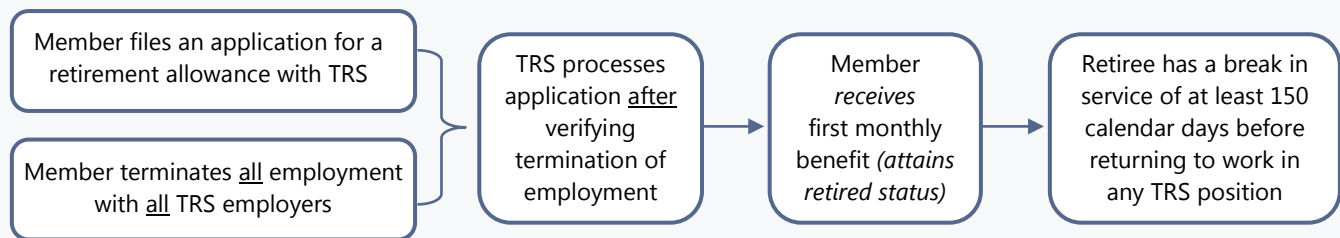




Montana Teachers' Retirement System FACT SHEET: Working After Retirement

TRS retirees may work for a non-TRS employer without any restriction. However, **if you intend to work as a TRS retiree in any position reportable to the retirement system,**¹ it is important to understand how an active member becomes a retired member and what restrictions apply to you as a working retiree.

TRS is bound by federal and state laws that require a clear break between your status as an active member (when you contribute *to* the retirement system) and your status as a retired member (when you receive benefit payments *from* the system). TRS cannot pay you any retirement benefits if you have not **terminated all employment with all TRS employers.**² To help eliminate any confusion about whether you have actually terminated employment, TRS requires that you have a **break in service**³ of at least 150 calendar days before you may once again work in any position covered by the retirement system.



Why is this important? A TRS member who has not satisfied the requirement to terminate employment in all TRS-reportable positions *is not eligible to receive a retirement benefit.*

- **Beware of prohibited prearranged agreements.** If you applied for a retirement allowance before you reached normal retirement age (60) and you had a verbal or written agreement with the *same* TRS employer to return to work at *any time* in the future, in *any* capacity – including to work in a position reportable to the Public Employees' Retirement System (PERS) – *you have not terminated employment.*
- **Beware of violations of the break-in-service requirement.** Similarly, if you return to work in a TRS-reportable position before you have had a 150-day break in service, *you have not terminated employment.*

The requirements referenced above are described in separate TRS Fact Sheets (see footnotes 1, 2, 3).
Please read each Fact Sheet before you consider working after retirement.

Once you have completed all steps in the diagram above, you may once again provide service in a TRS-reportable position, so long as you and your employer notify TRS. Your employer must report your earnings to TRS and you will be subject to an annual earnings limitation. These requirements are described in detail in the following pages.

Please read this Fact Sheet in its entirety.

¹ For guidance, see TRS Fact Sheet, *Which Positions Are Reportable to TRS?*

² This requirement is described in TRS Fact Sheet, *Terminating Employment and Retiring with TRS.*

³ See TRS Fact Sheet, *150-Day Break in Service Requirement*, for details and limited exceptions.

Important information about PERS or MUS employment

Working in positions covered by the Public Employees' Retirement System (PERS)

Public schools in Montana have many non-instructional positions reportable to PERS, including office staff, kitchen and custodial staff, bus drivers and others. Depending on the situation, you *may* be able to work in such a position as a TRS retiree without restriction. Read the following conditions carefully:

1. If the PERS position is with a *different* TRS employer than the employer from which you retired, you may work in the position without a 150-day break in service or an annual earnings limitation.
2. If the PERS position is with the *same* TRS employer as the one from which you retired, and you had reached normal retirement age (60 or older) when you terminated all TRS employment and applied for retirement, you may work in the position without a 150-day break in service or an earnings limitation.
3. If the PERS position is with the *same* TRS employer as the one from which you retired you had not yet reached age 60 at the time you terminated all TRS employment and applied for retirement, then you may work for this employer without restriction *only if you did not have a prearranged agreement* to do so. (See Page 1 for an explanation of prohibited prearranged agreements.)
4. If you work *concurrently* in both a TRS position and a PERS position with a single employer – whether the same TRS employer from which you retired or a different TRS employer – the earnings from *both* positions will count toward your annual earnings limitation as a working retiree.

Working for the Montana University System (MUS)

If you are a TRS retiree hired by the Montana University System (MUS) – whether as an employee or an independent contractor – you are subject to all TRS requirements described in this Fact Sheet, including the 150-day break in service, the annual earnings limitation and the prohibition on prearranged agreements.

A retired TRS member who never worked for the MUS as an active member has the option to join the MUS-Retirement Program; however, doing so will result in immediate suspension of your TRS retirement benefit until such time as you terminate the position and apply for reinstatement of your suspended TRS benefit.

Notifying TRS of employment after retirement

If you provide service to a TRS employer on either a paid or volunteer⁴ basis, you and the employer must notify TRS by completing **TRS Form 146, *Notice of Postretirement Employment for Retired Member and Employer***. Form 146 is required each year⁵ for *any* service you provide to a TRS employer – whether you work as an employee of that employer, as an independent contractor/consultant, or as the employee of a third party.

Your employer must report all your earnings to TRS each month.

⁴ See TRS Fact Sheet *Volunteer Service* for complete details and reporting requirements.

⁵ TRS **Form 146** includes instructions that explain when a new form with supporting documentation is required.

Understanding the annual earnings limitation

When you provide service in a TRS-reportable position as a retiree, you are subject to an annual limitation on earnings. Your *maximum allowable earnings* amount is the most you may earn in the current fiscal year without affecting your monthly TRS benefit.

Your maximum allowable earnings amount is **the greater of**:

- one-third of your Average Final Compensation (AFC) amount used to calculate your monthly retirement benefit, plus annual increases equal to the increase in the Consumer Price Index, OR
- one-third of the median AFC amount.
 - The TRS Board determines the median AFC amount based on all TRS members who retired during the preceding fiscal year. The median AFC amount is posted on the TRS website.

Be aware that if you work in multiple TRS positions, or if you work concurrently in a TRS and a PERS position with the *same* employer, *all* earnings count toward your annual limit.

Once notified of your employment, TRS will determine your earnings limit for the current fiscal year and will notify you by mail. You may monitor your own earnings throughout the fiscal year, if desired, by logging into *My TRS* (the online account system) and accessing “My Working Retiree Earnings.”

Earnings include wages or other compensation paid to you (or on your behalf) and the value of certain benefits, including payments deferred to a later year.⁶ Earnings do *not* include payroll taxes that your employer pays on your earnings; the value of housing your employer may provide to you; health insurance premiums the employer pays for coverage that is concurrent with the term of your employment; travel expenses for which your employer reimburses you; or *de minimis* fringe benefits as defined in federal law.

What happens if your earnings exceed the annual limit?

- If your employment information reported to TRS on Form 146 indicates you are expected to exceed your annual limit, TRS will **suspend** payment of your TRS retirement benefit as of your first day of employment.
- If your benefit has not been suspended, you will continue to receive your TRS retirement benefit unless your earnings reach your maximum allowable amount. If that occurs, TRS will reduce your monthly benefit on a dollar-for-dollar basis. However, if your earnings for the fiscal year subsequently exceed your limit plus the gross amount of one monthly benefit, TRS will suspend your monthly benefit.
- If your benefit has been suspended, and you are employed by a TRS employer (i.e., you are not employed by a third party or as an independent contractor), TRS also will return you to active member status. Your TRS employer is required to remit employee and employer contributions to TRS for all earnings paid to you while in active status.
- Once your monthly benefit has been suspended, TRS will resume payment only after you have once again terminated all positions reportable to TRS and you have applied for resumption of your benefit.

⁶ Call TRS with questions about whether a specific type of payment, expense or benefit counts toward your earnings limit.

Failure to comply with all requirements

Even if your TRS employer believes the work you are performing or the services you are providing on a paid or volunteer basis are not reportable to TRS, it is important to notify TRS. This will help ensure you do not lose your monthly benefit or your status as a TRS retiree.

If you or your TRS employer failed to comply with any TRS requirement before or after you began receiving a monthly retirement benefit, it could mean TRS has paid you benefits *you were not entitled to receive*. This may occur, for example, because you returned to work before completing the 150-calendar-day break in service or your TRS employer failed to notify TRS of your employment. If TRS has paid you benefits you were not entitled to receive, TRS must return you to active member status and you must repay all overpaid benefits you received, plus interest, to 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

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.
