



Montana Teachers'  
Retirement System

## TERMINATION PAY AND OTHER TRS PROCEDURES

2021 MASBO Spring Regional Workshops

**Johnelle Sedlock**

TRSACTive Team Supervisor

**Nolan Brilz**

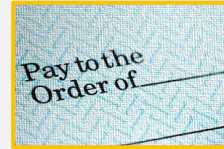
TRSAccounting & Fiscal Manager

### THIS PRESENTATION WILL COVER:

- ✓ Which payments qualify as termination (“term”) pay
- ✓ What options are available for including term pay in calculation of TRS retirement benefits
- ✓ When to have an employee sign TRS Form I29, *Termination Pay Irrevocable Election* (must use **NEW FORM** and **Fact Sheet**)
- ✓ How to use the Term Pay Calculator and TRS Form I13, *Retirement Termination Pay*
- ✓ **NEW** – a *Termination Pay flowchart!*
- ✓ Monthly Reporting Requirements and Tips from Nolan Brilz

## TERMINATION PAY GENERALLY INCLUDES:

- Bona fide vacation leave, personal leave, sick leave, severance pay
- Amounts provided under a window or early retirement incentive plan
- Other payments contingent on terminating employment and retiring
  - Note: If your district's termination or severance package includes options or benefits other than cash payments, you must contact TRS for a determination before remitting a contribution on a retiring employee's behalf.



**To be considered termination pay, these payments must be made to the employee at the time of termination and retirement.**

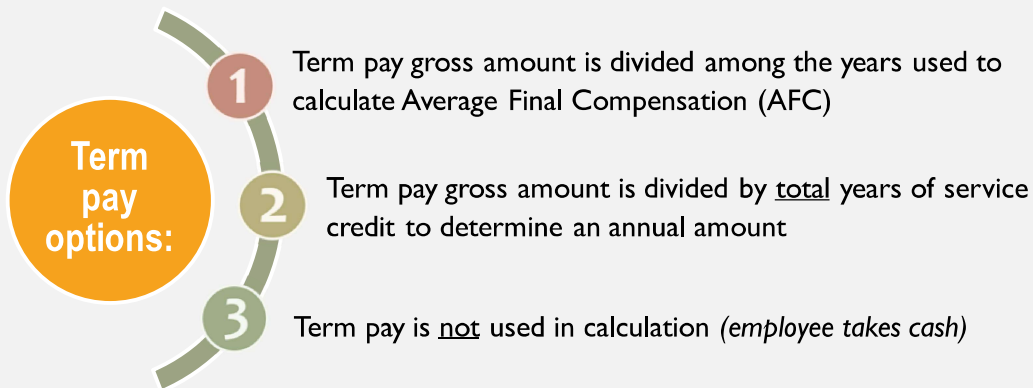


## TERMINATION PAY DOES NOT INCLUDE:

- Amounts that are not wages under Section 3121 of the Internal Revenue Code (IRC)
- Amounts payable from a deferred compensation plan under Section 457(f) of the IRC
- Amounts that are not actually paid to the employee at the time of termination and retirement
- Amounts for which the employee was allowed a choice between a cash payment and another form of payment
  - Example: District offers the option of either cash or payment of health insurance premiums in lieu of cash



## THREE OPTIONS FOR TREATMENT OF TERMINATION PAY



## OPTIONS 1 AND 2 INCREASE THE RETIREE'S MONTHLY BENEFIT

- Employer and employee must make contributions to TRS to fund the increase in benefits over the employee's lifetime
- Option 1: Largest increase in benefits = highest cost
  - Termination pay amount may be insufficient to fund the entire cost
  - Employee may owe additional money to TRS ("out of pocket" cost)
- Option 2: Smaller increase in benefits = lower cost



FOR **TAX DEFERRAL**  
OF EMPLOYEE CONTRIBUTIONS:

- You and the employee must sign TRS Form 129 *Termination Pay Irrevocable Election* (TPIEF) and file with TRS at **least 90 calendar days prior to employee's termination date** for employer to deduct contributions on a pre-tax basis (IRC rule)
- Otherwise, employee may elect Option 1 or Option 2 but must pay employee contributions by personal check

**IMPORTANT:**  
You must provide to employee the new version of Form 129 with attached Fact Sheet

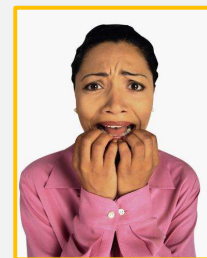


SIGN AND SUBMIT TPIEF AT LEAST 90 CALENDAR  
DAYS AHEAD – *BUT NOT TOO FAR AHEAD*

- Employees should **get an estimate of retirement benefits** – either from TRS staff or by using “My TRS” – **before they make an irrevocable election**



*Employees should not make an election until they understand how it affects them!*



## EXAMPLE: TERM PAY OPTION I

Hypothetical employee retiring at age 60			
Service credit:	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	(N/A)	6 months	16 months

The more years of service, the more it will cost

\*\* Out-of-pocket expense payable to TRS by personal check to fund the benefit increase

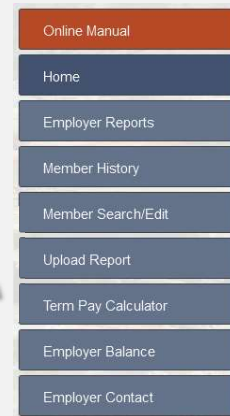
\* Payable to the employee, less federal and Montana state income taxes



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## USING THE ONLINE TERM PAY CALCULATOR

- Once the employee has terminated and the term pay amount is known:
  - Log into the TRS Wage & Contribution Reporting System
  - Select “Term Pay Calculator” from the menu
  - Look up your employee by name or SSN
  - *TIP:* Use the online manual (red button) for more information about using the screen



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## Example #1. This member has a TPIEF on file

**TRS Employer Wage & Contribution Reporting System**

**Term Pay Calculator**

41 PUBLIC SCHOOLS (Test)

Member: 2 E SSN

Current Employer	11 PUBLIC SCHOOLS (Test)
Date of Birth	12/26/1958
<b>Termination Date</b>	<b>06/10/2021</b>
Retirement Date	07/01/2021
Years of Service	.00
Buyback Service Available	.00
Total Service	.00
<b>Termination Pay Amount</b>	<b>7625.00</b>
FICA Withholding Amount	472.75
Medicare Withholding Amount	110.56

First day of month after Termination Date: 07/01/2021  
Service Verified by TRS on 01/05/2021

Termination Pay Option: 1

Please use the term pay calculator to determine the amount of FICA and Medicare to be withheld from a

FICA withholding: 6.2%  
Medicaid withholding: 1.45%  
Total withholding: 7.65%

After entering the termination pay amount, you can click on the calculators to calculate the withholdings. When you report withholdings for termination pay, you can override the amount shown when you report; however, you may not withhold more than the percentages above.

Please be sure to report the actual amount to be withheld, not an estimate.

**Calculate**

- To use the Term Pay Calculator:**
- Enter employee's **Termination Date** (last day of work)
    - System will fill in **Retirement Date** and **Years of Service**
  - Enter the **Termination Pay** amount
    - Termination Pay Option field shows the election previously made by employee
  - Click the icons to fill in FICA and Medicare withholding
  - Click **Calculate**



**TRS Employer Wage & Contribution Reporting System**

**Term Pay Calculator**

41 PUBLIC SCHOOLS (Test)

Member: 2 E SSN Find Lookup

Employer	11 PUBLIC SCHOOLS (Test)
Date of Birth	12/26/1958
Termination Date	06/10/2021
Retirement Date	07/01/2021
Years of Service	36.00
Buyback Service Available	.00
Total Service	36.00
Termination Pay Amount	7,625.00
FICA Withholding Amount	472.75
Medicare Withholding Amount	110.56

Member's Age 63  
First day of month after Termination Date: 07/01/2021  
Service Verified by TRS on 01/05/2021

Termination Pay Option 1

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate
Option 1	3.16%	\$8,729.10	

This is an estimate and not to be construed as a firm commitment of the employee and employer contribution. Many factors may affect the final calculation, including future changes in law and/or administrative actions.

Termination Pay Out-of-Pocket Calculation for Option 1	
Termination Pay Amount	7,625.00
Less FICA Withholding Amount	472.75
Less Medicare Withholding Amount	110.56
Net Amount (Tax Deferred)	7,041.69
Contribution Due TRS	8,729.10
<b>Out-of-Pocket Expense</b>	<b>1,687.41</b>

An 'Out of Pocket Expense' represents the amount of money the Member must fund an increase in the Member's monthly contribution.

**Recalculate**

Use the 'Recalculate' button to change parameters and recalculate the term pay amount

## Example #1 (continued)

Employee made irrevocable election (Option 1) at least 90 days before termination date. Employer must withhold employee contributions from pay on tax-deferred basis. Employee owes only the remainder as an out-of-pocket expense.



**Example #2. This member does not have a TPIEF on file**

**TRS**  
Term Pay Calculator

0091 PUBLIC SCHOOLS (Test)

Member: 0 P SSN Find Lookup

Current Employer	0091 PUBLIC SCHOOLS (Test)
Date of Birth	10/02/1956
Termination Date	06/10/2021
Retirement Date	07/01/2021
Years of Service	.00
Buyback Service Available	.00
Total Service	.00
Termination Pay Amount	7625.00
FICA Withholding Amount	472.75
Medicare Withholding Amount	110.56

Termination Pay Option: Both

Please use the term pay calculator to determine the amount of FICA and Medicare to be withheld from a retiring member's termination pay.

FICA withholding: 6.2%  
Medicaid withholding: 1.45%  
Total withholding: 7.65%

After entering the termination pay amount, you can click on the calculators to calculate the withholdings. When you report withholdings for termination pay, you can override the amount shown when you report; however, you may not withhold more than the percentages above.

Please be sure to report the actual amount to be withheld, not an estimate.

Calculate

Since the member has not yet made an irrevocable election, you can choose to calculate the contribution costs for both Option 1 and Option 2



**TRS Employer Wage & Contribution Reporting System**  
Term Pay Calculator

0091 PUBLIC SCHOOLS (Test)

Member: 0 P SSN Find Lookup

Employer	0091 PUBLIC SCHOOLS (Test)
Date of Birth	10/02/1956
Termination Date	06/10/2021
Retirement Date	07/01/2021
Years of Service	30.00
Buyback Service Available	.00
Total Service	30.00
Termination Pay Amount	7,625.00
FICA Withholding Amount	472.75
Medicare Withholding Amount	110.56

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate	Employer Contribution Due
* Option 1	3.06%	\$6,999.75	3.19%	\$7,297.13
Option 2	6.15%	\$621.44	11.55%	\$880.69

\*Employee Contribution Due Must Be Remitted By Member - Via Personal Payment.

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to be paid on termination pay. Many factors may affect the final calculation, including future changes in law and/or administrative rules.

Termination Pay Out-of-Pocket Calculation for Option 1	
Termination Pay Amount	7,625.00
Less FICA Withholding Amount	472.75
Less Medicare Withholding Amount	110.56
Net Amount (Tax Deferred)	.00
Contribution Due TRS	6,999.75
Out-of-Pocket Expense	6,999.75

Recalculate

Use the 'Recalculate' button to change parameters and recalculate the term pay amount

**Example #2, no TPIEF on file (continued)**

Employee can still elect Option 1 or Option 2 but must pay all contributions out of pocket (after tax)



## PRINT CALCULATION AND SEND TO TRS WITH FORM 113 – RETIREMENT TERMINATION PAY

- You can print the calculation using the Print icon at the top of screen:




Montana Teachers' Retirement System



- Follow all instructions on TRS Form 113 *Retirement Termination Pay*
- Submit Form 113 to TRS (fax, email\* or mail) with the Term Pay Calculator printout *one week prior* to submitting your Wage & Contribution report
  - \* If you are emailing the Term Pay Calculator screen image, black out the employee's SSN for privacy/security reasons





**Montana Teachers' Retirement System**  
 P.O. Box 200739, Helena, MT 59620-0739  
 406-444-3134 • 866-400-4045 • trs.mt.gov

TRS Office Use Only

**FORM 113: RETIREMENT TERMINATION PAY**

In compliance with the Americans with Disabilities Act of 1990, alternative accessible formats of this document will be provided upon request.  
 PLEASE TYPE OR PRINT LEGIBLY IN DARK INK

SECTION 1: MEMBER INFORMATION

Full Name: First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_ Suffix (jr, Sr, etc.) XXX-XX- Last 4 Digits of SSN \_\_\_\_\_  
 Birth Date (mm/dd/yyyy) \_\_\_\_\_ Telephone Number \_\_\_\_\_  
 Mailing Address: Street or P.O. Box \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code (use Zip+4 if known) \_\_\_\_\_

**INSTRUCTIONS TO MEMBER:** Indicate Option 1, 2, or 3 to advise the Montana Teachers' Retirement System (TRS) how you would like your termination pay to be used in the calculation of your monthly retirement benefit. Options are described in the TRS Active Member Retirement Plan Handbook.

I hereby elect termination pay option:  Option 1  Option 2  Option 3

I have submitted **Form 129 Termination Pay – Irrevocable Election** at least 90 calendar days prior to my termination of employment, to allow the employee contribution due on termination pay to be remitted as tax-deferred.

I have **not** submitted **Form 129 Termination Pay – Irrevocable Election**. I understand I must remit a personal payment representing the employee contribution due to TRS.

Member's Signature \_\_\_\_\_ Date \_\_\_\_\_

SECTION 2: EMPLOYER CERTIFICATION

**INSTRUCTIONS:** Please retain this Retirement Termination Pay form in your office until the employee has terminated, all wages have been paid, and the termination pay amount has been determined. **Then** complete the following steps:  
 At least ONE WEEK\* before submitting your monthly contribution report in which the termination pay will be reported:

- Complete all fields below with the employee's termination date, termination pay amounts, and other requested information.
- Access the **TRS Termination Pay Calculator** screen in the online TRS Employer Wage & Contribution Reporting System.
- Input all required values on the Term Pay Calculator to calculate the actual employee and employer contribution due to TRS.
- Print the Term Pay Calculator screen and attach it to Page 2 of this form to verify the contribution amounts due.
- Mail this signed, original **Retirement Termination Pay** form and the attached calculation to TRS. (Keep a copy for your records.)

\* TRS requires one week's advance notice to air up the term pay paycheck. This prevents you from receiving an error when submitting your report. Remit the contributions due on termination pay by the 15th of the month following the member's termination; otherwise, interest may be assessed.

Termination Date: \_\_\_\_\_ Employee's Termination Pay Amount: \_\_\_\_\_  
 Vacation \$ \_\_\_\_\_ Sick \$ \_\_\_\_\_ Incentive \$ \_\_\_\_\_ Total \$ \_\_\_\_\_  
 (mm/dd/yyyy) Will the employee contribution due on termination pay be remitted as tax-deferred? Yes  No   
 Please verify the following amounts (do not include Termination Pay in these amounts):  
 Base Contract Amount \$ \_\_\_\_\_ Other Compensation \$ \_\_\_\_\_  
 Explanation: \_\_\_\_\_

I certify that the above named member has terminated their employment and that all information reported is complete and correct. If the member has signed TRS Form 129 Termination Pay – Irrevocable Election, unless otherwise required by law, the total termination pay amount payable to the member is reported, and that employee contributions will be withheld pursuant to IRC (414(b)(2) and Montana Code Annotated, §19-20-716. I also certify that the termination pay amount reported does not include deferred compensation as defined under IRC, 457(f).

Employer's Printed Name \_\_\_\_\_ TRS Six-Digit Employer Number \_\_\_\_\_ Telephone Number \_\_\_\_\_  
 Certifying Representative's Printed Name and Title \_\_\_\_\_ Certifying Representative's Signature \_\_\_\_\_ Date \_\_\_\_\_

Revised 1/28/2020 TRS FORM 113 (TP) 1 of 2

## TERM PAY FLOWCHART

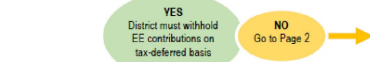
TRS has created a new Termination Pay flowchart to help business managers with the required forms and contributions

*We thank Jane Knudsen of Malta Public Schools for the idea!*

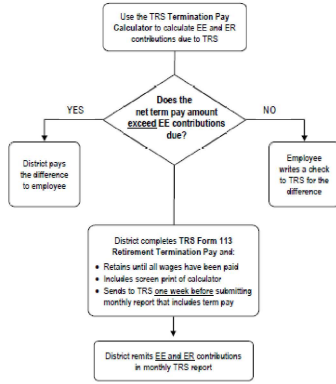


See PDF version

TRS RETIREMENT – Termination Pay procedures  
 Did the employee sign TRS Form 129 *Termination Pay Irrevocable Election (TPIEF)* at least 90 calendar days prior to their last day of work?

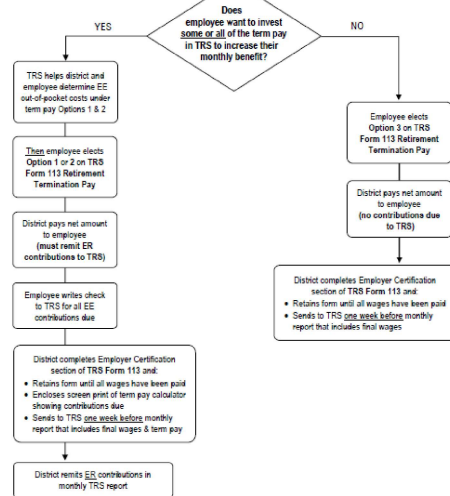


When the final termination pay amount is known:



Follow this procedure when TRS Form 129 was not completed in time for tax deferral of EE contributions

When the final termination pay amount is known:



## Montana Teachers' Retirement System

REPORTING REQUIREMENTS,  
 NEW MEMBER PROCESS, AND MORE

Nolan Brilz, TRS Accounting & Fiscal Manager

## AVOID THESE COMMON REPORTING ERRORS

- TRS emailed a memo on February 19, 2021: “Wages must be reported to TRS when earned, not when paid”
  - Available on [Communication Archive](#) page of TRS website (trs.mt.gov)
- Common errors:
  1. Reporting more than one month’s wages and hours on a single report for classified/hourly staff
  2. Increasing FTE for part-time staff when reporting summer pay on your June report
  3. Reporting certified/contracted staff on a “when earned” basis and classified/hourly staff on a “when paid” basis on same report



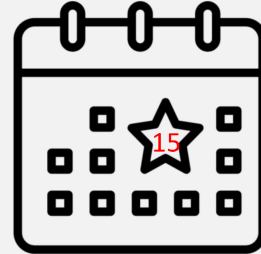
## AVOID THESE COMMON ERRORS (continued)

- What are the consequences of such reporting errors?
  - Employee’s creditable service could be overstated or understated
  - The error might not be discovered until years later when the member wants to retire
  - TRS staff must perform an audit to ensure the member’s creditable service is accurate. To do this, TRS staff may need you to research old payroll records
  - The member’s retirement may be delayed!



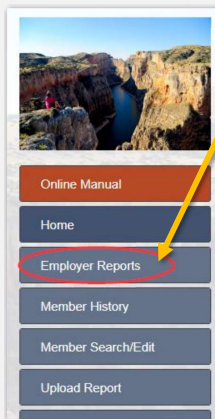
## MONTHLY REPORTING DEADLINES

- Reports are always due by the **15<sup>th</sup>** of the following month
- **Important: Submit June report by July 15 for fiscal year closeout**
- TRS now requires a report each month
  - even if you have no wages to report (e.g., summer months)
  - We'll review "\$0 contribution" reports next



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## NO WAGES TO REPORT? SUBMIT \$0 CONTRIBUTION REPORT



1. Select **Employer Reports** from menu
2. Click the **Add (+)** button

A screenshot of the TRS Employer Wage & Contribution Reporting System interface. The page title is 'List Employer Reports'. Below the title, there is a note: 'NOTE: TRS will require employers to report wages every month. For summer months when no wages are paid, use the Plus (+) button to create a \$0 contribution report, then submit the report to TRS. For detailed instructions, see the Online Manual.' Below the note is a table with columns: Pay Period, No./Type, Date Submitted, Post, TRS Empe, Earnings, Employee Contrib, Employer Contrib, Over+ Short-, and Total Remitted. A red box highlights the 'Add (+)' button in the bottom right corner of the table, with a yellow arrow pointing from the second step of the instructions to it.

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## HOW TO SUBMIT A \$0 CONTRIBUTION REPORT (continued)

3. Select **YES** for “\$0 Contribution?”
4. Click **Save...** then OK to confirm...

- *Report Type* defaults to Contribution
- *Pay Period* defaults to the next month that has not been reported



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## HOW TO SUBMIT A \$0 CONTRIBUTION REPORT (continued)

5. Return to **Employer Reports**
6. Click the **Down** arrow on this \$0 report and click **Submit**

Pay Period	No/Type	Date Submitted	Post	TRS Empe	Earnings	Employee Contrib	Employer Contrib	Over+ Short-	Total Remitted
06/2019	1 C			0	.00	.00	.00	.00	.00

**TIP:** There is no editing step –\$0 contribution reports post right away



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## EMPLOYER CONTRIBUTION RATES EFFECTIVE JULY 1, 2021

- School district employer contribution rates increase by 0.1% every year (through 2024)
  - See “Rates & Salary Charts” page on TRS website (trs.mt.gov)
  - Link is on right side of Home page
- Effective July 1, 2021:
  - **9.27%** for active members
  - **11.65%** for working retirees



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## THE TRS ‘NEW MEMBER’ PROCESS

- In spring 2020, TRS announced a new, streamlined process
- Business managers no longer distribute and collect TRS enrollment or beneficiary designation forms
- When TRS receives your report with wages for an employee who was not already a member:
  - TRS automatically creates member’s account and mails a welcome letter
  - Member then can designate beneficiaries online in *MyTRS*
- **Do you have any questions about this process?**



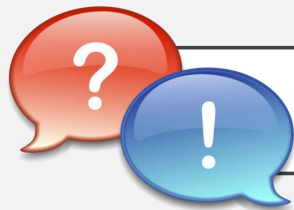
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## COMING SOON!

- TRS now is working on an **online withdrawal process**
  - Online application will reduce errors and streamline the process
  - Only members who terminated all TRS-reportable employment and are not planning to return may apply for withdrawal
- **FYI:** Employer 'certification of termination' step may be incorporated into the Wage & Contribution Reporting System (*details TBD*)
  - Tentative implementation: Fall 2021



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## QUESTIONS?

Questions about Term Pay forms:	<b>Cathy Leonard</b>	(406) 444-3132	Cathy.Leonard@mt.gov
TRS Benefit Officers:	<b>Jhonnelle Sedlock</b>	(406) 444-4113	jsedlock@mt.gov
	<b>Jessie Hill</b>	(406) 444-3091	Jessie.Hill@mt.gov
	<b>Margaux Lilly</b>	(406) 444-3324	Margaux.Lilly@mt.gov
TRS Accounting Team: (Questions about monthly reporting)	<b>Nolan Brilz</b>	(406) 444-3679	NBrilz@mt.gov
	<b>Christian Ward</b>	(406) 444-3323	Christian.Ward@mt.gov
	<b>Ali Holland</b>	(406) 444-2540	Alison.Holland@mt.gov



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