

**SECTION 9
EMPLOYER REFUNDS/MEMBER WITHDRAWALS**

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OVERPAYMENTS REFUNDED BY THE TRS TO AN EMPLOYER

The TRS will issue a refund directly to the TRS employer for all overpayments of tax-deferred contributions, which include but are not limited to the following:

1. Contributions remitted on wages reported in error.
2. Monthly contribution reporting errors.
3. An overpayment of additional contributions remitted for the purpose of purchasing service with a signed 'Service Purchase – Irrevocable Election Form' on file with the TRS.
4. Termination pay contributions reported in error due to the use of incorrect service credit; an incorrect contribution rate; an incorrect termination pay option being utilized with a signed 'Termination Pay – Irrevocable Election Form' on file with the TRS; or, an incorrect amount of tax-deferred contributions being remitted.

The above contributions have been remitted to the TRS on a tax-deferred basis, therefore they must be returned to the employer for distribution of the net amount to the employee, after tax withholding and W-2 corrections.

OVERPAYMENTS REFUNDED BY THE TRS TO A MEMBER

The TRS will issue a refund directly to the TRS member for an overpayment of taxed contributions, which include but are not limited to the following:

1. An overpayment of additional contributions remitted for the purpose of purchasing service without a signed 'Service Purchase – Irrevocable Election Form' on file with the TRS.
2. An overpayment of termination pay contributions reported in error due to the use of incorrect service credit; an incorrect contribution rate; an incorrect termination pay option being utilized; or, an incorrect 'out-of-pocket' expense amount remitted, with a signed 'Termination Pay – Irrevocable Election Form' on file with the TRS.

The above contributions have been remitted to the TRS on a taxed basis, therefore they must be returned to the member.

WITHDRAWAL OF THE ACCOUNT BALANCE



A member who is no longer employed in a position eligible to participate in the TRS may request a withdrawal of the account balance, which represents personal contributions, plus interest. No partial withdrawal is allowed. Termination of a contract does not automatically qualify a member for a withdrawal. If the member leaves one school district for employment in another district or with the University System, they are **not** eligible for a withdrawal.

The 'Application for Withdrawal of Member's Deposit of Contributions and Interest' form **must** be requested from the TRS. A withdrawal request will not be processed until all contributions have been received from the member's employer. Each employer is required to submit the member's contributions to the TRS by the 15th of the month following the month the wages were paid.

After receipt of the properly completed application for withdrawal and the employer's report, the TRS member's withdrawal will be processed during the next scheduled refund process, after receipt of the employer's report containing their final contributions and the properly completed application form with a signed Optional 30-Day Waiver. If the TRS member does not sign the Optional 30-Day Waiver, the TRS will not begin to process the application form until 30 days after the application is received in the TRS office. If you have any questions regarding the application form, please call the TRS office at 406-444-3323.

Payment of a withdrawal may be made in two ways: (1) as a direct rollover of the taxable amount to another eligible retirement plan or a Roth IRA, with the balance paid to the member or; (2) the entire account (employee's contributions plus interest) paid directly to the member.

If a member receives a withdrawal, the TRS is required to withhold federal income taxes at a rate of 20% of the taxable portion, to be credited against any federal income taxes owed by the member. The withholding is **mandatory** unless the withdrawal is less than \$200.00.

An annual tax form 1099-R will be provided to show how much of the total distribution is subject to Federal and Montana state income taxes, and the amount withheld. The withdrawal may also be subject to an additional 10% federal early distribution penalty **unless** it is received after the member attains age 59 1/2, has become disabled, or has died. Refer to the IRS Publication 575 for further information.

CAUTION: If a member requests a withdrawal of their TRS contributions and interest, the member cancels all membership privileges, beneficiary designation, service credit, and rights to monthly retirement benefits and disability benefits.

Part III of the 'Application for Withdrawal of Member's Deposit of Contributions and Interest' form must be completed if the TRS member was employed in your agency in a position covered by the TRS during the current year or within six months prior to this application. As the employer, you must certify that a full and complete termination of employment with their agency has occurred and that continued employment is not anticipated.

The following is an example of the information to be provided by you, as the employer, on section III of the 'Application for Withdrawal of Member's Deposit of Contributions and Interest' form.

SECTION III: EMPLOYMENT TERMINATION VERIFICATION (TO BE COMPLETED BY THE EMPLOYER)	
If you were employed in a position covered by the Montana TRS within six months prior to this application, you must have that employer complete this Section. Please mail all 4 pages to the employer.	
If you were not employed in a position covered by the Montana TRS within six months prior to this application, please mail all 4 pages of this application for withdrawal to the TRS.	
Final contributions for the member indicated above will appear/has appeared on our report for the month of _____, 20____, and will be/were sent to the TRS on _____, 20____.	
I certify the above named TRS member has terminated all employment eligible for coverage under the Montana TRS. In addition, it is not anticipated that the member will be reemployed by any TRS employer or in a position eligible for membership in the Montana TRS. To the best of my knowledge, I further certify the above named member is not on leave of absence from, nor employed by any TRS employer in any position eligible for membership in the Montana TRS.	
_____ Employer's Printed Name	
_____ TRS Six-Digit Employer Number	_____ Area Code and Telephone Number
_____ Certifying Officer's Printed Name	_____ Title
_____ Certifying Officer's Signature	_____ Date