase, the teaching service must have been in a position that would have been reportable to TRS had the service been in a public school in Montana. If the private school service was for teaching in grades K-12, the service must have been performed as a certified teacher.

If the member contributed to a public retirement plan, other than social security, while performing the non-TRS teaching service, the member must receive a refund of her or his contributions from that public retirement system or roll them over to TRS to purchase the service credit.

An individual who was a member before July 1, 1989, must pay an amount calculated as the number of years of creditable service to be purchased times the total combined employer and member contribution rates in effect at the time the member is eligible to purchase the service times the full-time earned compensation reported for the member for her or his first year of service in a TRS reportable position following the non-TRS teaching service, with interest at TRS's actuarially assumed rate of return on the date the service purchase is established. If the member's TRS reportable employment in the first year

following the non-TRS reportable teaching service was less than full-time service, the member's compensation for that year will be annualized to determine the service purchase contributions.

A member who became a member on or after July 1, 1989, must contribute the full actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

#### **Teaching Service in Schools Located Outside the United States (U.S. Federal or Other Public, and Private Schools)**

A vested, active member who has earned at least one year of creditable service in a TRS reportable position after terminating the out of country service may purchase creditable service for past employment teaching in a United States federal school or in any other public or private educational institution located outside the United States. An educational institution is defined as an institution or school that normally maintains a regular faculty and curriculum and normally has a regular organized body of students in attendance at the place where its educational activities are carried on. The term does not include a school or other educational function operated in a private home.

To be eligible for purchase, the teaching service must have been in a position that would have been reportable to TRS had the service been in a public school in Montana.

If the member contributed to a public retirement plan, other than social security, while performing the teaching service, the member must receive a refund of her or his contributions from that public retirement system or roll them over to TRS to purchase the service credit.

A member who became a member of TRS before July 1, 1989, must pay an amount calculated as the number of years of creditable service to be purchased times the total combined employer and member contribution rates in effect at the time the member is eligible to purchase the service times the full-time earned compensation reported for the member for service in a position reportable to TRS during the later of:

- her or his first full year of membership service following the out of state service, or
- her or his full year of membership service in the fiscal year beginning on July 1, 1989.

If the member's TRS reportable employment in the relevant period of time was less than full-time service, the member's compensation for that year will be annualized to determine the service purchase contributions. Interest will be applied to the full amount of contributions at TRS's actuarially assumed rate of return.

A member who became a member on or after July 1, 1989, must contribute the full actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

#### **Service Under the Montana University System Retirement Program (MUSRP)**

A vested member who has been credited with at least one full year of creditable service in a TRS reportable position following the period of MUSRP service may purchase up to five years of creditable service for service covered under the MUSRP in a position that would have been reportable to TRS but for the MUSRP participation. To purchase the service, the member must contribute the actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

#### **Montana Cooperative Extension Service**

A vested member who was a TRS member as of June 30, 1989, may purchase up to five years of employment with the Montana Cooperative Extension Service if the extension service was instructional service for a unit of the Montana University System and the member received a refund of membership contributions made under the civil service retirement system or the federal employees' retirement system for the period of extension service to be purchased.

An individual who was a member before July 1, 1989, must pay an amount calculated as the number of years of creditable service to be purchased times the total combined employer and member contribution rates in effect at the time the member is eligible to purchase the service times the full-time earned compensation reported for the member for her or his first year of service in a TRS reportable position following the leave, with interest at TRS's actuarially assumed rate of return on the date the service purchase is established.

Following the purchase of five years of extension service, the member may purchase additional years of extension service by contributing the full actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

A member who became a member on or after July 1, 1989, must contribute the full actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

#### **Creditable Service at No Cost for Uniformed Service During Conflict in Korea or Vietnam**

A vested member may receive creditable service, at no cost, for up to four years of uniformed service in the United States army, navy, marine corps, air force, and coast guard during the Korean conflict (between June 1, 1950 and January 31, 1955) or the Vietnam conflict (between December 22, 1961 and May 7, 1975) by submitting an application and verification of service.

#### **Uniformed Services Employment and Reemployment Rights Act (USERRA) Military Service/Montana Military Service Employment Rights Act (MMSERA)**

Pursuant to the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), a member may receive credit for military service rendered after October 13, 1994. In order to be eligible to purchase USERRA service, the member must have been an active TRS member when she or he entered active military service and must return to employment with her or his pre-service employer after the term of active service within the timeframes required by USERRA. Upon the member's return to employment, she or he may apply to receive, at no cost, credit that will be applied only toward vesting in TRS benefits.

A member may purchase up to five years of creditable service for USERRA service, which will be included in calculation of the member's retirement benefit, by paying an amount equal to the member contributions that would have been paid to TRS for the member's regular employment during the term of military service. The service purchase for USERRA service

must be established within five years of return to employment. If the service is fully purchased within the five years following the return to employment, interest will not be applied to the purchase cost. Interest will be applied at TRS's actuarially assumed rate of return on any purchase cost paid beyond the five-year time limit. Upon payment of member contributions, the employer must pay the employer contributions.

Pursuant to the Montana Military Service Employment Rights Act (MMSERA), a member who is an active member when ordered to state military duty may, upon return to employment, apply to receive, at no cost, service credit that will be applied only toward vesting in TRS benefits. The service credit will not apply to calculation of benefits or for any other reason.

However, the member may receive creditable service for the military service by paying the member contributions the member would have paid but for the military service leave. If the member pays the member contributions, the employer must pay the employer contributions that would have been paid but for the military leave.

#### **Other Non-USERRA/MMSERA Military Service or Service in the Red Cross or Merchant Marines**

A vested member who has been credited with at least one full year of creditable service in a TRS reportable position following the period of military, Red Cross, or merchant marine service may purchase creditable service for up to two years of active service in the United States army, navy, marine corps, air force, or coast guard, or in the American Red Cross or merchant marines. The member must pay an amount calculated as the number of years of creditable service to be purchased times the total combined employer and member

contribution rates in effect at the time the member is eligible to purchase the service times the full-time earned compensation reported for the member for her or his first year of service in a TRS reportable position following the military, Red Cross, or Merchant Marine service, with interest at TRS's actuarially-assumed rate of return on the date the service purchase is established.

#### **Leave for Employment-Related Injury**

An active member may, upon return to active member status after the injury leave, purchase creditable service for up to two years of full or intermittent leave due to an employment related injury for which the member received workers' compensation benefits.

An individual who was a member before July 1, 1989, must pay an amount equal to the member contributions the member would have paid but for the leave, with interest accruing at TRS's actuarially assumed rate of return beginning one year after the date the member returns to covered employment.

The employer must pay an amount equal to the employer contributions the employer would have paid but for the leave. Interest will be calculated on the employer's contributions, which interest the employer may elect to pay or not. If not paid by the employer, the employer interest must be paid by the member.

A member who became a member on or after July 1, 1989, must contribute the full actuarial cost of the purchased service based on the most recent actuarial valuation of the system.

Creditable service purchased under this provision is **membership service**, and the member's earned compensation for the period of purchased service will be credited at the rate that the member's earned compensation would have been reported but for the injury leave.

**Creditable Service When the Member is No Longer an Active Member**  
(No Longer Contributing to TRS)

A TRS member who has terminated employment in all positions reportable to TRS becomes an inactive member of TRS. An inactive member of TRS who has no reasonable expectation of working again in a TRS reportable position may withdraw her or his accumulated contributions account balance from TRS. By withdrawing from TRS, a member forfeits all creditable service accrued with TRS at the time of withdrawal and the right to receive any benefit from the retirement system based on the withdrawn service unless the member again becomes an active member of TRS and repurchases the withdrawn creditable service.

A vested inactive member who does not withdraw from TRS remains eligible to receive retirement benefits from TRS for which the inactive member subsequently becomes eligible by attainment of early or regular retirement, or for death benefits payable to her or his survivor beneficiary due to the death of the member.

A non-vested inactive member is not eligible to receive any retirement or death benefits from the retirement system. Unless the non-vested member intends to work again as an active member of TRS, the member obtains no additional value by leaving her or his accumulated contributions on account with TRS and may be well advised to withdraw from TRS.

**Questions?**

If you have any questions about the content of this Fact Sheet, please contact us.

**Montana Teachers' Retirement System ♦ 406-444-3134 ♦ 866-600-4045 ♦ [trs.mt.gov](http://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.