

SECTION 6
RETIREMENT TERMINATION PAY

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RETIREMENT TERMINATION PAY



Termination pay includes, any form of bona fide vacation leave, sick leave, severance pay, amounts provided under a window or early termination incentive plan, or other payments that are contingent upon the Teachers' Retirement System (TRS) covered employee terminating their employment and retiring. Montana statute defines a 'Retired Member' as a person who has terminated all employment that is eligible for membership under the TRS, and who has received at least one monthly retirement benefit.

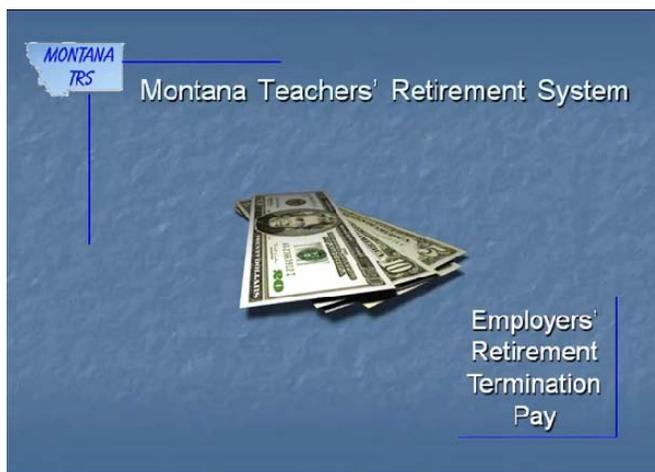
Termination pay does not include amounts that are final wages or amounts earned prior to termination under a non-qualified deferred compensation plan. As the employer, if your termination or severance package includes options, or benefits other than cash payments, please contact the TRS prior to withholding or remitting a contribution on the member's behalf.

If a contract contains any provision or clause providing any type of payment no matter the purpose, timing or amount, as a prelude to retirement, this payment is termination pay. This payment **must** be made payable at the time of termination and retirement. If the member elects to reinvest their termination pay in the calculation of their monthly retirement benefit, the TRS will use the severance payment in the calculation of the member's average final compensation (AFC).

The following payments are not termination pay and NOT reportable to the TRS.

- A lump sum payout for a TRS member terminating their employment for the sake of leaving the field of education and not eligible to apply for a monthly retirement benefit or will be accepting a position with another TRS employer within the State of Montana.
- TRS covered employees that receive a payout at the end of **each** fiscal year, for accumulated sick leave or vacation pay.

For your convenience, a 'Retirement Termination Pay' tutorial is available on the TRS website. The information provided in this tutorial is for educational purposes only. It includes basic information about the calculation of a member's payout of termination pay. The tutorial does not provide accurate, detailed calculations of any specific member's account.



RETIREMENT TERMINATION PAY OPTIONS



There are three options available to a TRS member, relative to their termination pay. However, only two of the options will increase their monthly retirement benefit by including the termination pay received in the calculation of their AFC.

- OPTION 1** Use the total termination pay amount in the calculation of AFC. The TRS member and the employer shall pay a contribution to the TRS, as are determined by the TRS Board, to compensate the TRS for the member's additional retirement benefit. The employee and employer contribution due the TRS is reportable at the time the termination pay is available to the member.
- OPTION 2** The TRS will divide the termination pay amount by the total number of years of creditable service to determine a yearly amount, adding the yearly amount of termination pay to each of the three consecutive years' salary used in the calculation of the member's AFC. The TRS member and the employer shall pay a contribution on the termination pay according to the rates provided for in §19-20-602(1) and §19-20-605(1), MCA, to adequately compensate the system for the member's additional retirement benefit.
- OPTION 3** The member elects to receive a cash payout for their severance pay and exclude the termination pay from the calculation of their AFC. A contribution is not required from the TRS member or their employer. The appropriate Federal, Montana state, and Social Security taxes must be withheld. Do **not** withhold the TRS contribution. Any contribution made under §19-20-602 and §19-20-605, MCA must be refunded to the employer, for distribution of the net amount to the member.

If a TRS member anticipates a payout of termination pay, at the time they terminate and apply for a monthly retirement benefit, they must elect a termination pay option. The member may make this election well in advance of their actual termination. The election must be made at least 90 calendar days prior to their last day of employment. At the time the member begins the retirement planning process, the TRS will provide a 'Termination Pay – Irrevocable Election Form' (TPIEF) to allow the member to make an election. Prior to signing the TPIEF, the TRS encourages each member to request an estimate of benefits or utilize the 'On-Line Benefit Estimator' on the TRS website.

TERMINATION PAY – IRREVOCABLE ELECTION FORM

A TRS member has the option to have the employee contribution deducted from their termination pay and reported to the TRS on a tax-deferred basis. The tax-deferred option allows the deduction of the member contribution from the termination pay amount before withholding Federal and Montana state income taxes. The termination pay will continue to be subject to Social Security withholding.

If the member elects Option 1 or Option 2, the employee and the employer must pay the required contribution due the TRS, to fund an increase in the member's monthly retirement benefit. The employee cannot pay both the employee and employer contribution. (Ref: §19-20-716, MCA)

The TRS member and the TRS employer must execute a TPIEF at least 90 calendar days prior to the member's termination date to qualify for the tax-deferral of the member contribution.

Before making an election to have a tax-deferred contribution deducted from termination pay, the TRS recommends each member contact the TRS office to request an estimate of benefits. TRS staff will review the member's account, verify the member's correct service credit, and provide an estimate of benefits based upon current account information and future retirement plans. The estimate of benefits will include the monthly amount for each benefit allowance available, the employee and employer contribution due on termination pay, the TPIEF, and a printout indicating any out-of-pocket termination pay expense, if applicable.

The TPIEF is also available on the TRS website, with a complete copy of instructions. The TRS generally assumes that the last day of teaching will be the date of termination. If this assumption is not correct, please notify the TRS of the correct termination date to avoid any unnecessary delay in processing a member's monthly retirement benefit.

Retain the completed TPIEF in your office until the TRS employee terminates their employment, all wages are paid, and the termination pay amount has been determined. Please do not construe the submission of an election form in your office as a TRS member's intent to retire. You may receive a TPIEF several years prior to a TRS member's actual termination and retirement.

At the time of termination and retirement, if the TRS employee has executed a valid TPIEF and elected termination pay Option 1 or Option 2, the gross amount of their termination pay will be subject to Social Security withholding. However, you will not withhold Federal and Montana State income taxes from the employee contribution deducted from their termination pay and reported to the TRS. The employee **may not** change their termination pay option election.

At the time the TRS provides a member with an estimate of benefits, the TPIEF will be included. The form is also available on the TRS website, by accessing 'Member Forms' on the 'Members' tab.

	MONTANA TEACHERS' RETIREMENT SYSTEM 1500 E 6TH AVE PO BOX 200139 HELENA MT 59620-0139 www.trs.mt.gov 406-444-3134 1-866-600-4045	<i>TRS Office Use Only</i>
TERMINATION PAY - IRREVOCABLE ELECTION FORM		
<small>READ INSTRUCTIONS ON REVERSE SIDE.</small>		<small>PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.</small>
MEMBER INFORMATION		
First _____ Middle _____ Last _____ Suffix _____ <small>Printed Name</small>		
Maiden Name _____ Date of Birth _____ Social Security Number _____		
Mailing Address—Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code) _____ _____ Area Code and Telephone Number _____		
I hereby elect to use termination pay in the calculation of average final compensation in compliance with option:		
OPTION 1	I elect to add the total amount of my termination pay to the three highest consecutive salaries used in the calculation of my "average final compensation" (AFC). My employer and I shall pay the required contributions to the retirement system, to adequately compensate the Montana Teachers' Retirement System (TRS) for the additional benefit.	<small>Initial one option</small>
OPTION 2	I elect to add a portion of my termination pay to the three highest consecutive salaries. I understand that the termination pay is divided by my total years of creditable service to determine a yearly amount. The yearly amount of termination pay is then added to each of the three consecutive year's salary used in the calculation of my AFC. My employer and I shall pay the required contributions to the retirement system, to adequately compensate the TRS for the additional benefit.	
At the time of my termination and retirement, I hereby direct my employer to deduct from my termination pay the contributions due the TRS. I understand that my contributions will be withheld on a tax-deferred basis and remitted to the TRS, by the employer. I acknowledge I have read and understand the Termination Pay-Irrevocable Election Instructions on the backside of this form. By signing below, I acknowledge that I am entering into an irrevocable contract.		
_____ Member's Signature		_____ Date
EMPLOYER INFORMATION		
_____ Name of School District		_____ TRS Six-Digit Employer Number
Mailing Address – Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code) _____ _____ Area Code and Telephone Number _____		
By signing this form, the employer acknowledges their obligation to remit to the TRS all employee and employer contributions due on the total termination pay amount payable to the employee.		
_____ Certifying Officer's Printed Name		_____ Title
_____ Certifying Officer's Signature		_____ Date
<small>IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992, ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST.</small>		
<small>TRS Form 129</small>	<small>Page 1 of 2</small>	<small>Revised 01/2010</small>

SPECIAL INSTRUCTIONS: If the retiring member properly executes a TPIEF and after the Social Security deduction, the employee contribution due the TRS is greater than the net amount, the member must remit to the TRS the amount that exceeds the net amount by personal check, as a funding source for the increase in their monthly benefit.

The amount that exceeds the net amount of the termination pay is an 'Out-of-Pocket Expense'. The following table provides a breakdown for the determination of any 'Out-of-Pocket Expense' due the TRS, for employers withholding Social Security taxes.

Termination Pay Amount
Less FICA/Medicare (7.65%)
 Net Amount (Tax Deferred)
Less Calculated TRS Contribution
 Balance Paid to Member OR
 Out of Pocket Expense –
 Payable to the TRS by Personal Check

The following table provides an example of the calculations used to determine if an 'Out-Of-Pocket Expense' will be required of a retiring member, based upon having 25, 30, or 35 years of service at the time of retirement.

	25 years of service	30 years of service	35 years of service
Term Pay Amount	\$5,000.00	\$5,000.00	\$5,000.00
FICA/Medicare 7.65%	(\$ 382.50)	(\$ 382.50)	(\$ 382.50)
Net Amount	\$4,632.50	\$4,632.50	\$4,632.50
Contribution Due TRS	(\$4,200.00)	(\$5,040.00)	(\$5,880.00)
Difference	\$ 432.50	(\$ 407.50)	(\$1,247.50)
Out of Pocket Expense	\$ 0.00	\$ 407.50	\$1,247.50

RETIREMENT TERMINATION PAY FORM INSTRUCTIONS

A TRS member, terminating their employment and applying for a monthly retirement benefit and eligible for a payout of an amount that meets the definition of termination pay, must fill out a 'Retirement Termination Pay' form. The TRS provides the 'Retirement Termination Pay' form in each retiring member's 'Retirement Application Packet'.

The TRS member must complete the 'Member Information' portion of the form and forward the form to you, as their employer. The member must initial Option 1, 2, or 3. You must retain the Retirement Termination Pay' form in your office until the member terminates their employment, all wages are paid, and the termination pay amount has been determined.

PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.		
MEMBER INFORMATION		
First _____ Printed Name	Middle _____	Last _____ Suffix _____
_____ Mailing Address – Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code)		
_____ Area Code and Telephone Number	_____ Date of Birth	_____-_____-_____ Social Security Number
INSTRUCTIONS: Indicate Option 1, 2, or 3 to advise the Montana Teachers' Retirement System (TRS) how you wish your termination pay to be used in the calculation of your monthly retirement benefit, and then forward the form to your payroll office.		
I hereby elect termination pay option: <input type="checkbox"/> Option 1 <input type="checkbox"/> Option 2 <input type="checkbox"/> Option 3		
<input type="checkbox"/>	I have signed the 'Termination Pay – Irrevocable Election Form', at least 90 days prior to my termination of employment, to allow the employee contribution due on termination pay to be remitted as tax-deferred.	
<input type="checkbox"/>	I have not signed the 'Termination Pay – Irrevocable Election Form'. I understand I must remit a personal payment representing the employee contribution due the TRS.	
_____ Member's Signature		_____ Date

As the employer, you must properly complete the 'Employer Certification' portion of the 'Retirement Termination Pay' form once the member terminates their employment, all wages are paid, and the termination pay amount has been determined.

EMPLOYER CERTIFICATION	
_____ Employee's Termination Date	\$ _____ Employee's Termination Pay Amount
Will employee contributions due on termination pay be remitted as tax-deferred? <input type="checkbox"/> YES <input type="checkbox"/> NO	
Please verify the following: (Do not include Termination Pay Amount)	
Base Contract Amount \$ _____	Other Compensation \$ _____
Explanation: _____	
<p>INSTRUCTIONS: Please retain this 'Retirement Termination Pay' form in your office until the employee has terminated; all wages have been paid; and the termination pay amount has been determined. Through the Wages and Contribution Reporting (TRS On-Line) system, access the TRS 'Retirement Termination Pay Calculator'. Populate the required fields and calculate the employee and employer contribution due the TRS. Print the 'Retirement Termination Pay Calculator' screen. Attach the termination pay calculation to the reverse side of this form using clear tape only. Return the 'Retirement Termination Pay' form to the TRS at least one week prior to submitting your monthly contribution report to allow processing time necessary to minimize interruptions in validating and submitting your report. For assistance, please call 406-444-3324 or 406-444-4113.</p> <p>Please retain a copy of this completed form, including the termination pay calculation for your records. Remit the contributions due on termination pay by the 15th of the month following the member's termination, or interest may be assessed.</p> <p>I certify that the above named individual has terminated their employment and that all information reported is complete and correct. If the member has signed a Termination Pay – Irrevocable Election Form, unless otherwise required by law, the total termination pay amount payable to the member is reported; and that employee contributions will be withheld pursuant to IRC §414(h)(2) and Montana Code Annotated, §19-20-716. I also certify that the termination pay amount reported does not include deferred compensation as defined under IRC, 457(f).</p>	
_____ Employer's Printed Name	_____ Area Code & Telephone Number
_____ Certifying Officer's Printed Name & Title	_____ TRS Six-Digit Employer Number
_____ Certifying Officer's Signature	_____ Date

As the employer, you must submit the completed 'Retirement Termination Pay' form to the TRS at least one week prior to submitting the member and employer contribution due on your monthly report. This allows the TRS adequate time to update the member's termination pay contract, preventing any delay in the submission of your monthly report.

RETIREMENT TERMINATION PAY CALCULATOR

Access the 'Retirement Termination Pay Calculator' on the TRS website to calculate the employee and employer contribution due the TRS on termination pay.

Montana TRS Web Contribution Reporting -- Staff --

Employer 999932 PUBLIC EDUCATION EMPLOYER

- [Upload Contribution File to TRS](#)
- [Copy Forward to New Period](#)
- [Enter or Change Contribution Report](#)
- [Enter or Change Adjustments](#)
- [Contribution Report History](#)
- [Add or Change Member](#)
- [Retirement Termination Pay Calculator](#)
- [Employer Contact Info](#)
- [Member Contribution History](#)
- [ACH Edit](#)
- [ACH Report](#)
- [Batch Summary Report](#)
- [Log in to Different Employer](#)
- [Working Retirees](#)
- [Test](#)
- [Logoff](#)

The TRS provides the 'Retirement Termination Pay Calculator' to assist you, as the employer or reporting agent, in the calculation of the appropriate employee and employer termination pay contributions due the TRS. Using this tool allows your office to budget for future termination pay. In addition, at the time the actual termination pay amount is determined and processed for payment to the TRS; utilize the calculator for the actual 'Employee Contribution Due' and 'Employer Contribution Due'.

The TRS has designed the 'Retirement Termination Pay Calculator' for a member, with an FTE of 1.0. If you have a member employed in a 'Part-Time' or 'Hourly' position, you must contact the TRS for confirmation of the anticipated service credit, in order to proceed with the termination pay calculation.

To begin, enter the TRS member's SSN, with or without dashes, and click the **Search** button.

Retirement Termination Pay Calculator

Member	<input type="text" value="888463808"/>	<input type="button" value="Search"/>
Employer		
Date of Birth		Member Age
Retirement Date	<input type="text"/>	First day of month after termination date (mmddyyyy)
Years of Service	<input type="text"/>	
Years of Buy Back Service Available	<input type="text"/>	
Total Service	<input type="text"/>	
Last Date of Employment	<input type="text"/>	(mmddyyyy)
Termination Pay	<input type="text"/>	
Termination Pay Option	<input type="text"/>	
FICA Withholding	<input type="text"/>	
Medicare Withholding	<input type="text"/>	
<input type="button" value="Calculate"/>		

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
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NO RETIREMENT APPLICATION ON FILE

The TRS database presents: the 'Member' social security number and name; the 'Employer' six-digit number and name; the member's 'Date of Birth'; 'Years of Service' on file with the TRS at the time of the calculation; 'Years of Buy Back Service Available'; 'Total Service'; and, 'Termination Pay Option'. The database presents a 'Termination Pay Option' only if the TRS member properly executed a 'Termination Pay – Irrevocable Election Form'. The member **cannot** change their election.

Please note that the fields presenting the 'Total Service' and 'Termination Pay Option' are grayed-out. You cannot change the data presented in these fields.

Retirement Termination Pay Calculator

Member DOUCETTE, CHERYL

Employer PUBLIC EDUCATION EMPLOYER

Date of Birth Member Age

Retirement Date First day of month after termination date (mmddyyyy)

Years of Service **Service is not verified. Please contact the TRS for confirmation of actual service credit.**

Years of Buy Back Service Available Please contact the TRS

Total Service

Last Date of Employment (mmddyyyy)

Termination Pay

Termination Pay Option

FICA Withholding

Medicare Withholding

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	0.00	0.00	0.00	0.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

No retirement application on file

In this example, the TRS database presents the message: 'Service is not verified. Please contact the TRS for confirmation of actual service credit'. This flag indicates that the TRS has not performed an audit of the member's account, within the last six months, verifying the member's service credit through the end of the previous fiscal year. Please contact the TRS to request verification of the member's service credit. The TRS will verify the service credit, and advise your office accordingly.

At the bottom of the screen, the TRS database also presents the message: 'No retirement application on file'. This indicates that the TRS has not processed an Application for Retirement Allowance for the member, at the time of this calculation.

If the member has not signed a TPIEF, the 'Termination Pay Option' field is blank. This will allow you to populate Option 1 or Option 2 for a 'what-if' scenario for budgeting purposes. You may wish to suggest the member contact the TRS for retirement planning assistance, to insure they do not miss the opportunity to tax-defer their contributions to the TRS, at the time of termination and retirement.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age	
Retirement Date	<input type="text"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.03"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.03"/>		
Last Date of Employment	<input type="text"/>	(mmddyyyy)	
Termination Pay	<input type="text" value=".00"/>		
Termination Pay Option	<input type="text"/>		
FICA Withholding	<input type="text"/>		
Medicare Withholding	<input type="text"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	0.00	0.00	0.00	0.00
*Option 2	7.15	0.00	7.47	0.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

No retirement application on file

<input type="button" value="Clear"/>	<input type="button" value="Name Lookup"/>	<input type="button" value="Home"/>
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Once the TRS has verified the member's service credit, through the end of the previous fiscal year, the database presents the message: 'Service Verified by TRS on XX/XX/XXXX'. In this example, on February 17, 2010, the TRS verified the member's service credit through June 30, 2009.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age	
Retirement Date	<input type="text"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.03"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.03"/>		
Last Date of Employment	<input type="text"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text"/>		
Medicare Withholding	<input type="text"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	0.00	0.00	0.00	0.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

No retirement application on file

Once the TRS verifies the member's service credit and notifies your office accordingly, populate the anticipated: 'Retirement Date'; 'Last Date of Employment'; the gross amount of 'Termination Pay'; the appropriate 'FICA Withholding' and 'Medicare Withholding'.

Retirement Termination Pay Calculator

Member DOUCETTE, CHERYL
 Employer PUBLIC EDUCATION EMPLOYER
 Date of Birth Member Age
 Retirement Date First day of month after termination date (mmddyyyy)
 Years of Service Service Verified by TRS on 02/17/2010.
 Years of Buy Back Service Available Please contact the TRS
 Total Service
 Last Date of Employment (mmddyyyy)
 Termination Pay
 Termination Pay Option
 FICA Withholding
 Medicare Withholding

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	0.00	0.00	0.00	0.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

No retirement application on file

You must enter the 'FICA Withholding' and 'Medicare Withholding' amounts. Failure to do so presents an error message: 'FICA and Medicare Withholding is required – if zero, enter 0'.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.03"/>		
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.03"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text"/>		
Medicare Withholding	<input type="text"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
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FICA and Medicare Withholding is required - if zero, enter 0

Overstating the allowable FICA Withholding will result in an error message: 'FICA Withholding cannot exceed 6.2% of Termination Pay Amount'.

Retirement Termination Pay Calculator

Member	888-46-3808	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.03"/>		
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.03"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text" value="620.04"/>		
Medicare Withholding	<input type="text" value="145.00"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
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FICA Withholding cannot exceed 6.2% of Termination Pay amount

Overstating the allowable Medicare Withholding will result in an error message: 'Medicare Withholding cannot exceed 1.45% of Termination Pay Amount'.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.03"/>		
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.03"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text" value="620.00"/>		
Medicare Withholding	<input type="text" value="145.04"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
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Medicare Withholding cannot exceed 1.45% of Termination Pay amount

You must enter the 'FICA Withholding' and 'Medicare Withholding' to correctly project the 'Net Amount (Tax-Deferred)', and the 'Out-Of-Pocket Expense' amounts. If your agency does withhold and report Social Security taxes from wages, you must enter 0 (zero) in the 'FICA Withholding' field.

When all fields are properly populated, click the **Calculate** button. The calculator presents the 'Employee Contribution Due'; 'Net Amount (Tax Deferred)'; member's 'Out-Of-Pocket Expense', if applicable; and, the 'Employer Contribution Due'. This example represents a preliminary calculation an employer may use for budgeting purposes months in advance of the final calculation.

Retirement Termination Pay Calculator

Member DOUCETTE, CHERYL

Employer PUBLIC EDUCATION EMPLOYER

Date of Birth Member Age 61

Retirement Date First day of month after termination date (mmddyyyy)

Years of Service Service Verified by TRS on 02/17/2010.

Years of Buy Back Service Available Please contact the TRS

Total Service

Last Date of Employment (mmddyyyy)

Termination Pay

Termination Pay Option

FICA Withholding

Medicare Withholding

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
Option 1	3.30	11,708.40	3.45	12,240.60

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

Termination Pay Out-of-Pocket Calculation for Option 1		An 'Out of Pocket Expense' represents the additional employee contributions due to fund an increase in the member's monthly retirement benefit.
Termination Pay Amount	10,000.00	
Less FICA Withholding	620.00	
Less Medicare Withholding	145.00	
Net Amount (Tax-Deferred)	9,235.00	
Contributions Due TRS	11,708.40	
Out-Of-Pocket Expense	2,473.40	

RETIREMENT APPLICATION ON FILE

TERMINATION PAY - IRREVOCABLE ELECTION FORM ON FILE

The 'Termination Pay' amount presented reflects the amount provided by the member on their 'Application for Retirement Allowance', and used by the TRS in the estimated calculation of their monthly retirement benefit.

If the TRS has processed an 'Application for Retirement Allowance' for the retiring member, the indicator will reflect 'Retirement application on file'.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age 61	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.48"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>		
Total Service	<input type="text" value="35.48"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text"/>		
Medicare Withholding	<input type="text"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
Option 1	3.30	11,708.40	3.45	12,240.60

Retirement application on file

Termination Pay Out-of-Pocket Calculation for Option 1		An 'Out of Pocket Expense' represents the additional employee contributions due to fund an increase in the member's monthly retirement benefit.
Termination Pay Amount	10,000.00	
Less FICA Withholding	0.00	
Less Medicare Withholding	0.00	
Net Amount (Tax-Deferred)	10,000.00	
Contributions Due TRS	11,708.40	
Out-Of-Pocket Expense	1,708.40	

If the 'Termination Pay' amount presented is not correct, enter the correct amount; the appropriate 'FICA Withholding' and 'Medicare Withholding' and click the **Calculate** button. Please note that the 'Total Service' now represents the retiring member's service credit through the end of the fiscal year in which the member is retiring.

The database presents the final calculation of the 'Employee Contribution Due', 'Net Amount (Tax Deferred)' and 'Out-Of-Pocket Expense', if applicable; and the 'Employer Contribution Due'.

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age 61	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.48"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>		
Total Service	<input type="text" value="35.48"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text" value="620.00"/>		
Medicare Withholding	<input type="text" value="145.00"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
Option 1	3.50	11,708.40	3.45	12,240.60

Termination Pay Out-of-Pocket Calculation for Option 1		An 'Out of Pocket Expense' represents the additional employee contributions due to fund an increase in the member's monthly retirement benefit.
Termination Pay Amount	10,000.00	
Less FICA Withholding	620.00	
Less Medicare Withholding	145.00	
Net Amount (Tax-Deferred)	9,235.00	
Contributions Due TRS	11,708.40	
Out-Of-Pocket Expense	2,473.40	

Print two copies of this screen.

- Attach a copy to the back of the 'Retirement Termination Pay' form, with clear tape.
- Provide a copy to the retiring member, highlighting the 'Out-Of-Pocket Expense' amount, if applicable. The 'Out-Of-Pocket Expense' represents the balance the TRS member owes to complete the 'Employee Cost', funding the increase in their monthly retirement benefit. The member must remit the 'Out-Of-Pocket Expense' by personal check, payable to the TRS.

NO TERMINATION PAY - IRREVOCABLE ELECTION FORM ON FILE

If the TRS member has **not** signed a TPIEF or the 90 calendar day requirement is not satisfied, the member still has the opportunity to elect termination pay Option 1 or Option 2. In this example, please note that the 'Termination Pay Option' field is blank.

Retirement Termination Pay Calculator

Member DOUCETTE, CHERYL

Employer 999932 PUBLIC EDUCATION EMPLOYER

Date of Birth 09/16/1949 Member Age

Retirement Date First day of month after termination date (mmddyyyy)

Years of Service Service Verified by TRS on 02/17/2010.

Years of Buy Back Service Available Please contact the TRS

Total Service

Last Date of Employment (mmddyyyy)

Termination Pay

Termination Pay Option

FICA Withholding

Medicare Withholding

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	0.00	0.00	0.00	0.00
*Option 2	7.15	0.00	7.47	0.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

No retirement application on file

Enter the termination pay option elected, Option 1 or Option 2. Note that on the 'Option 1 – Example' there will be no 'Net Amount (Tax-Deferred)' amount presented.

- You **must** withhold Federal, Montana State, and Social Security taxes from the gross amount of termination pay received.
- You must remit the net amount of the termination pay to the TRS member.

OPTION 1 – EXAMPLE

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age 61	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.48"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.48"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="1"/>		
FICA Withholding	<input type="text" value="620.00"/>		
Medicare Withholding	<input type="text" value="145.00"/>		
<input type="button" value="Calculate"/>			

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 1	3.30	11,708.40	3.45	12,240.60

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

***Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.**

Termination Pay Out-of-Pocket Calculation for Option 1		An 'Out of Pocket Expense' represents the additional employee contributions due to fund an increase in the member's monthly retirement benefit.
Termination Pay Amount	10,000.00	
Less FICA Withholding	620.00	
Less Medicare Withholding	145.00	
Net Amount (Tax-Deferred)	0.00	
Contributions Due TRS	11,708.40	
Out-Of-Pocket Expense	11,708.40	

Print two copies of this screen.

- Attach a copy to the back of the 'Retirement Termination Pay' form, with clear tape.
- Provide a copy to the retiring member, highlighting the 'Contributions Due TRS'. The member must remit the 'Contribution Due TRS' by personal check, payable to the TRS.

If the retiring member elected termination pay Option 2, you are not required to enter the 'FICA Withholding' or the 'Medicare Withholding' amounts.

OPTION 2 – EXAMPLE

Retirement Termination Pay Calculator

Member	<input type="text" value="888-46-3808"/>	DOUCETTE, CHERYL	<input type="button" value="Search"/>
Employer	999932	PUBLIC EDUCATION EMPLOYER	
Date of Birth	09/16/1949	Member Age 61	
Retirement Date	<input type="text" value="07/01/2010"/>	First day of month after termination date (mmddyyyy)	
Years of Service	<input type="text" value="33.48"/>	Service Verified by TRS on 02/17/2010.	
Years of Buy Back Service Available	<input type="text" value="2.00"/>	Please contact the TRS	
Total Service	<input type="text" value="35.48"/>		
Last Date of Employment	<input type="text" value="06/05/2010"/>	(mmddyyyy)	
Termination Pay	<input type="text" value="10,000.00"/>		
Termination Pay Option	<input type="text" value="2"/>		
FICA Withholding	<input type="text"/>		
Medicare Withholding	<input type="text"/>		

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
*Option 2	7.15	715.00	9.85	985.00

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

*Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.

Print two copies of this screen.

- Attach a copy to the back of the 'Retirement Termination Pay' form, with clear tape.
- Provide a copy to the retiring member, highlighting the 'Employee Contribution Due'. The member must remit the 'Employee Contribution Due' by personal check, payable to the TRS.

REPORTING TERMINATION PAY

TERMINATION PAY – IRREVOCABLE ELECTION FORM ON FILE

Termination pay must be paid at the time of termination and retirement to be included in the calculation of the retirees monthly retirement benefit. If termination pay is made payable to the retiring TRS member within 60 days of termination, it will be considered paid at the time of termination.

As the TRS employer, you are responsible for correctly reporting termination pay to the TRS, and reporting the correct amount on the member’s Form W-2. If the retiring member properly executed a TPIEF, you must withhold the ‘Employee Contribution Due’ as tax-deferred, as presented on the ‘Retirement Termination Pay Calculator’.

You must remit the employee and employer contribution due the TRS on the employer’s ‘Contribution Detail’ report. On the ‘Contribution Detail’ screen:

- In the ‘Term Pay Contrib’ column, populate the ‘Net Amount (Tax Deferred)’, as presented on the ‘Retirement Termination Pay Calculator’.
- In the ‘Opt’ column, present the termination pay option selected, Option ‘1’ or Option ‘2’.
- In the ‘Employer Term Pay’ column, populate the ‘Employer Contribution Due’ as presented on the ‘Retirement Termination Pay Calculator’.
- **Do not** include the gross amount of the termination pay in the monthly earnings.

EXAMPLE – TPIEF ON FILE

Contribution Detail

Agency 999932 PUBLIC EDUCATION EMPLOYER Period 6 XXXX Seq 02

Member SSN	Name	Actual Wages	Current Contrib	Calculate Contrib	Service (FTE)	Monthly Hours	Additional Contrib	Employer Additional	Member Status	Action Code	Term Pay Contrib	Opt	Employer Term Pay	Entry Number	Delete
888-46-3808	DOUCETTE, CHERYL										9,235.00	1	12,240.60	1	<input type="checkbox"/>
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Jump to name or SSN Go [Next List >>](#)

Show All Records

If the TRS member has signed a TPIEF and elected termination pay Option 1 or Option 2, the gross amount of their termination pay will be subject to Social Security withholding. Do not withhold Federal and Montana State income taxes from the gross amount of their termination pay.

If the retiring member has properly executed a TPIEF, their termination pay option elected may **not** be changed.

NO TERMINATION PAY – IRREVOCABLE ELECTION FORM ON FILE

If the retiring member has **not** properly executed a TPIEF, you **must** withhold Federal, Montana State, and Social Security taxes from the gross amount of termination pay received and remit the net amount of the termination pay to the TRS member. The member must remit the ‘Employee Contribution Due’ by personal check, payable to the TRS.

Remit only the employer contribution due the TRS on the employer’s ‘Contribution Detail’ report. On the ‘Contribution Detail’ screen:

- In the ‘Employer Term Pay’ column, populate the ‘Employer Contribution Due’ as presented on the ‘Retirement Termination Pay Calculator’.
- **Do not** include the gross amount of the termination pay in the monthly earnings.

EXAMPLE – TPIEF NOT ON FILE

Contribution Detail

Agency 999932 PUBLIC EDUCATION EMPLOYER Period 6 XXXX Seq 02

Member SSN	Name	Actual Wages	Current Contrib	Calculate Contrib	Service (FTE)	Monthly Hours	Additional Contrib	Employer Additional	Member Status	Action Code	Term Pay Contrib	Opt	Employer Term Pay	Entry Number	Delet
888-46-3808	DOUCETTE, CHERYL								▼	▼			12,240.60	1	<input type="checkbox"/>
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LIMITATION ON COMPENSATION INCREASES

The earned compensation for each year used in calculating a member's AFC may not exceed the preceding year by more than 10%, except for increases that: (a) Result from collective bargaining agreements; (b) Have been granted by the employer to all other similarly situated employees. The TRS employer must certify the similarly situated group of TRS employees, the increase received by each employee, and the method for determining the increases (Reportable Compensation, TRS Form 138); (c) Result from compensation received for summer employment. Summer employment may not exceed one-ninth of the academic year contract for each full month or prorated for each portion of a month employed during the summer, or 110% of the summer compensation the member was eligible to earn each month during the preceding summer; (d) Have resulted from a change of employer or; (e) Have resulted from re-employment for a period of not less than one year following a break in service.

The TRS member or the TRS employer must provide adequate documentation to permit the TRS Board to make an informed decision concerning an exemption to the 10% limitation. Adequate documentation includes, but is not limited to, employment contracts or official minutes of board meetings. Promotions or the assignment of additional duties will not be exempt from the 10% limitation.

It is the intent of the 10% limitation to provide equitable benefits to all TRS members based on their normal service and salary, and to limit the effect on the TRS of isolated salary increases received by selected individuals through promotions or one-time salary enhancements during their last years of employment.

Compensation in excess of the 10% limit may be included in the calculation of AFC as if the excess earnings were termination pay. If the member has excess earnings, an additional 'Termination Pay Form' must be obtained from the TRS office. The retiring member must remit the employee contribution due the TRS on excess earnings by personal check to the TRS. The employee contribution may not be tax-deferred. The 'Employer Contribution Due' will be calculated and billed accordingly.

Example: A TRS member at age 49 with 28.00 years of service with \$2,000.00 in excess earnings, elects to use the excess earnings under Termination Pay Option 1. The TRS calculates the employee and employer contribution due as follows:

<u>\$ 2,000.00</u>	X	<u>3.74 %</u>	X	<u>28.00</u>	=	<u>\$ 2,094.40</u>
Termination Pay		Employee Rate		Years of Service		Employee Cost
Employee Contribution Reported to the TRS on the excess earnings amount:						<u>\$ 143.00</u>
Balance due the TRS on the Excess Earnings (Personal Payment)						\$ 1,951.40
<u>\$ 2,000.00</u>	X	<u>3.96 %</u>	X	<u>28.00</u>	=	<u>\$ 2,217.60</u>
Termination Pay		Employer Rate		Years of Service		Employer Cost
Employer Contribution Reported to the TRS on Excess Earnings Amount:						<u>\$ 149.40</u>
Balance due the TRS on the Excess Earnings						\$ 2,068.20

If the TRS member elects to utilize the excess earnings under Option 2, no additional contribution is due from the employee or employer.