



**MONTANA  
TEACHERS' RETIREMENT SYSTEM**

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*TRS Office Use Only*

**TERMINATION PAY - IRREVOCABLE ELECTION FORM**

READ INSTRUCTIONS ON REVERSE SIDE.

PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.

**MEMBER INFORMATION**

First \_\_\_\_\_ Middle \_\_\_\_\_ Last \_\_\_\_\_ Suffix \_\_\_\_\_  
Printed Name

\_\_\_\_\_   X  X  X   -   X  X   - \_\_\_\_\_  
Maiden Name Date of Birth Social Security Number

\_\_\_\_\_  
Mailing Address--Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code) Area Code & Telephone Number

**I hereby elect to use termination pay in the calculation of average final compensation in compliance with option:**

<b>OPTION 1</b>	I elect to add the total amount of my termination pay to the three highest consecutive salaries used in the calculation of my "average final compensation" (AFC). My employer and I shall pay the required contributions to the retirement system, to adequately compensate the Montana Teachers' Retirement System (TRS) for the additional benefit.	<b>Initial one option</b>
<b>OPTION 2</b>	I elect to add a portion of my termination pay to the three highest consecutive salaries. I understand that the termination pay is divided by my total years of creditable service to determine a yearly amount. The yearly amount of termination pay is then added to each of the three consecutive year's salary used in the calculation of my AFC. My employer and I shall pay the required contributions to the retirement system, to adequately compensate TRS for the additional benefit.	

**At the time of my termination and retirement, I hereby direct my employer to deduct from my termination pay the contributions due TRS. I understand that my contributions will be withheld on a tax-deferred basis, provided the 90 calendar day requirement has been met, and remitted to TRS by the employer. I acknowledge I have read and understand the Termination Pay-Irrevocable Election Instructions on the backside of this form. By signing below I acknowledge that I am entering into an irrevocable contract.**

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

**TO BE COMPLETED BY A NOTARY PUBLIC**

Signed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_; by name of person appearing before the Notary Public. County of \_\_\_\_\_.

\_\_\_\_\_  
Signature of Notary Public

\_\_\_\_\_  
Typed, Stamped or Printed Name of Notary

\_\_\_\_\_  
Notary Public for the State of:

\_\_\_\_\_  
Residing at:

\_\_\_\_\_  
My commission expires:

(SEAL)

**EMPLOYER INFORMATION**

\_\_\_\_\_  
Name of School District TRS Six Digit Employer Number

\_\_\_\_\_  
Mailing Address - Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code) Area Code & Telephone Number

**By signing this form, the employer acknowledges their obligation to remit to TRS the appropriate employee tax-deferred contribution and the employer contribution due on termination pay.**

\_\_\_\_\_  
Certifying Officer's Printed Name Title

\_\_\_\_\_  
Certifying Officer's Signature Date

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT OF 1992,  
ALTERNATIVE ACCESSIBLE FORMATS OF THIS DOCUMENT WILL BE PROVIDED UPON REQUEST.

## TERMINATION PAY - IRREVOCABLE ELECTION INSTRUCTIONS

A Montana Teachers' Retirement System (TRS) member, pursuant to §19-20-716, MCA, is permitted to pay additional employee contributions to TRS in order to include termination pay in the calculation of their monthly benefit. The employee contribution due TRS will be deducted from the termination pay and remitted to TRS on a tax-deferred basis. I understand that tax-deferral of the employee contributions on termination pay, due to TRS, requires execution of this irrevocable payroll reduction authorization. The employer is required to withhold and remit to TRS the employee contributions deducted from my termination pay. With respect to this reduction, I understand the following:

- The Termination Pay – Irrevocable Election is only valid with my current employer. I understand that if I have multiple employers, I must have a valid Termination Pay – Irrevocable Election on file with each employer. I further understand that if I change employers and/or re-retire, I must sign a new Termination Pay – Irrevocable Election Form.
- Options to take cash or have the amount payable applied toward future insurance premiums will void this election and result in a zero amount of termination pay reportable to TRS.
- This is an irrevocable payroll reduction authorization. The statute governing this option, §19-20-716, MCA, requires that I use “**the total**” termination pay amount available at the time of my resignation **and** retirement in the calculation of average final compensation.
- The binding irrevocable election form is not effective until signed by me (TRS member) in front of a notary and by a certifying officer for the employer.
- The withholding and remittance of tax-deferred contributions is only effective if this irrevocable election form was executed at least **90 calendar days** prior to my last pupil instruction day, pupil-instruction-related day, or termination date.
- Contributions due TRS must be deducted from the gross amount of my termination pay, being paid at the time of my resignation and retirement. Any payout of accrued sick leave and/or vacation time being paid to me prior to my resignation and retirement, or any deferred payouts are not reportable to TRS.
- After the execution of this Termination Pay – Irrevocable Election Form, I do **not** have the option of receiving the tax-deferred employee contributions. The employer must remit the employee contributions directly to TRS.
- Any portion of my termination pay that is required to be contributed by my employer to a Voluntary Employee Benefit Association (VEBA) will reduce the maximum amount of termination pay that can be reported to TRS.
- If employee contributions due TRS exceed the available funds, after Social Security taxes have been deducted from the gross amount of the termination pay, I understand that I will be required to make personal payment of any balance due. (Please see the example below.)

### TERMINATION PAY OUT-OF-POCKET EXPENSE CALCULATION EXAMPLE

Termination Pay Amount		\$5,000.00	
Less FICA/Medicare (7.65%)		<u>\$ 382.50</u>	
Net Amount (Tax Deferred)	=	\$4,617.50	
Your Cost for This Option		\$5,250.00	(Per Estimate of Benefits)
Out-of-Pocket Expense		\$ 632.50	(Payable to TRS)

- If I die prior to termination of employment, this binding, irrevocable election shall be carried out in accordance with the executed Termination Pay - Irrevocable Election Form. If there is no termination pay, the election is void upon my death.

### EMPLOYER NOTES

- Employee contributions deducted from termination pay must be paid from the same source as compensation is paid.
- Employer contributions may be paid from the employer's retirement fund.

**Distribution:** Mail Original “Termination Pay – Irrevocable Election Form” to TRS  
Photocopy Retained by the Employer  
Photocopy Provided to the Employee