READY ...SET ...RETIRE

The mission of the TRS Board is to promote long-term financial security for our members while maintaining the stability of the fund.
The Montana Teachers’ Retirement System (TRS) is a “Defined Benefit Plan” qualified under Section 401(a) of the Internal Revenue Code (IRC).

As its name implies, your retirement benefit is “defined” by a specific formula in Montana state law. The calculation of your monthly benefit depends on two factors, your years of service and your average final compensation, NOT on your account balance. Under this plan, the State of Montana assumes the burden of making investment decisions and the risks associated with investment decisions, not the member. In addition, you have survivor and disability protection while you are an active member.
TRS, established in 1937, covers educational personnel in Montana public schools. Membership is mandatory for persons employed for at least 210 hours during the school year as: teachers, principals, vice-principals, district superintendents, county superintendents of schools, librarians, coaches, paraprofessionals providing instructional support, teacher’s aides, speech therapists, school nurses, school psychologists, guidance counselors, study hall monitors, dean of students, curriculum specialists, and others employed in a teaching or educational services capacity or a professionally qualified person as defined in §20-7-901, MCA, of any public school, state agency, university system, community college, education cooperative, or any other agency or subdivision of the State of Montana that employs a person who is designated a member of the retirement system pursuant to §19-20-302, MCA.
TRS Membership

Your Responsibilities

- Review your Annual Statement of Account:
  - Contributions
  - Accumulated interest
  - Creditable service
  - Estimated monthly payment (if eligible for retirement)
- Educate yourself before making retirement decisions: you can access your TRS account online as well as take advantage of many resources on the TRS website: trs.mt.gov.
- Include your family in your retirement planning.
- Inform TRS of significant events: marriage, divorce, death, birth or adoption of a child, changes in name or address.
- Beneficiaries.

*Note: the current interest rate for member accounts is 0.55%. This rate is set by the TRS Board each year.*
Service

Full-time employment: a maximum of one year of service is awarded for each fiscal year (July 1st - June 30th).

Part time employment: time reported to TRS is divided by full time equivalent:

Example: if you worked full time for 120 days, you would earn 0.67 of a year of service credit (120 / 180) for the fiscal year.

Hourly employment: hours reported to TRS are divided by 140 hours per month.
Members may not qualify more than five years of creditable service in any combination of military service, service while on leave, out-of-state teaching, private school teaching, workers compensation time, or employment with the MT Cooperative Extension Service.

If TRS has determined you are eligible to purchase service, the status of that purchase is available through the Account Information Menu.

If it is your intention to use the additional service for retirement purposes, payment must be finalized prior to TRS processing an Application for Retirement Allowance. You are not eligible to purchase service after retirement.
You may purchase service through payroll deduction, on a tax-deferred basis, or through a rollover from another qualified plan. Please contact TRS to request the appropriate paperwork.
Each of these methods for retirement planning provides valuable information relative to the decisions a member will need to make. If you would like to meet with a TRS Benefits Officer for assistance with pre-retirement planning, please call or write for an appointment.

The **On-Line Retirement Benefit Estimator** is available for TRS active members employed on a full-time, hourly, or part-time basis. You may also call or write TRS to request an **Estimate of Benefits**. We will request specific information in order to provide the most accurate estimate possible.
## Types of Retirement Benefits

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2 - member on or after July 1, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Retirement (Full Benefit)</td>
<td>Regular Retirement (Full Benefit)</td>
</tr>
<tr>
<td>Age</td>
<td>Years of Service</td>
</tr>
<tr>
<td>60</td>
<td>5.00</td>
</tr>
<tr>
<td>Any Age</td>
<td>25.00</td>
</tr>
<tr>
<td>Any Age</td>
<td>Service in 25.00 Fiscal Years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Retirement (Reduced Benefit)</td>
<td>Early Retirement (Reduced Benefit)</td>
</tr>
<tr>
<td>Age</td>
<td>Years of Service</td>
</tr>
<tr>
<td>50</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Withdrawal of Account Balance:
- Lump Sum
- Direct Rollover

Notes:

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9/21/2016
If you become disabled and cannot continue in your TRS covered position, you may be eligible for disability benefits provided:

- You have five or more years of creditable service in TRS;
- You become disabled while an active contributing member of TRS;
- You are declared physically or mentally incapacitated for the further performance of your duties, and your disability is likely to be permanent.

Minimum disability benefit: the greater of ¼ of your AFC; or determined by utilizing the Retirement Benefit Formula.
It is important that you do a careful study of the benefit allowances prior to retirement regarding future financial commitments. TRS staff is available to assist you with retirement planning, but does not recommend a choice.

As the retiree, the allowance you elect will be payable during your lifetime. The amount of your monthly benefit will depend upon the factors applied to the retirement benefit formula and the allowance you elect. If you elect Option A, B, or C, the monthly benefit amount will depend upon the ages of the member and joint annuitant at the time of retirement, applying an actuarial reduction to fund the monthly retirement benefit throughout two lifetimes. By electing a Period Certain & Life allowance, an actuarial factor will be applied to the Normal Form allowance.
Eligibility for Retirement Benefit

Terminate all TRS related employment
- Multiple positions with one employer
- Multiple employers

Certify date of termination

All sick/annual leave balances paid

Effective Retirement Date
- First day of the month following your date of termination
Calculation of Retirement Benefits

Retirement Benefit Formula (Tier 1 & Tier 2):

Years of Creditable Service

×

Average Final Compensation (AFC)

×

= 1.6667%

Tier 1 - highest 3 consecutive years
Tier 2 - highest 5 consecutive years

Retirement Benefit Formula (Tier 2) - 10 years of service and age 60:

Years of Creditable Service

×

Average Final Compensation (AFC)

×

= 1.83%

The result of these calculations is an annual benefit amount with benefits paid in 12 equal payments each year.
Termination Pay

Termination pay includes:
- vacation pay,
- sick leave,
- severance pay, and
- any retirement incentive or other payments contingent on the employee terminating employment and retiring.

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 must pay the actuarially required contributions to TRS as 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 does not include amounts that are not wages and amounts that are payable to you from a plan for deferral of compensation under Section 457(f) of the IRC. If at the time of termination and retirement, you receive any termination pay, you must elect one of three options.
ELECTING OPTION 1 OR OPTION 2 RESULTS IN YOU AND YOUR EMPLOYER PAYING THE ACTUARILY REQUIRED CONTRIBUTIONS AS ARE DETERMINED BY THE TRS BOARD, TO ADEQUATELY COMPENSATE THE SYSTEM FOR THE INCREASE IN RETIREMENT BENEFITS.

IF YOU AND/OR YOUR EMPLOYER FAIL TO PROPERLY EXECUTE THE IRREVOCABLE ELECTION FORM, YOU MAY STILL ELECT TO INCLUDE TERMINATION PAY UNDER EITHER OPTION 1 OR 2 IN THE CALCULATION OF AFC. YOU MUST REMIT THE EMPLOYEE CONTRIBUTIONS ON TERMINATION PAY WITH AFTER TAXED DOLLARS.
The calculation of the employee contribution due to TRS for each retiring member is unique. This table provides a comparison of the employee cost for an individual with 25, 30, or 35 years of service. Each retiring member, eligible for termination pay, must allow time to plan for an out-of-pocket expense, if applicable.

### Termination Pay: Option 1

<table>
<thead>
<tr>
<th>Name of column</th>
<th>25 Years</th>
<th>30 Years</th>
<th>35 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Pay Amount</td>
<td>$ 5,000.00</td>
<td>$ 5,000.00</td>
<td>$ 5,000.00</td>
</tr>
<tr>
<td>FICA/Medicare 7.65%</td>
<td>$( 382.50)</td>
<td>$( 382.50)</td>
<td>$( 382.50)</td>
</tr>
<tr>
<td>Net Amount</td>
<td>$ 4,617.50</td>
<td>$ 4,617.50</td>
<td>$ 4,617.50</td>
</tr>
<tr>
<td>Contributions Due TRS</td>
<td>$( 4,200.00)</td>
<td>$( 5,040.00)</td>
<td>$( 5,880.00)</td>
</tr>
<tr>
<td>Difference</td>
<td>$ 417.50*</td>
<td>$( 422.50)**</td>
<td>$( 1,262.50)**</td>
</tr>
<tr>
<td>Monthly Benefit Increase</td>
<td>$ 57.87</td>
<td>$ 69.44</td>
<td>$ 81.02</td>
</tr>
<tr>
<td>Recovery time</td>
<td>6 months</td>
<td>6 months</td>
<td>6 months</td>
</tr>
</tbody>
</table>

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

**Out of pocket expense payable to TRS by personal check as a funding source for your benefit increase.
In this example, the TRS database populates the “Fiscal Year 2014-15” and “Fiscal Year 2015-16” gross wages as reported by your employer. The “Fiscal Year 2016-17” gross wages represent anticipated wages. The “Termination Pay” amount is an estimated amount, which you may obtain from your payroll office.
The dollar amounts presented represent the gross monthly benefit amount. You will be responsible for managing your tax liability. TRS offers federal and Montana state tax withholding through payroll deduction.
This is an estimate and is not to be construed as a firm commitment of an amount to be paid. When projections are made, many factors may affect the final retirement benefit, including future changes in law and/or administrative rules.

Name: JOHN
SOC: 2256789
Beneficiary: DAISY

This software is based on the following data:

Highest 3 Years Salary:
2014-15 $22,000.00
2013-14 $14,000.00
2016-17 $6,000.00

Monthly Birth Date: mm/dd/yyyy
Creditable Service Years: 25.00

Beneficiary's Birth Date: dd/mm/yyyy

This retirement benefit allowance and options are estimated as:

<table>
<thead>
<tr>
<th>Allowance Description</th>
<th>Option 1</th>
<th>Option 2</th>
<th>Option 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Payable for the Member's Life Only</td>
<td>$2,319.44</td>
<td>$2,250.94</td>
<td>$2,262.00</td>
</tr>
<tr>
<td>A Joint and Full to Joint Accountant</td>
<td>$2,265.78</td>
<td>$2,968.49</td>
<td>$3,950.35</td>
</tr>
<tr>
<td>B Joint and One Half to Joint Accountant</td>
<td>$2,177.40</td>
<td>$2,119.00</td>
<td>$2,112.00</td>
</tr>
<tr>
<td>C Joint and Two Thirds to Joint Accountant</td>
<td>$2,133.88</td>
<td>$2,076.38</td>
<td>$2,070.00</td>
</tr>
<tr>
<td>D Year Certain &amp; Life</td>
<td>$2,202.49</td>
<td>$2,202.50</td>
<td>$2,205.25</td>
</tr>
<tr>
<td>10 Year Certain &amp; Life</td>
<td>$2,150.71</td>
<td>$2,133.68</td>
<td>$2,138.13</td>
</tr>
</tbody>
</table>

The above allowances were based on the following data:

Terminal Leave Pay: $0.00
Average Final Compensation: $18,400.00
Yearly Cost of this Option: $9,000.00
Employee Cost of Option: $4,960.00
Increase Over 'Normal' Benefit: 49.44

TRS law requires that, in order to be eligible for a retirement benefit, a member must terminate employments with all TRS covered employees in all positions reportable to TRS.

Current Employer: 999998 MONTANA ELEMENTARY

Prepared By: Johnelle Sedlock Date: July 13, 2016
Post-Retirement Employment

- Terminate all TRS employment
- Certify to TRS: no pre-arranged agreement
- Receive at least one TRS retirement benefit payment
- Wait 150 calendar days
- Report any TRS employment to TRS (including volunteer and independent contractor work)
- Earnings limited to the greater of 1/3 APC or Median Salary

TRS members who terminate are required to have a 150 calendar day break in service before they are eligible to return to work.

Requirement applies only to employment in a position eligible to participate in TRS.

If break in service is violated:
- Member will be returned to active status
- Benefits will be terminated and must be repaid with interest
- Member and employer must pay TRS for all contributions during violated break in service

IMPORTANT! Retired members and employers are jointly and severally liable for repayment to the retirement system of retirement benefits paid to which the member was not entitled, plus interest.
OTHER CONSIDERATIONS

TAXATION OF YOUR MONTHLY BENEFIT
The majority of retirement, disability, or survivor benefits will be subject to federal and/or Montana state income taxes. TRS recommends a benefit recipient contact an accountant, a local IRS office, or the Montana Department of Revenue for tax advice at 406-444-6900 or 1-800-221-8015.

WITHHOLDING YOUR GROUP INSURANCE PREMIUM
TRS has no connection with group insurance plans, but offers the withholding of monthly insurance premiums as a service to our benefit recipients and the member’s former employer. The member must sign an ‘Authorization for Deduction of Health Insurance’ form to authorize the payroll deduction for health insurance premiums. The annual tax Form 1099-R will note the total amount of the insurance premiums withheld for that year. All questions concerning group insurance coverage must be addressed to the member’s former employer.

SECOND BENEFIT
If following retirement, you are reinstated as an active member of TRS, upon termination of employment in all TRS-reportable positions, you will resume receiving your suspended benefit in accordance with the retirement benefit allowance and joint annuitant you previously selected. In addition, if you have been reinstated as an active member of TRS for at least three years of full-time service, you will receive an additional benefit amount based upon the new creditable service and compensation earned during the period of reinstatement. The additional benefit amount will also be paid in accordance with the retirement benefit allowance and joint annuitant you previously selected.

GUARANTEED ANNUAL BENEFIT ADJUSTMENT (GABA)
The Attorney General’s (AG) Office, on behalf of the State and TRS, entered into a settlement agreement that upholds Judge Menahan’s decision in Byrne v. State of Montana. This means that eligible Tier One members of TRS (hired prior to July 1, 2013) will continue to receive a 1.50% GABA on January 1 of each year. Eligible Tier Two members of TRS (hired on or after July 1, 2013) will receive a variable GABA ranging from a minimum of 0.50% to a maximum of 1.50% on January 1 of each year depending on the funded status of the plan.

INDEPENDENT CONTRACTOR
An individual working as an independent contractor is not eligible to participate as an active member of TRS. As such, it is important to understand the distinction between employee and independent contractor worker status. For any TRS reportable position, worker status is determined solely by application of the IRS worker classification control factors. It is the employer’s responsibility to accurately determine an individual’s worker status by reviewing and applying the IRS control factors. Note, the issuance of an independent contractor exemption certificate by the Montana Department of Labor and Industry does not ensure that the IRS control factors are met. If there is any question regarding an individual’s worker status, the individual must be reported to TRS. For more information about worker classification, please visit www.irs.gov.

SOCIAL SECURITY
Benefits provided by TRS are independent of, and in addition to, any Social Security benefits you may be entitled to receive. Upon request, the Social Security Administration will provide an earnings and benefit estimate statement, which includes estimates of future benefits. To receive a statement a member must request Form SSA-7004 from their local Social Security office or by calling 1-800-772-1213. Benefit information is also available on their website at www.ssa.gov.

MEDICARE
For general Medicare information, ordering Medicare booklets, and information about health plans, contact 1-800-MEDICARE (1-800-633-4227) 24 hours a day, 7 days a week for assistance. Benefit information is also available on their website at www.medicare.gov. For additional information, refer to the Active Members’ Handbook found at trs.mt.gov.
Contacting TRS

Phone: 406-444-3134 or 866-600-4045
Fax: 406-444-2841
Email: trswebadmin@mt.gov
Address:
1500 East Sixth Ave
P.O. Box 200139
Helena, MT 59620-0139

Office Visits:
Call for appointment
9:00 am - 4:00 pm
Monday – Friday

Website: trs.mt.gov
- 24/7 online access
- Contact information for TRS staff members
- Newsletters and news updates
- Upcoming meetings and events
- Annual TRS reports
- Forms
- Online account access:
  - Account balances
  - Benefit estimator
  - Beneficiary designations
  - Service purchases

Facebook: facebook.com/mtontana/teachersretirementfund
Contacting TRS

Johnelle Sedlock – Benefits Officer
- (406) 444-4113
- jsedlock@mt.gov

Brynn Dennehy – Benefits Officer
- (406) 444-3324
- BDennehy2@mt.gov

Kristin Williams – Benefits Officer
- (406) 444-3091
- kristinwilliams@mt.gov
Thank You

Please take a few moments to complete the retirement seminar assessment form at the back of your handout.
TRS is asking that you please take a moment to complete the following questionnaire, which will be used to evaluate whether the material being presented to our members and business partners is valid and pertinent, and to assist TRS with the development of improved presentation material. Please return the completed form to the TRS Representative.

<table>
<thead>
<tr>
<th>Name of TRS Representative hosting the seminar</th>
<th>Seminar Location (City)</th>
<th>Date of Seminar</th>
</tr>
</thead>
</table>

How would you rate the TRS representative’s knowledge of the subject matter?  
Excellent | Good | Fair | Poor

Was information presented in a clear and concise manner that was easy to understand?  

Was the audience encouraged to ask questions?  
Yes | No

If so, how would you rate the response?  

Do you feel the printed material will be useful to you in doing future retirement planning?  

Did the seminar answer your retirement questions and provide valuable planning information?  

Was adequate notice of the seminar time and location provided to allow for you to plan to attend and for you to form questions?  

How would you rate the quality of the facility arrangements by MEA-MFT for the TRS presentation?  

How would you rate the presentation overall?  

Please provide any additional information or comments that you feel will assist TRS with improving our material and/or services in the future.

In compliance with the Americans with Disabilities Act of 1992, a alternative accessible format of this document is available upon request.