

TRS 101: Retirement System Basics

for Early- and Mid-Career Educators

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Montana Teachers' Retirement System



TRS

Today's Agenda

In this session, we will discuss:

- ✓ What TRS is, and how it works
- ✓ Why TRS is a valuable part of your overall compensation package
- ✓ What steps you should take now to set yourself up for secure retirement later



TIP: Our other presentation (entitled *"Ready, Set, Retire!"*) reviews the retirement application process in detail and explains how your benefit is calculated.

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What is TRS?

Montana law established the Teachers' Retirement System in 1937 as a **Defined Benefit (DB) Pension Plan**

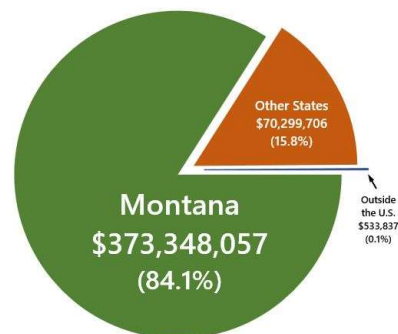
- TRS is separate from PERS (Public Employees' Retirement System)
- Each system has its own fund, board of directors, and participation requirements
- Montana public schools hire a mix of TRS and PERS positions, but –
- TRS is specifically for teachers and others who provide educational or instructional services

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Some TRS membership and payment statistics

- Initial membership in 1937:
3,367 members
- As of June 30, 2024:
 - There are approx. 20,000 active and 8,000 inactive members
 - 18,382 retirees and beneficiaries received **\$444 million** in benefit payments

DISTRIBUTION OF BENEFITS PAID – FY 2024



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Is TRS membership mandatory?

Anyone who provides educational/instructional services to students when working for or on behalf of a TRS employer must participate in TRS, including:

- Classroom teachers, principals, superintendents
- Specialists (*school counselors, speech-language therapists, school psychologists, etc.*)
- Librarians
- Coaches and athletic directors
- Substitute teachers and part-time paraprofessionals, as follows:
 - Participation is mandatory for those who are already TRS members; otherwise -
 - New subs and part-time paras may elect to postpone membership until they work 210 or more hours in a single fiscal year (July 1 – June 30)

For details, see TRS Fact Sheet: **Which Positions are Reportable to TRS?**

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In a Defined Benefit (DB) Pension Plan like TRS:

Both you and your employer contribute a percentage of your earned compensation to the retirement system

Your TRS Member Account



TRS pays interest each month (*currently 4.25%*)

- Contribution rates are set by the Montana Legislature (not TRS)
- **You contribute 8.15%**
- Kept safe in your **member account**
- Locked away until you terminate all TRS-reportable employment
- *More on this later...*

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Use My TRS to view your contributions, accrued interest, and total creditable service

The screenshot displays the 'My TRS' interface. On the left is a navigation menu with 'My Account Balances' circled in orange. The main content area shows 'My Account Balances' with a member ID and a timestamp of 07/29/2021 10:40 AM. Below this is a table with two columns: 'Contribution' and 'Service'. The 'Total Account' row is highlighted with an orange box, and an orange arrow points from this box to a callout box on the right. The table data is as follows:

Contribution		Service	
Contributions	53,970.36	Total Creditable Service	20.01
Interest	7,566.99		
Total Account	61,537.35		

Additional information includes: Date Service Verified: 10/29/2019; Date Last Contribution: 05/31/2021; Date Interest Last Posted: 06/30/2021.

Did you know?

Your account balance **WILL NOT** determine your TRS retirement benefit!

It will be based on years of service and average final compensation.

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How much does your employer contribute to TRS?

Currently, school district employers contribute **9.47%** of reportable earned compensation for active TRS members

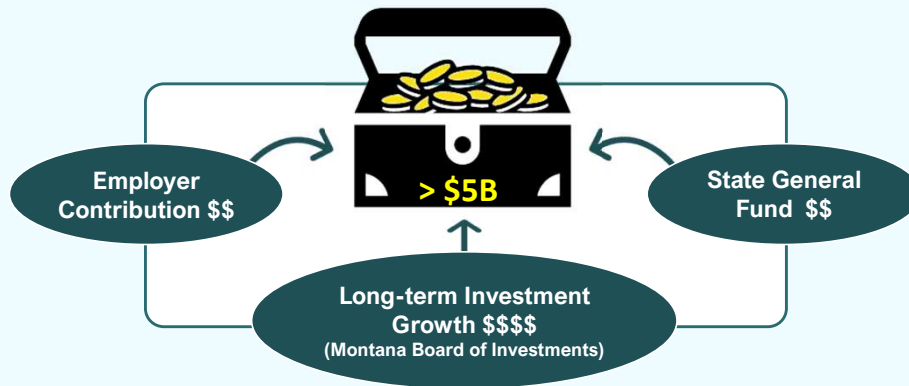
- Employer contributions are pooled and invested for long-term growth
 - *Your employer's contributions are not attributed to your member account*
- As required by state law, the Montana Board of Investments – not TRS – carefully invests these assets on behalf of the retirement system.



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How are retirement benefits funded?

The TRS pension fund exists to pay *all current and future* retirees' benefits



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Differences between DB and DC plans

In Defined Benefit (DB) pensions like TRS:

- Both you and your employer must contribute
- Vested members are **guaranteed** a **lifetime** future retirement benefit
- *Average final compensation* (AFC) and *years of service* determine your retirement benefit
 - *Not your account balance!*

In Defined Contribution (DC) retirement plans (e.g., 401k, 403b)

- Your employer might or might not contribute to your retirement
- There is no guarantee of future income (*account could lose value*)
- The account balance determines how much you can spend in retirement

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Best scenario:
Take advantage of DC options, too!

The “three-legged retirement stool”



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Actual TRS retirees agree!

2020 survey question: What advice would you share with current educators?

“I am so grateful I was REQUIRED to contribute to TRS from my very first day in the classroom. After 31 years, I can fully appreciate how much that small monthly contribution has added up.”

“I would advise anyone to work toward a 3 leg retirement stool. I have my children working on that right now.”

“Set aside money outside of TRS and don't touch it!!”

“Let your legislators know we need good retirement packages for educators. This is the one financial aspect of teaching that has been a plus! A solid retirement!”

*“Start
saving
NOW.”*

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MILESTONE:



Becoming **Vested** In TRS

Vested = eligible for a future retirement benefit

You are **vested** when you have accrued at least **5.00 years of creditable service** with TRS

- *This is not related to your prior work history / placement on employer's salary matrix*

The more years of creditable **service** and the higher your **earnings**, the larger your lifetime retirement benefit will be

- *Remember, your TRS member account balance does not determine the amount of your future retirement benefit!*

How do TRS members accrue service credit?

In TRS law, a full-time day is 7 hours.

“Full-time service” = at least 180 days (1,260 hours) or at least 140 hours per month during 9 months in a fiscal year (July 1 – June 30)

- Creditable service may not exceed full-time (i.e., 1.00 year is the maximum)
- Creditable service is not awarded for any period for which there were no contributions paid (such as if you took unpaid leave)

“Part-time service” = any service that is less than full-time

- TRS divides the total hours, days, or months reported to TRS by the full-time equivalent hours, days, or months
- Part-time members are credited with a proportional amount of service



If you work under a **full-time contract**:

- Your employer reports your status as “full time” each month
- TRS posts your contributions to your member account
- Your creditable service increases by 0.11 for each month of full-time service
- Once you’ve had 9 months of contributions reported and posted, you will have 1.00 year of creditable service (*0.99 is rounded up to 1.00*)



If you work under a **part-time contract**:

The time that was reported by your employer each month is divided by the full-time equivalent (180 days / year).

Example: You work 90 full-time days during the fiscal year.

$$90 \div 180 = \mathbf{0.50} \text{ year of service}$$

If you are **paid hourly**:

The hours reported by your employer each month are divided by the full-time equivalent (the hours of which may vary, depending on the school calendar where you work).

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You can review your service history in *My TRS!*

Example: This member worked variable hours as a sub from 2012 – 2016, then was hired as a full-time teacher.

All reported service adds up!

My TRS

My Service History

Member: [redacted] E A 08/24/2023 2:00 PM

TRS fiscal year is July 1 through June 30. Service earned prior to 1993 may not be displayed in the fiscal year summary but will be included in the Total Creditable Service. TRS is in the process of auditing and updating service records prior to 1993.

Date Service Verified: 01/24/2022

Creditable Service

Total Creditable Service: 9.81 The Total Creditable Service includes any service purchases and withdrawals.

Fiscal Year	Creditable Service	Fiscal Year	Creditable Service	Fiscal Year	Creditable Service	Fiscal Year	Creditable Service
2012	.50	2016	.58	2020	1.00	2024	.00
2013	.58	2017	1.00	2021	1.00		
2014	.68	2018	1.00	2022	1.00		
2015	.47	2019	1.00	2023	1.00		

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Can you purchase additional service?

Maybe! It depends on your circumstances and work history.

Here are some common scenarios that may qualify:

- You previously taught out-of-state or in a private school setting
- You had a *break in service* between TRS-reportable positions
- You took *in-service leave*, such as maternity or FMLA leave
- You previously worked in a position reportable to PERS
- You were active-duty military

For more scenarios,
see our
Service Purchases
Fact Sheet

In most cases, you must be vested *before* you can purchase additional service.

Think you might be eligible? Call TRS to discuss your situation!

- Circumstances – **and costs** – vary by person

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Retirement Eligibility



Tier 1 and Tier 2 Membership

Why does TRS have two membership tiers?

The 2013 Montana Legislature created a new membership tier to reduce costs and restore solvency to the fund after the “Great Recession”

- The new tier took effect July 1, 2013 and affected only new TRS members

Those who were already members before July 1, 2013 are “Tier 1”

Those who became TRS members on or after that date are “Tier 2”

- Note: Tier 1 members who leave employment and withdraw from TRS* will be Tier 2 members if they decide to resume TRS-reportable employment later

** Withdrawals will be covered later*

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Differences in retirement eligibility: Tier 1 vs. Tier 2

TIER 1 members		TIER 2 members (7/1/2013 or later)	
Regular Retirement		Regular Retirement	
Retire at...	If you have...	Retire at...	If you have...
Age 60	5.00 years of creditable service	Age 60	5.00 years of creditable service
any age	25.00 years of creditable service	Age 55	30.00 years of creditable service
any age	service in 25 fiscal years	--	--
Early Retirement (reduced benefit)		Early Retirement (reduced benefit)	
Retire at...	If you have...	Retire at...	If you have...
Age 50	5.00 years of creditable service	Age 55	5.00 years of creditable service

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When you decide to retire...

You'll elect a retirement benefit allowance from several options.

For example:

- The **Normal Form** option would pay benefits for your lifetime only (this option provides you the largest monthly amount)
- Other options pay you a slightly smaller benefit so that your beneficiary/ies might receive a continuing benefit after your death
 - *Once you begin receiving your monthly benefit, you can't change your mind*



Remember: Your monthly benefit will never run out!

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Other things you should know as an active member of TRS

What if you can no longer teach due to illness or injury?

If a disability prevents you from performing your duties and it is likely to be permanent, you may be eligible for a **disability retirement** benefit

- You must be an active, vested TRS member to apply
- Note: Tier 2 members who are eligible for regular retirement may not apply for disability retirement

TRS Board reviews all applications for disability retirement

- *This is different from a Social Security Disability determination*



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What if you pass away before retiring with TRS?

If you pass away while still an active member of TRS, your eligible beneficiary will receive *at least* a lump-sum distribution of your member account balance

- Divided equally if you have multiple eligible beneficiaries
- Note: A **Contingent** beneficiary receives payment only if no primary beneficiary is still living at the time of your death

If you also are **vested** at the time of death, each eligible beneficiary could choose a lifetime monthly benefit instead of a lump-sum refund



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Other survivor benefits

If you were vested and an active, contributing member of TRS within **one year** prior to your death, TRS also would pay:

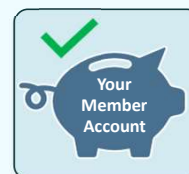
- A one-time \$500 death benefit, divided equally among your eligible beneficiaries
- \$200 per month for each of your minor children, paid through month of their 18th birthday – even if you had not designated them as beneficiaries!
- *These additional benefits are paid by TRS and do not reduce your member account balance*

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Withdrawing TRS membership

If you stop teaching in Montana and you do not expect to return, you may **withdraw** your membership and receive a refund of your member account balance

- Options include a **lump sum payment** (minus 20% federal tax), **direct rollover** to another qualified plan (tax deferred), or a combination of both
- A partial withdrawal is not allowed



There are some caveats!

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What does it mean to “withdraw” from TRS?

It means you **forfeit** all rights of TRS membership, including a future **lifetime** retirement benefit (if you are a vested member)



- Be aware that the value of that lifetime benefit is likely to far exceed your member account balance
- Members who choose to withdraw after leaving TRS-reportable employment are not entitled to any of their employer’s contributions

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What happens if you withdraw, but later return to teaching?

- If you return to work in any TRS-reportable capacity, you must return to active TRS membership
 - *NOTE: You would return as a **Tier 2** member even if you had been a Tier 1 member previously*
- You start over from zero, unless you “buy back” the creditable service you forfeited (i.e., by redepositing all funds you withdrew, plus interest)

TIP: If there’s a chance you might resume teaching in Montana – especially if you are vested or nearly vested – consider leaving your contributions on account with TRS!

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Your Responsibilities as a Member of TRS

Review your Annual Statement of Member Account

TRS mails annual statements each September for the last fiscal year

- The statement shows your contributions for the past year – but remember, your contributions do not determine your future retirement benefit amount!
- If you are eligible, Page 2 will show estimated monthly benefit amounts based on various assumptions

IMPORTANT: Review your statement for accuracy!

- Are your **beneficiaries** up to date?
- Does TRS have your correct **address** and **date of birth**?
- Was your **service** reported correctly for the past year?



Sample statement

- Vested Tier 2 member
- Full time
- Purchased or transferred 2.13 years of service last year

TEACHERS' RETIREMENT SYSTEM
GREG GIANFORTE, GOVERNOR
STATE OF MONTANA
100 NORTH PARK AVENUE, SUITE 110
HELENA, MONTANA 59620-0139

trrs.mt.gov
8-666-400-4123
800-444-3134

20TRS470011

R: [REDACTED]
M: [REDACTED]
E: [REDACTED]

ANNUAL STATEMENT OF MEMBER ACCOUNT
07/01/2023 through 06/30/2024

This statement reflects unaudited information on file with the Montana Teachers' Retirement System (TRS) as of 06/30/2024. Your estimated retirement benefits are shown on Page 2.

Creditable Service Detail:		Total Creditable Service:
Service earned this fiscal year:	1.00 years	9.24 years
Service purchased or transferred this fiscal year:	2.13 years	Members with at least 5.00 years of creditable service are vested (eligible for a future retirement benefit).
Service to be purchased (not yet included in total service):	.00 years	

Member Contributions Detail:		Contributions Account Balance:
Total member contributions this fiscal year:	\$16,797.78	\$41,658.04
Member contributions for service purchases or transfers this fiscal year:	\$11,968.95	This is the total of all member contributions you have paid, plus accrued interest.
Interest credited this fiscal year:	\$1,426.37	

Is Your Beneficiary Designation Up To Date?
If you die before you retire, TRS must pay death benefits, including a refund of your contributions account balance, to your eligible beneficiary/ies. To make changes such as after marriage, divorce, or other life events, you may log into My TRS to submit a new beneficiary designation online, or use our paper beneficiary designation form, available at trrs.mt.gov.

Your current **PRIMARY** Beneficiary: [REDACTED] Your current **CONTINGENT** Beneficiary: [REDACTED]

- Age 35 (not yet eligible for retirement)

Your Estimated Monthly Retirement Benefit

All estimated amounts are based on the "Normal Form" benefit allowance, payable for your lifetime only.

Date of Birth: 2/1988	Age as of July 1, 2024: 35
Membership Tier:	Tier 2
Vested Retirement Benefit: \$***	This is the amount you may be eligible to receive if you terminate all TRS-reportable employment as of June 30, 2024 and apply for retirement effective July 1, 2024. This estimate is based on your average final compensation and total creditable service you have already accrued with TRS.
Accrued Service Retirement Benefit: \$678.07	This is the amount you may be eligible to receive if you terminate all TRS-reportable employment as of June 30, 2024 but defer receiving a benefit until age 60 (normal retirement age). This estimate is based on your average final compensation and total creditable service you have already accrued with TRS.
Full Service Retirement Benefit: \$4,405.75	This is the amount you may be eligible to receive after a full career in TRS-reportable employment. This estimate assumes you work full time until normal retirement age (60); your reportable compensation increases by 1.5% per fiscal year; you terminate all TRS-reportable employment by June 30 following your 60 th birthday, and you apply for a retirement benefit effective July 1 of the same year.

*** Unable to estimate: not eligible.

- To see more estimates using different retirement dates, log into My TRS and use the "My Benefit Estimator" tool. Your actual benefit will be calculated in accordance with the retirement allowance you elect and actuarial factors in effect at the time of your retirement.

If You Are Nearing Retirement:

We encourage you to start planning for your retirement three to five years in advance. Visit trrs.mt.gov and click the "Preparing for Retirement" link on the right side of the page. There you'll find helpful resources such as *Retirement Timeline* checklist, a *Ready, Set, Retire!* Educational presentation, and more. You may also call a TRS Benefit Officer for guidance on the retirement process.

Questions?

If you have any questions about this statement, or if you believe it contains errors, please call TRS during normal business hours: (406) 444-3134 or (866) 600-4045.

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Annual Statement of Account is available in My TRS

The most recent statement can be viewed or printed anytime

Montana Teachers' Retirement System

My TRS

My Annual Statement

Member: GE [REDACTED] 08/03/2021 9:55 AM

Click to open the annual statement in PDF file format.
The statement will open in a new browser window. From there, you may save or print it.
If you are unable to print the statement call 405-444-3134 or 800-600-4045 to have one mailed to you.

Open Annual Statement

- Online Manual
- Home
- My Contact Information
- My Beneficiaries
- My Account Balances
- My Contribution History
- My Service History
- My Withdrawals & Service Purchases
- My Benefit Estimator
- My Account Balance Letter
- My Annual Statement**

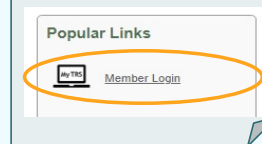
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Other things you can do in My TRS

- Review your account balance and creditable service
- Review your contribution history from current or past TRS employment
 - This can help you identify any errors in reporting
- View the status of service purchases
- Run an estimate of future retirement benefits (if you are a vested member)
 - You can run as many “what if” scenarios as you like

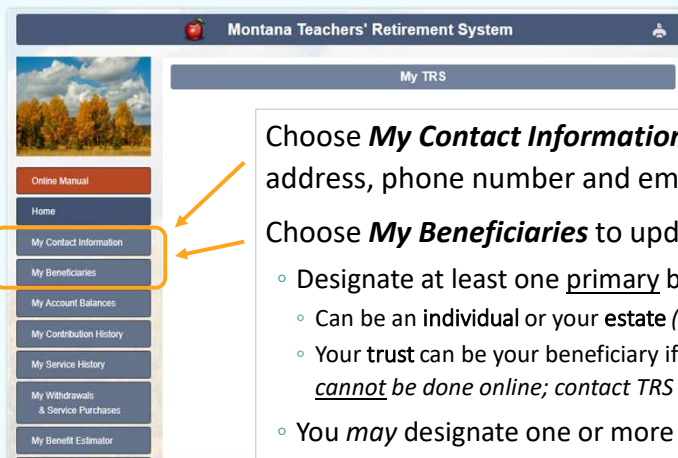
Haven't yet created a user account?

Go to trs.mt.gov, click “Member Login,” then click the “Create” button



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Use My TRS to update your address and beneficiaries



Choose **My Contact Information** to update your mailing address, phone number and email address with TRS

Choose **My Beneficiaries** to update your beneficiaries online!

- Designate at least one primary beneficiary
 - Can be an individual or your estate (*these can be designated online*)
 - Your trust can be your beneficiary if it meets legal requirements (*this cannot be done online; contact TRS instead*)
- You *may* designate one or more contingent beneficiaries (optional)

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Stay involved with TRS, and plan ahead

1. Contact TRS if you think you might be eligible to purchase service
2. Don't wait until your final year to begin planning for retirement
 - See the "Preparing for Retirement" section of our website: trs.mt.gov
 - Attend our "Ready, Set, Retire" presentation 3 – 5 years before retiring
3. Call us anytime with questions! Here's a real quote from a retiree:

"If you have questions, contact TRS staff. They were wonderful in helping me plan for retirement and graciously answered ANY question I had."



TRS Benefit Officers are ready to help!

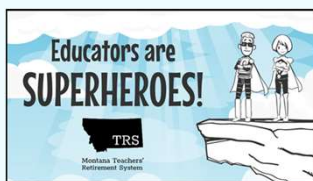
For questions specific to your TRS member account or your future retirement plans, contact one of these staff members:

Johnelle Sedlock , Supervisor	(406) 444-4113	jsedlock@mt.gov
Jessie Hill , Benefit Officer	(406) 444-3091	Jessie.Hill@mt.gov
Sherry Smith , Benefit Officer	(406) 444-3324	Sherry.Smith@mt.gov



Videos for reference

By the end of 2024, we will post an updated video recording of this presentation on our website



Our Home page also has a short, animated “explainer” video about TRS. Share it with your colleagues!



THANK YOU!

Follow Montana Teachers' Retirement System on Facebook and YouTube



trs.mt.gov

