

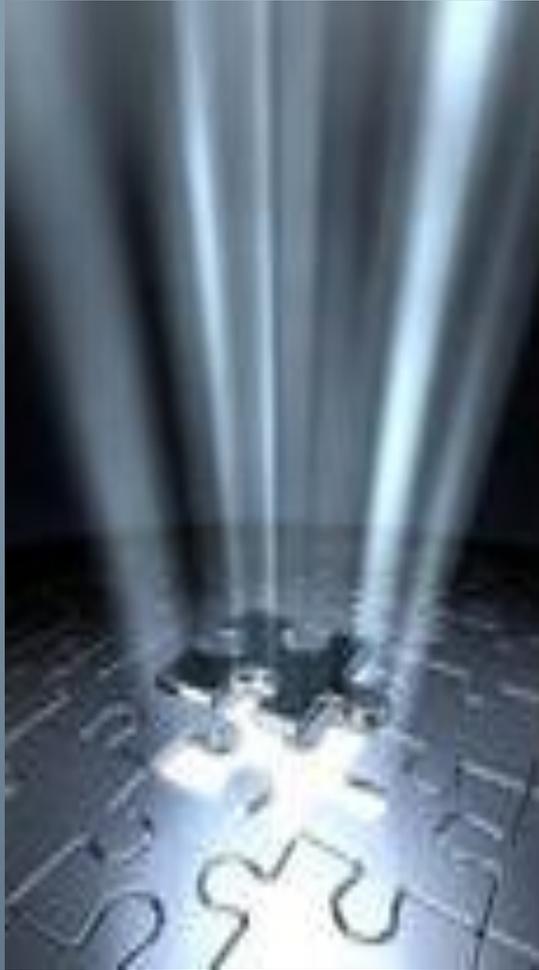


# Montana Teachers' Retirement System



**Retirement  
Termination  
Pay**

# RETIREMENT EDUCATION AS RELATED TO TERMINATION PAY



Estimate of Benefits

Termination Pay

Average Final Compensation

# TERMINATION PAY DEFINITION



Vacation pay

Sick leave

Severance pay

Early termination incentive plan

Other payments contingent on you terminating your employment.

# TERMINATION PAY OPTIONS

If at the time of termination and retirement you receive termination pay, you must elect one of the following three options:

**OPTION 1** - Use the total termination pay in the calculation of your AFC. You and your employer shall pay the actuarially required contributions to TRS as are determined by the TRS Board to fund your monthly retirement benefit increase.

**OPTION 2** - Divide the termination pay by your total number of years of creditable service to determine a yearly amount.

**OPTION 3** - Exclude the termination pay from the calculation of your AFC.



# TERMINATION PAY IRREVOCABLE ELECTION FORM

Termination pay is restricted to payments made at the time of termination **AND** retirement.

You may elect to have employee contributions deducted from termination pay as a tax-deferred contribution.

This election form must be signed by you and your employer at least **90 calendar days** prior to your last pupil instruction day, pupil instruction related day, or termination date.

Signing the election form is **NOT** a commitment to retire on a specific date.

TRS recommends that prior to signing an election form, you request an estimate of benefits or utilize the 'On-Line Benefit Estimator' located on the TRS website.



# TERMINATION PAY IRREVOCABLE ELECTION FORM, Cont.

Your employer is required to withhold and remit TRS contributions, tax deferred.



The election is effective on the date the form is signed by you and your employer.

The election is only valid with your current employer.

If you have more than one employer reporting wages, you must sign an irrevocable election with each employer.

# TERMINATION PAY – IRREVOCABLE ELECTION FORM

## MEMBER INFORMATION

Complete  
Member  
Information

### MEMBER INFORMATION

First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_ Suffix \_\_\_\_\_  
Printed Name

\_\_\_\_\_ XXXX-XXXX-\_\_\_\_\_  
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:

		Initial one 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.	
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, provided the 90 calendar day requirement has been met, 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

Elect  
Option 1  
or  
Option 2

Sign and  
date the  
form, 90  
days prior to  
termination



# TERMINATION PAY – IRREVOCABLE ELECTION FORM EMPLOYER INFORMATION

Your employer will provide the required information, sign and date the form and return the properly completed form to the TRS office.

Your employer is instructed to retain the election form in your personnel file until you submit notification of your intention to terminate your employment for the purpose of retirement.

## 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 the appropriate employee tax-deferred contribution and the employer contribution due on termination pay.

\_\_\_\_\_  
Certifying Officer's Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Certifying Officer's Signature

\_\_\_\_\_  
Date



# TERMINATION PAY – IRREVOCABLE ELECTION CALCULATION FORMULA

$$\begin{array}{r} \text{Termination Pay Amount} \\ \text{Less } \underline{\text{FICA/Medicare (7.65\%)}} \\ \text{Net Amount (Tax Deferred)} \\ \text{Less } \underline{\text{Calculated TRS Contribution}} \end{array}$$

A balance remaining will be paid to you as the member, less the appropriate tax withholding.

OR

A balancing owing results in an 'Out Of Pocket' expense, payable to the TRS by your personal check.



# TERMINATION PAY - IRREVOCABLE ELECTION CALCULATION AGE 60 - EXAMPLE

	25 Years	30 Years	35 Years
Term Pay Amount	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00
FICA/Medicare 7.65%	(\$ 382.50)	(\$ 382.50)	(\$ 382.50)
Net Amount	\$ 4,617.50	\$ 4,617.50	\$ 4,617.50
Contributions Due TRS	(\$ 4,200.00)	(\$ 5,040.00)	(\$ 5,880.00)
Difference	\$ 417.50**	(\$ 422.50)***	(\$ 1,262.50)***
Monthly Benefit Increase	\$ 57.87	\$ 69.44	\$ 81.02
Recovery time		6 months	16 months

\*\* Payable to you, less federal and Montana state taxes.

\*\*\* Out of pocket expense payable to the TRS by personal check.

# TERMINATION PAY – IRREVOCABLE ELECTION FORM NOT SIGNED

You are not precluded from the use of termination pay in the calculation of your average final compensation.

The employee contributions will be taxed.

Your employer must remit the net amount of the termination pay directly to you.

You will remit the employee contributions due the TRS by personal check.



Thank you for taking the time to view the 'Retirement Termination Pay' tutorial. The information provided in this tutorial is for educational purposes only. It is intended to provide basic information about the services and benefits provided by the Montana Teachers' Retirement System under the laws and rules applicable as of the date of production.



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