



“TRS 101”

Retirement System Basics for Early- and Mid-Career Educators

Darla Fitzpatrick, TRS Communication Manager

First things first:

***What is
TRS?***

- In 1937, Montana law established the Teachers’ Retirement System as a Defined Benefit (DB) Pension Plan
 - TRS is separate from the Public Employees’ Retirement System (PERS)
 - Each system has its own fund, board of directors, and participation requirements
 - Montana public schools have a mix of TRS and PERS positions, but –
 - TRS is specifically for teachers and others who provide educational or instructional services

Some TRS membership and payment statistics

- Initial membership in 1937:
 - 3,367 members
- As of July 1, 2018:
 - 19,267 active, contributing members
 - 16,313 benefit recipients
- TRS issued over \$352 million to retirees and other benefit recipients in FY2018
 - Over \$295 million of that was paid to residents of Montana
 - TRS helps support your state and local economy

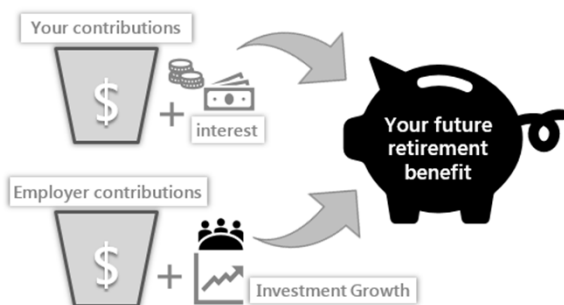
Who is required to participate in TRS?

- Anyone employed by a TRS employer in an **educational services capacity**, including:
 - Classroom teachers
 - Superintendents
 - Specialists such as school counselors, school psychologists, and speech language therapists
 - Librarians
 - Coaches and athletic directors
 - Substitute teachers, part-time teachers' aides
 - *Mandatory if they work 210 hours in a fiscal year or if they are already TRS members*
 - Others who provide educational or instructional services

For more information: See TRS Fact Sheet, *Which Positions are Reportable to TRS?*

WHAT'S SO SPECIAL ABOUT DEFINED BENEFIT PENSION PLANS?

In a Defined Benefit (DB) pension plan:



- You and your employer contribute a percentage of your earnings
 - You contribute 8.15%, and
 - Your employer 8.97% (FY 2019)
 - The Montana Legislature sets rates to ensure adequate funding for *current and future* retirees
- Employer contributions are pooled and managed by the Montana Board of Investments for long-term growth

Your TRS member account

- Your employee contributions go into your own TRS member account
 - Member accounts do not lose value – the system assumes all risk on your behalf
 - TRS pays interest on member accounts each month – currently 1.40% annually
- Loans are not permitted (IRS rules), but...
- If you terminate all TRS employment, you may withdraw your contributions + interest
 - *(we'll discuss withdrawals later)*

Advantages of DB plans over DC plans

- In a **DB pension plan** like TRS:
 - Employers and employees contribute
 - Vested members are guaranteed a lifetime retirement benefit
 - Average Final Compensation (AFC) and years of service – not the member's account balance – determine the benefit amount
- In a **Defined Contribution (DC)** retirement plan like a 401(k) or 403(b):
 - Employers are not required to contribute
 - Accounts can lose value when markets decline
 - Benefit amount depends on account balance and is not guaranteed

The changing national landscape

- DB pension plans like TRS and PERS were once common nationwide
- Now, many private companies and state/local governments have replaced them with DC retirement plans, which do not guarantee benefits
- Montana has worked hard to protect your DB pension plan and your future financial security

Bottom line: TRS membership is a valuable employee benefit!

But don't just take our word for it...



Melanie Charlson
*Field Consultant, MFPE
and recent TRS retiree*

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Way back in 1987 when I received my Montana elementary educator certification, the last topic on my mind was funding my retirement. My sole focus was on securing a teaching job.

Now, over 30 years later, I am enjoying the benefits of my years in the retirement system.

My contributions were more than matched by my employer, as required by state statute. And, because it's a Defined Benefit plan, I'm assured of a secure pension for my lifetime.

That's pretty incredible. Thanks, TRS!

”

Best scenario: Take advantage of DC plans, too

The “three-legged retirement stool”



Those who retire with multiple sources of income remain more financially stable than those who retire with only 1 or 2 sources

MILESTONE:
BECOMING **VESTED** IN TRS

VESTED = eligible for a future retirement benefit

- You are **vested** when you accrue at least **5.00 years of service credit**
 - Next we'll discuss how you accrue service
- The more years of service you accrue and the higher your earnings, the larger your benefit will be
 - Remember, you and your employer have contributed to your future retirement since your first day of employment or TRS membership!

How do TRS members accrue service?

- **Full-time employment**
 - You earn a maximum 1.00 year of service for each fiscal year (July 1 – June 30)
- **Part-time employment**
 - Time reported to TRS is divided by the full-time equivalent (180 days)
 - *Example:* You worked full time for 120 days in a fiscal year. $120 \div 180 = 0.67$ years
- **Hourly employment**
 - Hours reported to TRS are divided by 140 hours per month
 - *Example:* You worked 9 months @ 140 hrs/mo. $9 \times 140 \div 1260 = 1.00$ FTE

RETIREMENT ELIGIBILITY

Tier 1 & Tier 2 Membership

Tier 1 vs. Tier 2 membership

July 1, 2013

- The 2013 Montana Legislature created a new eligibility tier for TRS
 - Helped the fund recover after U.S. recession
- You are **Tier 1** if you became a TRS member before July 1, 2013
- You are **Tier 2** if you became a member July 1, 2013 or later...
 - ... or if you withdrew as a Tier 1 member and were rehired in a TRS position after this date

Retirement eligibility: Tier 1 vs. Tier 2

REGULAR Retirement (Full Benefit)			
Tier 1		Tier 2 (member on or after 7/1/2013)	
Age	Years of Service	Age	Years of Service
60	5.00	60	5.00
Any Age	25.00	55	30.00
Any Age	Service in 25 Fiscal Years		

EARLY Retirement (Reduced Benefit)			
Tier 1		Tier 2 (member on or after 7/1/2013)	
Age	Years of Service	Age	Years of Service
50	5.00	55	5.00

When you decide to retire...

You'll choose a retirement benefit allowance from several options

- The **Normal Form** option pays the largest monthly benefit and stops upon your death
- Other options allow you to designate another person who may receive monthly benefits after your death
- Once you retire, your choice is locked in
- Remember: Your monthly benefits will never end, no matter how long you live

THINGS YOU SHOULD KNOW ABOUT TRS as an active member

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

- If a disability prevents you from performing your duties and is likely to be permanent, you may be eligible for **disability retirement**
 - You must be an active, vested TRS member
 - Tier 2 members must not be eligible for regular retirement
- TRS Board reviews all applications for disability retirement
 - Unrelated to Social Security Disability determination

What if you take a leave of absence?

- You may purchase *up to 2 years* of creditable service – if:
 - You return to work with the same employer,
 - You have worked a full year since returning, and
 - You are vested
- *Example:*
 - After teaching full-time for 4 years (4.00 years of service), you take a 1-year leave of absence
 - You return to TRS employment with the same employer and work another full year
 - Now you are vested (5.00 years of service) and may purchase 1 year of service for your leave of absence
- Call TRS sooner than later!

More about purchasing service...

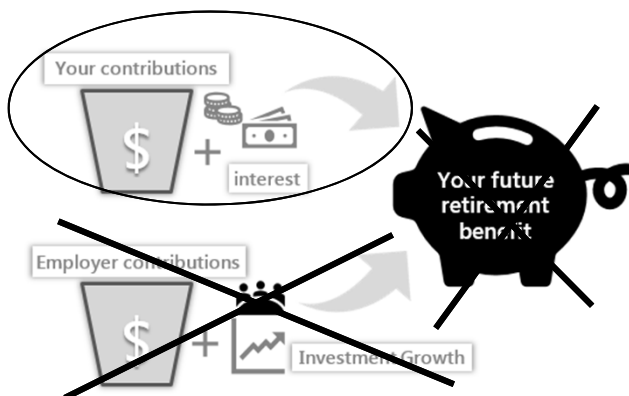
- There are several types of service available to purchase, such as:
 - Out-of-state or private school teaching
 - Transfer from PERS
 - Maternity or other “in-service” leave
 - Military service
- Requirements vary by type
- The longer you wait, the more it costs
 - *Don’t wait until you are ready to retire!*
- Call TRS to discuss your situation
 - *Circumstances – and costs – vary by person*

For more information: See TRS Fact Sheet, *Creditable Service and Service Purchases*

If you leave permanently you may withdraw your account balance

- If you do not expect to return to a TRS-reportable position, you may withdraw your membership and contributions
- *Be aware – the process takes time*
 - TRS must verify you have terminated employment in all positions reportable to TRS
 - If you terminated recently, TRS must await final contributions from your employer(s)
- Payment options:
 - Lump sum (taxed), direct rollover to qualified plan (tax deferred) – Or a combination
- Partial withdrawals are not allowed

...but when you withdraw, you forfeit:



- All your creditable service
 - *Withdrawing contributions = withdrawing service*
- A lifetime retirement benefit, if vested

Remember, retirement plans are not regular savings accounts

If you withdraw and later return to teaching

- You must be an active member once again if you are rehired in any position reportable to TRS
- You can “buy back” the service you withdrew by redepositing the full amount
 - But remember – you return as a Tier 2 member even if you were a Tier 1 member when you withdrew
- Consider leaving your contributions on account with TRS if there’s any chance you’ll return!

What if you die before retiring?

- Your designated beneficiary (or beneficiaries) would receive *at least* a lump-sum distribution of your member account balance, with interest
 - *Divided equally, if more than one beneficiary*
 - Contingent beneficiaries receive payment only if no primary beneficiary is still living at the time of your death
- If you were a vested member, they could choose a monthly benefit for life instead of a lump sum

Other survivor benefits

- TRS would pay additional benefits if you were vested and you were an active, contributing member of TRS within one year prior to death:
 - TRS pays a one-time \$500 death benefit (divided equally) to your designated beneficiary/ies
 - \$200 per month for each of your minor children, paid through the month of their 18th birthday – even if not designated as your beneficiaries

YOUR RESPONSIBILITIES as a member of TRS

Keep your beneficiaries up to date!

See the handout:
Why Designate a Beneficiary?

- You must designate at least one primary beneficiary
 - You can designate an individual, your estate, or your legally designated trust
- You may designate one or more contingent beneficiaries
 - They would be eligible for payment only if no primary beneficiary survived you
- **NEW** – *You can update your beneficiary designations online using 'My TRS'*

Use 'My TRS' to stay on top of your TRS membership

Need help creating a user account?
See "My TRS" flyer

- Update your mailing address and other contact information
- Review your account balance and creditable service
 - You can also view or print the last annual statement mailed to you
- View the status of service purchases
- Estimate your future TRS monthly retirement benefit
 - You can run as many "what if" scenarios as you like!

Stay actively involved with TRS

- Use our website (trs.mt.gov) for fact sheets, forms, publications, presentations and other resources
- Contact TRS if you might be eligible to purchase service
- Plan ahead for retirement
 - See the “Retirement Prep” section of our website
 - Attend our “Ready-Set-Retire” presentation when you are 3 to 5 years away from retiring
- Call a TRS Benefit Officer anytime with questions!

TRS Benefit Officers

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Jessie Hill	(406) 444-3091
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