



Montana Teachers'  
Retirement System

## TRS REPORTING REMINDERS AND TERMINATION PAY FOR RETIRING MEMBERS

MASBO Webinar – February 23, 2023

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### AGENDA

*Part 1: A brief review of TRS reporting requirements*

- New TRS member enrollment procedure
- Monthly wage & contribution reporting tips
  - ...including the new “Action Items” feature for employees who terminate employment and apply for withdrawal (refund)

*Part 2: Termination Pay for TRS members who apply for retirement*

- What constitutes termination pay?
- How is it used in calculating the employee’s TRS retirement benefit?
- How is Form 129 ‘Termination Pay Irrevocable Election’ used?
- How do I report termination pay to TRS?



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## PART I: A BRIEF REVIEW OF TRS REPORTING REQUIREMENTS



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## THE TRS 'NEW HIRE' PROCESS

- Prior to 2020, business managers had to distribute and collect TRS enrollment and beneficiary forms from new employees ☹️
- Now, less paperwork is required for new TRS members
  - See 'Employer Forms' section of TRS Forms webpage for procedure →

Form	Form Name	View/Print
	New Hire Procedure for Employers to determine TRS membership	<a href="#">View/Print</a>
	Handout for New TRS Members – for distribution by employer	<a href="#">View/Print</a>
106	Membership Election: Substitute Teacher or Part-time Aide/Para <small>[Must use new version, revised 4-2020]</small>	<a href="#">View/Print</a>
102	Record for Membership <small>[NO LONGER USED]</small>	Archived
107	New Hire Questionnaire <small>[NO LONGER USED]</small>	Archived

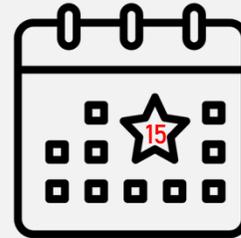
- When you first report wages for an employee who is new to TRS:
  - TRS automatically creates the member's account and mails a welcome letter
  - After that, the employee can use 'My TRS' to designate beneficiaries online



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## MONTHLY REPORTING DEADLINES

- Each month's report is due by the **15<sup>th</sup>** of the following month
- **Important! Report June wages no later than July 15 for fiscal year closeout**
- TRS requires a report each month
  - If you have no wages to report (e.g., in summer months), you must submit a \$0 contribution report
  - See the **Online Manual** for step-by-step instructions



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## USING THE ONLINE MANUAL

MONTANA.GOV OFFICIAL STATE WEBSITE

ONLINE MANUAL DARLA FITZPATRICK LOGOUT TRS SEARCH

Montana Teachers' Retirement System (TEST)

TRS Employer Wage & Contribution Reporting System

List Employer Reports

1 PUBLIC SCHOOLS

**Click the "Online Manual" link...**

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.

Year: 2023 Fiscal Year: Calendar Year

**Warning!** Employer has an outstanding balance shortage of \$186.27.

Pay Period	No/Type	Date Submitted	Post	TRS Empe	Earnings	Employee Contrib	Employer Contrib	Over-Short.	Total Remitted	
10/2022	2 A	11/16/2022	✓	4	1,063.20	86.65	99.62	-186.27	.00	
10/2022	1 C	11/15/2022	✓	677	3,302,317.54	269,138.90	309,427.16	.00	580,522.92	
						Buyback Work Retiree 150.87	1,805.99			
09/2022	1 C	10/14/2022	✓	664	3,117,705.82	254,093.07	292,129.05	1,186.22	549,075.84	
						Buyback Work Retiree 150.87	1,516.63			
08/2022	5 A	10/14/2022	✓	2	6,272.00	511.16	587.68	-1,098.84	.00	

TRR

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## USING THE ONLINE MANUAL – CONTINUED

**Contents | Index | Search**

- Wage & Contribution Reporting System Online Manual
  - Overview
    - General Reporting Requirements
    - Welcome page, Menu, and Print button
    - "Find" and "Lookup" functions
  - Action Items
  - Employer Reports
    - Page Descriptions
    - Step-by-Step Procedures
      - State of MT procedures
      - Resolving Error and Warning Messages
      - Sample Employer Edit Report
  - Member History
  - Member Search/Edit
  - Upload Report
  - Term Pay Calculator
  - Employer Balance
  - Employer Contact Reporting
  - Additional Users

**Wage & Contribution Reporting System Online Manual**  
Manual last updated: 10/31/2022

Welcome to the Online Manual for the TRS Wage & Contribution Reporting System

**TRs has added an "Action Items" feature!**

Review the [Action Items](#) topic within this Online Manual to learn how to complete any action items you see when you log into the Reporting System.

If you have questions about your responsibility, please call TRS at (406) 444-3134 during regular business hours.

**Easy Steps for Submitting \$0**

- Choose *Employer Reports* from the menu and make sure your previous month's report has been submitted to TRS.
- On the *List Employer Reports* page, click the "+" (Add) button in the upper right. When the *Add Report Header* page displays, you will see that:
  - The *Report Type* field is set to *Contribution*
  - The *Pay Period* is set to the next month for which no contributions have been submitted

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## ARE YOU NEW TO TRS REPORTING?

- We recommend you watch TRS's presentation at the MASBO summer conference last June
- Attendees asked many good questions, and the answers may help you as well!



You'll find a link on the "Workshops & Presentations" page of the TRS website:  
<https://trs.mt.gov/TrsInfo/Workshops>

Scroll to the "Employer Training Presentations" section

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## AVOID 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 to avoid:
  1. Do not report more than one month’s wages and hours for classified/hourly staff on a single report
  2. Do not report certified/contracted staff one way and classified/hourly staff another way on the same report (*report all staff on a “when earned” basis*)
  3. Do not increase FTE for part-time staff when reporting summer pay on your June report (*the TRS system knows how to calculate their service credit*)



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## COMMON REPORTING ERRORS (continued)

- What are the consequences of errors like these?
  - A member’s service could be overstated or understated – which can affect their retirement date and the calculation of their benefit
  - An error might not be discovered until the member applies for retirement and TRS staff audit their service record for accuracy
  - The school district may be required to research old payroll records as part of the TRS audit
  - The member’s retirement benefits could be delayed, and they might be counting on that income



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## NEW “ACTION ITEMS” FEATURE

- In Fall 2022, TRS implemented an **Action Items** feature in the Wage & Contribution Reporting System
  - Currently it is used only to collect information when a recent employee has applied for withdrawal (refund) from TRS
  - Remember: Only members who have terminated all TRS-reportable employment and who do not plan to return are eligible to withdraw
- You must complete the Action Items within 60 days to:
  - Confirm whether – and when – the member actually left employment
  - Tell TRS when final contributions were (or will be) remitted for that employee



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## ACTION ITEMS DASHBOARD – EXAMPLE I

- The red Action Items button shows there is one item requiring attention
- Review summary information at right about that action item
- Click the Edit button and follow instructions

Member Name	Reason	IMMEDIATE ACTION NEEDED
BF [redacted] C	Withdrawal Request Received 11/28/2022	Certify Termination of Employment Remit Contribution on Final Wages

Reminder: Step-by-step instructions are provided in the Online Manual



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## ACTION ITEMS DASHBOARD – EXAMPLE 2

- In this example, the termination date has already been provided
- The only thing left to do is to remit the monthly report that includes this member's final contributions
- Once remitted and posted, the action item will disappear from the dashboard

**TRS Employer Wage & Contribution Reporting System**

**Action Items**

5/11/2021 PUBLIC SCHOOLS (Test)

TRS requires information for the members listed below. **Please complete each action item as soon as possible.**

Member Name	Reason	What's Required?	
MEMBERSHIP NAME L	Withdrawal Request Received 11/23/2022	Certified Termination Date: 11/28/2022 Remit Contributions on Final Wages with 12/2022 Report	<input checked="" type="checkbox"/>



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## EMPLOYER CONTRIBUTION RATES EFFECTIVE JULY 1, 2023

- School district employer contribution rates increase by 0.1% every year (through FY 2024)
  - See “Rates & Salary Charts” page on TRS website (trs.mt.gov)
  - Link is on right side of Home page
- Effective July 1, 2023, rates will be:
  - **9.47%** for active members
  - **11.85%** for working retirees



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## PART 2: TERMINATION PAY FOR RETIRING TRS MEMBERS



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### WHAT IS TERMINATION PAY?

#### 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, contact TRS for a determination on whether it qualifies as termination pay



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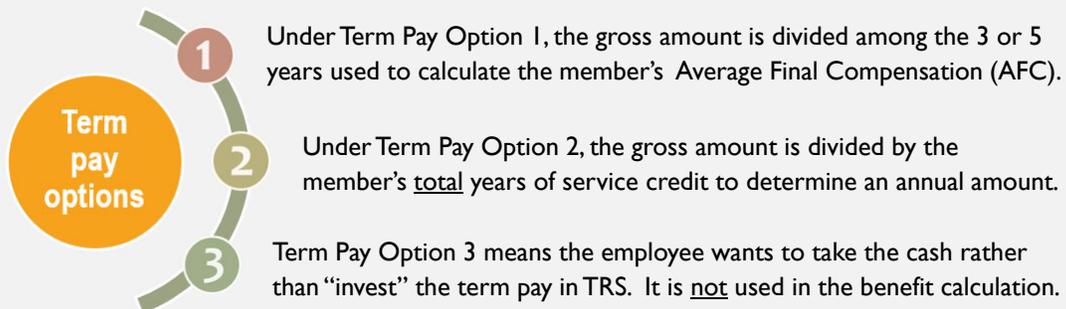
## TERMINATION PAY DOES NOT INCLUDE:

- 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 will be paid to the employee at a later date
  - **If it's not paid to the employee at the time of termination and retirement, it's not termination pay**
- Amounts for which the employee was allowed a choice between a cash payment and another form of payment
  - *Example:* If a district offers either cash or payment of health insurance premiums or another benefit in lieu of cash, it's not termination pay



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## THREE OPTIONS FOR TREATMENT OF TERMINATION PAY



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

- Option 1: Largest increase in monthly benefit = Higher 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 monthly benefit = Lower cost
- Why does it cost?
  - Both the employer and employee must make contributions to TRS to fund that increase in monthly benefits over the employee's lifetime



## 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 still elect Option 1 or Option 2 but must pay contributions by personal check

**IMPORTANT:**  
Do not use older versions of Form 129. The current version has a Fact Sheet attached to it



**Montana Teachers' Retirement System**  
P.O. Box 200339, Helena, MT 59620-0339  
406-444-3134 • 866-600-4045 • trs.mt.gov

TRS Office Use Only

**FORM 129- TERMINATION PAY IRREVOCABLE ELECTION**

In compliance with the Americans with Disabilities Act of 1990, alternative accessible formats of this document will be provided upon request.

Before completing this form, read the requirements on Page 2 and in the enclosed *Termination Pay Fact Sheet*. It is your responsibility to complete and submit this form to TRS in conformity with your wishes regarding the use of termination pay. This form is void unless filed with TRS prior to your termination of employment. <http://trs.mt.gov>

**Use current version from website  
(trs.mt.gov) with attached  
Termination Pay Fact Sheet!**

Full Name: First \_\_\_\_\_ Last \_\_\_\_\_ Maiden or Other Name \_\_\_\_\_

Mailing Address - Street or P.O. Box \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code (use ZIP+4 if known) \_\_\_\_\_ Telephone Number \_\_\_\_\_

SECTION II: MEMBER'S ELECTION AND CERTIFICATION

Member must complete items A, B, and C

A.  I certify that I have read and understand the *Termination Pay Fact Sheet*, and

B.  I elect to use termination pay in the calculation of my benefit according to the option I marked in "C";

C. Choose one option:  Termination Pay Option 1  Termination Pay Option 2

**SIGNATURE.** By my signature on this form, I direct my employer, at the time of my termination of employment and retirement, to report the total amount of my termination pay to the Montana Teachers' Retirement System (TRS) and to pick-up and remit member contributions on the total termination pay amount to TRS on a tax-deferred basis to the extent the contributions can be withheld from my termination pay. I understand this election, once submitted to TRS, may not be revoked. I also understand that if I have elected Termination Pay Option 1 and my required member contributions exceed the amount available for employer pick-up, I must remit the remaining member contributions by personal check made payable to TRS.

MEMBER'S SIGNATURE - must be signed in the presence of a notary public

Signature \_\_\_\_\_ Date \_\_\_\_\_

TO BE COMPLETED BY THE NOTARY PUBLIC:

State of \_\_\_\_\_

County of \_\_\_\_\_

This instrument was signed or acknowledged before me on \_\_\_\_\_

By \_\_\_\_\_  
Print name of signer

Notary Signature \_\_\_\_\_

Employer must complete SECTION III on Page 2

Revised 2/4/2021 TRS FORM 129 (TPIEF) 1 of 2

**TIP**

**Will your school district offer a retirement incentive?**

Submit the incentive language to the TRS Executive Director for review. It must be approved more than 90 calendar days prior to the member's last day of work.

If the incentive language is not approved in time, the member will be unable to sign the TPIEF in time to accept the incentive on a tax-deferred basis. Instead, the member would need to pay required contributions out of pocket (after tax)!



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

- Employees first should **get an estimate of retirement benefits** – either from TRS staff or by using *My TRS* – **before they make an irrevocable election on Form 129**



*Employees should NOT sign the form until they understand how their election affects their benefit and how much (if any) they may owe to TRS out of pocket*



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## 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 with TRS**

**TRS Employer Wage & Contribution Reporting System**

**Term Pay Calculator**

41 PUBLIC SCHOOLS (Test)

Member: 2 E SSN

Current Employer: 41 PUBLIC SCHOOLS (Test)

Date of Birth	12/26/1958	
Termination Date	06/10/2021	
Retirement Date	07/01/2021	First day of month after Termination Date
Years of Service	.00	Service Verified by TRS on 01/05/2021
Buyback Service Available	.00	
Total Service	.00	
Termination Pay Amount	7625.00	Termination Pay Option: 1
FICA Withholding Amount	472.75	
Medicare Withholding Amount	110.56	

Please use the term pay calculator to determine the amount of FICA and Medicare to be withheld from the termination pay. You can click on the calculator icons to calculate the withholding amounts. After entering the termination pay amount, you can click on the calculators to calculate the withholding amounts. 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.

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

Calculate

**To use the Term Pay Calculator:**

1. Enter employee's **Termination Date** (last day of work – NOT contract end date)
  - System will fill in **Retirement Date** and **Years of Service**
2. Enter the **Termination Pay** amount
  - Termination Pay Option field shows only the option elected by employee
3. Click the calculator icons to fill in FICA and Medicare withholding
4. Click **Calculate**

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**TRS Employer Wage & Contribution Reporting System**

**Term Pay Calculator**

41 PUBLIC SCHOOLS (Test)

Member: 2 E SSN Find Lookup

Employer: 41 PUBLIC SCHOOLS (Test)

Date of Birth	12/26/1958	Member's Age 63
Termination Date	06/10/2021	
Retirement Date	07/01/2021	First day of month after Termination Date
Years of Service	36.00	Service Verified by TRS on 01/05/2021
Buyback Service Available	.00	
Total Service	36.00	
Termination Pay Amount	7,625.00	Termination Pay Option 1
FICA Withholding Amount	472.75	
Medicare Withholding Amount	110.56	

Termination Pay Option	Employee Contribution Rate	Employee Contribution Due	Employer Contribution Rate
Option 1	3.18%	\$8,729.10	3.33%

This is an estimate and not to be construed as a firm commitment of the employee and employer contributions to the TRS. 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
Out-of-Pocket Expense	1,687.41

An 'Out of Pocket Expense' represents the additional amount the Member must contribute to the TRS to receive the full amount of the termination pay.

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 calendar days before their termination date.

Employer must withhold employee contributions from pay on tax-deferred basis.

Employee owes only the remainder as an out-of-pocket expense.

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

**TRS Employer Wage & Contribution Reporting System**

**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	First day of month after Termination Date
Years of Service	.00	Service Verified by TRS on 11/24/2020
Buyback Service Available	.00	
Total Service	.00	
Termination Pay Amount	7625.00	Termination Pay Option: Both
FICA Withholding Amount	472.75	
Medicare Withholding Amount	110.56	

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

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**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	Member's Age 65
Termination Date	06/10/2021	
Retirement Date	07/01/2021	First day of month after Termination Date
Years of Service	30.00	Service Verified by TRS on 11/24/2020
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	8.15%	\$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

An 'Out of Pocket Expense' represents the additional employee contribution due to fund an increase in the Member's monthly retirement benefit.

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)

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TIP

Use the  
Term Pay Calculator  
anytime!

*Example:*  
A smaller school district can use  
it as a budgeting tool if they  
know a teacher is planning to  
retire next year.

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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

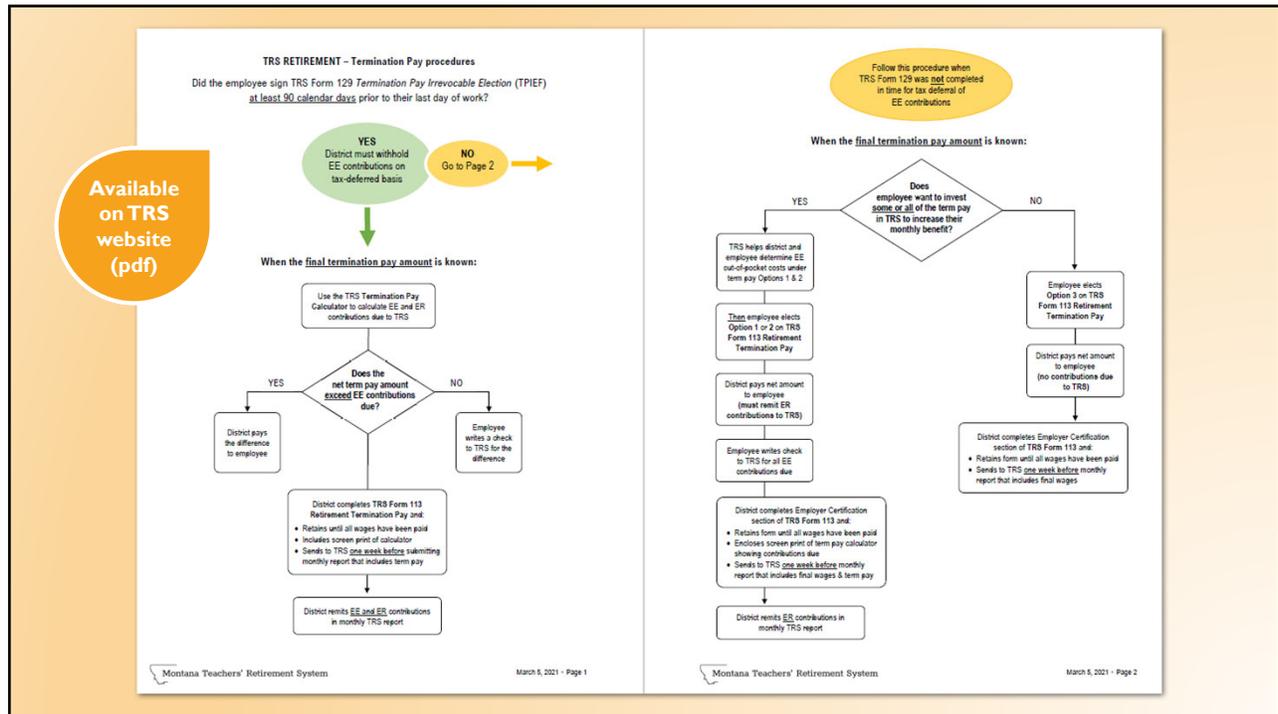
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# TERM PAY FLOWCHART

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

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

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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>Sherry Smith</b>	(406) 444-3324	Sherry.Smith@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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