

**SECTION 5
PURCHASING ADDITIONAL SERVICE**

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MODEL RESOLUTION FOR PURCHASING SERVICE

Each TRS employer has the option of making available to their TRS covered employees the opportunity to purchase service credit through payroll deduction with tax-deferred contributions. Before any member would be eligible to purchase service with tax-deferred dollars, the employer must adopt a 'Model Resolution' that has been approved by the IRS. Please visit the TRS website to obtain a copy of the 'Model Resolution' and a complete copy of instructions. If you have questions regarding this process, please contact the TRS at 406-444-3324 or 406-444-4113.

On the date that the resolution is effective all additional payroll deductions previously being withheld and reported to the TRS **must** terminate. Once you have adopted the 'Model Resolution', a TRS member may no longer purchase service via payroll deduction with taxed dollars. The member must contact the TRS office, to request information relative to the tax-deferred payment options.



MONTANA TEACHERS' RETIREMENT SYSTEM

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PO BOX 200139
HELENA MT 59620-0139
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406-444-3134
1-866-600-4045

TRS Office Use Only

MODEL RESOLUTION FOR PURCHASING SERVICE

PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.

Resolution # _____ of the _____ Board of Directors, Trustees, etc.

of _____ School District, University, or Institution's Name TRS Six-Digit Employer Number

Whereas, _____ School District, University, or Institution's Name TRS Six-Digit Employer Number

(hereinafter referred to as the "Employer") is an employer whose employees participate in the Montana Teachers' Retirement System (TRS) pursuant to Montana Code Annotated (MCA), §19-20-101; and,

Whereas, the _____ Board of Directors, Trustees, etc. (hereinafter referred to as the

"Governing Body") of the Employer has determined it would be in the best interest of its' employees to provide a pick-up of employee contributions under Section 414(h)(2) of the Internal Revenue Code of 1986 for contributions that are made for the purpose of purchasing service credit under §19-20-401, et seq., and/or redeposit amounts withdrawn under §19-20-602(2), MCA; and,

Whereas, under §19-20-415, MCA, in order to effectuate this pick-up the Governing Body must adopt a resolution to pick up the member's contributions made pursuant to a binding, irrevocable payroll deduction authorization; and,

Whereas, the contributions picked up by the Employer must be payable from the same source as is used to pay compensation to the employee;

Now, therefore, be it resolved by the Governing Body of the Employer as follows:

Section 1. That, employee contributions made (pursuant to a binding, irrevocable payroll deduction authorization to have such contributions picked up) for the purpose of purchasing service under §19-20-401, et seq., and/or redeposit amounts withdrawn under §19-20-602(2), MCA, even though designated as employee contributions for state law purposes, are being paid by the Employer to the TRS in lieu of the contributions by the employee.

Section 2. That, if the employee desiring to have contributions picked up executes a binding, irrevocable payroll deduction with respect to these contributions the employee shall not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the Employer to the TRS.

Section 3. That, with respect to any employee's contributions the effective date of the pick-up by the Employer is the later of:

- (a) the adoption of this resolution; or
(b) the execution of the payroll deduction authorization form.

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This pick-up does not apply to any contributions made before the effective date or to any contribution that relates to compensation earned for services before the effective date.

Section 4. That, any payroll deduction authorizations in effect as of the effective date of this resolution are void and an employee who wishes to have payroll deductions made for the purpose of purchasing service or redeposit withdrawn amounts must follow the procedures specified in Section 5 of this resolution.

Section 5. That, an employee who wishes to redeposit amounts withdrawn under §19-20-602(2), MCA, or to purchase service credit under §19-20-401 et seq., MCA, shall make the following series of elections with regard to these actions:

(a) The employee may elect a lump sum payment, a series of installments, or a combination of lump sum payments and installments.

(b) If a series of installment payments is elected by the employee, he/she may elect to pay the installments directly to the TRS, have the installments made payable by payroll deduction, or the employee may select a combination of both.

(c) With respect to installments payable by payroll deduction, the employee must execute a binding, irrevocable payroll deduction authorization to have these installment contributions picked up by the participating employer.

Section 6. That, contributions made pursuant to Section 5(c) of this resolution are designated as being picked up by the employer and paid from the same source as the payment of salary to these employees.

Section 7. That, this resolution takes effect _____
Effective Date

Adopted this _____ day of _____, _____ by the Governing Body of the Employer.

Certifying Officer's Printed Name Title

School District, University, or Institution's Mailing Address – Including City, State & Zip+4 Code (If unknown, use 5-digit Zip Code)

TRS Six-Digit Employer Number Area Code and Telephone Number

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

PURCHASE OF ADDITIONAL SERVICE - WITH TAX-DEFERRED DOLLARS

Once a TRS employer has adopted the 'Model Resolution' a TRS member may purchase service with tax-deferred contributions. To initiate the service purchase process the TRS member must request a 'Service Purchase – Irrevocable Election Form' from the TRS office. The 'Service Purchase – Irrevocable Election Form' indicates the balance due to complete the purchase of a particular type of service, the various options of the number of months available for deduction with the amount to be deducted tax-deferred, and the effective date of that tax-deferred deduction.

The TRS member must initial a payment election, sign and date the 'Service Purchase – Irrevocable Election Form' and return the properly completed form to your business office. As the employer, it is your responsibility to forward the properly completed 'Service Purchase – Irrevocable Election Form' to the TRS office and begin the correct withholding of the payment amount selected by the member as of the effective date contained on the agreement. If the payments remitted to the TRS are not in accordance with the provisions of the 'Service Purchase – Irrevocable Election Form', the election form is invalid. Any additional contributions remitted in error will be returned to the employer for distribution of the net amount to the member.

A TRS member who does not execute a 'Service Purchase – Irrevocable Election Form', to purchase service with tax-deferred dollars, may purchase additional service by personal check, or a rollover from another qualified plan. They must contact the TRS office.

SERVICE PURCHASE – IRREVOCABLE ELECTION



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MEMORANDUM

TO: TRS Member
FROM: Johnelle Sedlock
Benefits Officer
DATE: February 5, 2010
RE: SERVICE PURCHASE - IRREVOCABLE ELECTION FORM

A Montana Teachers' Retirement System (TRS) member, pursuant to 19-20-602(2) MCA, and 19-20-401 et seq MCA, is permitted to redeposit member contributions previously withdrawn and/or elect to purchase additional service credit through additional contributions to the retirement system. Any additional amounts due may generally be paid by the member directly to the retirement system, or the member may request, and the employer may permit, reductions through payroll.

I understand that pursuant to Section 19-20-415 MCA, my employer has adopted a resolution under the "pick-up" tax deferral provisions of the Internal Revenue Code Section 414(h)(2). The tax deferral of my additional contributions due the retirement system requires completion of the irrevocable payroll reduction authorization. (The "pick-up" of additional contributions means the employer will withhold the authorized amount from my gross wages, as tax deferred.)

With respect to this payroll reduction, I understand the following:

- This is an irrevocable reduction authorization.
- The minimum duration of the authorization is three (3) months; the maximum duration is 60 months.
- Contributions picked up by the Employer pursuant to this payroll reduction may adversely affect the maximum I am eligible to contribute to a 403(b) Tax Sheltered Annuity.
- If I am eligible for a 457 deferred compensation plan with my employer, contributions picked up by my employer may adversely affect the maximum I am eligible to contribute to a 457 plan.
- After the execution of this irrevocable reduction authorization, I do not have the option of receiving the reduction amounts directly instead of having them paid by my Employer to TRS.
- These contributions are being picked up by my Employer; and, as a result, although designated as employee contributions, they are being paid directly to TRS in lieu of contributions by me.
- While this agreement is in effect, I understand that (with respect to the redeposit or the specific type of additional service credit being purchased by the contributions designated herein) TRS will only accept payment from my Employer and not directly from me.
- If I terminate employment with my Employer or die prior to completion of the installment payments, this binding, irrevocable payroll reduction authorization shall expire and TRS shall prorate the service purchase, subject to the following:

The TRS will return any overpaid tax-deferred contributions to your office. The overpaid contributions, remitted to the TRS as tax-deferred, must have the appropriate Federal and Montana State taxes withheld and the net amount remitted to the employee.

The TRS will confirm to the member and your business office, in writing, receipt of final payment on a service purchase. At that time, cease all additional contributions on behalf of that member.

If you have questions regarding the reporting of additional contributions, please contact the TRS at 406-444-3324 or 406-444-4113.

PURCHASE OF ADDITIONAL SERVICE WITH TAXED DOLLARS

If you, as a TRS employer, have not adopted a 'Model Resolution' a TRS member wishing to have additional contributions withheld for the purpose of purchasing additional service will be responsible for informing your office of the amount of the additional contributions to be withheld. The TRS member must also contact you when they no longer wish to have the additional contributions withheld.

In the event that an overpayment of post-taxed additional contributions occurs, any overpaid amount will be returned directly to the TRS member.