

Understanding Your Benefits

The Utah Retirement System

Retirement System

An Overview

- The difference between a Defined Contribution Plan and a Defined Benefit Plan
- How URS provides a combination of both systems
 - Defined Benefit
 - 2% per year of service (non-contributory)
 - Calculated on top three years of service
 - All work for the district builds your retirement
 - Defined Contribution
 - 1.5% in your 401K
 - Personal contributions (up to \$15,000 max)
 - Who Qualifies for a Benefit?
 - When and How can you receive benefits?

Defined Contribution Plans Versus Defined Benefit Plans

- A **Defined Contribution Plan** is a plan where your employer contributes a set amount to the plan. The money is then invested, at the direction of the employer or the employee (depending on the plan). The benefit received by this type of plan is dependent upon the amount of money in the account at the time of retirement.
- A **Defined Benefit Plan** is a plan where, regardless of the contributions made and by whom, a set benefit is paid at the time of retirement. The beneficiary of this plan has the security of knowing exactly how much money he/she will receive at retirement. The downside is that extra returns don't mean extra money.

Utah Retirement

The Best of All Worlds

- Educators in Utah benefit from a **three part** retirement system:
 - A **Defined Benefit Plan** – This plan provides teachers with a 2% benefit for each year taught. This money is provided by the Utah Retirement System (URS). This set amount is **guaranteed**, and has several payout options.
 - A **Defined Contributions Plan** – This plan takes the form of a 401(K) plan into which the district makes a contribution equivalent to 1.5% of the employee's salary. The benefit provided by this plan is determined by the amount of money in the account. Employee's can supplement this benefit by making before-tax payroll deductions.
 - Social Security and Medicare benefits – these benefits are also a **defined benefit** of a pre-determined amount. They are paid for via a joint payroll tax with $\frac{1}{2}$ of the contribution coming from the employee and $\frac{1}{2}$ being provided by the employer.

URS – Defined Benefit Plan

- The Defined Benefit Plan portion of your retirement has the following characteristics:
 - It is **non-contributory** – this means that the employee is not asked to make a contribution in order to participate. All contributions are made by the employer. The current contribution rate is 14.5% of an employee's salary.
 - An employee is vested (eligible to receive a benefit) after 4 years of participating in the plan.
 - It has a pre-determined benefit, the value of which is determined by the average of your three highest earning years x 2% for each year you have participated in the retirement system. This benefit is paid at retirement and once earned cannot be lost.

URS – Defined Benefit Plan

Tracking Your Benefit

- Each year the Utah Retirement System will send you an annual Statement of account.
- The statement will list the salary you were paid for each month of the year and the amount of Service Credit you earned.
- It is important to look over this statement carefully and make sure it is correct.

Name:
Account
Current Employer:
SERVICE CREDIT PER SYSTEM AS OF DECEMBER 31, 2005

NONCONTRIBUTORY STATE AND SCHOOL [2]	13.333 YEARS
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To determine a monthly allowance estimate go to the Utah Retirement System web site at www.urs.org and click on the Retirement Benefit Estimate Calculator link. Follow the guides and use information from this and previous statements to determine an estimated allowance.

If you are a member in more than one Retirement System, if you are a part-time elected or appointed official, or if you are employed with two or more employers at the same time, you will need to contact the Retirement Office. Retirement System refers to one of the following:

Public Employees' Contributory Retirement System (Local Government/State and School Employees)
Public Employees' Noncontributory Retirement System (Local Government/State and School Employees)

Public Safety Retirement Systems (members performing public safety service)
Firefighters' Retirement System (members performing firefighter service)
Judges' Retirement Systems - you will need to contact Utah Retirement Office for an estimate.
Utah Governor's and Legislators' Retirement Plan - you will need to contact Utah Retirement Office for an estimate.

Free Seminars

Are you on track to retire the way you want? Don't make the same mistake many people make: waiting too long before they get their retirement planning in order.

Utah Retirement Systems offers free retirement planning seminars to assist you with these and other questions. Two different seminars are offered at several locations throughout the state. The *Pre-Retirement Seminar* is designed for those who are within five years of retirement. The *Personal Planning Seminar* is for those who are at the beginning or middle of their careers. For additional information, visit our web site at www.urs.org or call us at (801) 366-7750 or 1-800-753-7750.

2005 DEFINED BENEFIT RETIREMENT ANNUAL STATEMENT	
2005 TRANSACTIONS PER SYSTEM	
NONCONTRIBUTORY SYSTEM STATE AND SCHOOL	
Month	Salary
JANUARY	4,115.42
FEBRUARY	4,920.62
MARCH	4,235.96
APRIL	4,115.42
MAY	4,415.42
JUNE	13,226.46
JULY	
AUGUST	
SEPTEMBER	4,958.56
OCTOBER	4,937.00
NOVEMBER	5,730.91
DECEMBER	4,832.00
Total Salary \$ 55,487.77	
Total Service 1.000	
IF YOU HAVE ANY QUESTIONS REGARDING THIS STATEMENT CALL 801-366-7700 OR 1-800-365-8772.	

URS – Defined Benefit Plan

Tracking Your Benefit

- The reverse side of this statement also contains important information about when you can retire and receive a benefit.

Defined Benefit Retirement Summary						
	Public (1) Employees' Contributory System	Public (2) Employees' Noncontributory System	Public (3) Safety Systems	Firefighters' (4) System	Judges' (5) Systems	Governors' & (6) Legislators' Retirement Plan
Qualifications (Years/Age)	4 at age 65 10 at age 62* 20 at age 60* 30 at any age	4 at age 65 10 at age 62* 20 at age 60* 25 at any age* 30 at any age	4 at age 65 10 at age 60 20 at any age	4 at age 65 10 at age 60 20 at any age	6 at age 70 10 at age 62 20 at age 55* 25 at any age	4 at age 65 10 at age 62*
Formula	1.25% to 6/30/75 2.00% 7/1/75 to present	2% all years	2.5% to 20 yrs 2% over 20 yrs	2.5% to 20 yrs 2% over 20	5.0% to 10 yrs 2.25% to 20 yrs 1.0% over 20	Governors: \$1,140 per month per term of office
Maximum	None	None	70%	70%	75%	Legislators: \$25.20 per month per year of service***
Final Average Salary	Highest 5 years	Highest 3 years	Highest 3 years	Highest 3 years	Highest 2 years	N/A
Cost of Living (Maximum)	4% Simple**	4% Simple**	2.5% Simple**	4% Simple**	4% Compounded	4% Simple**

* Actuarial reduction
** Eligible after 1 year; percentage increase based on original benefit and change in CPI
*** Increased semi-annually by CPI

Retirement Systems
Highlights Brochures
are available upon request.
(801) 366-7700 or (800) 365-8772
or visit the URS web site
@ www.urs.org

rev. 2/23/2006

URS – Defined Contribution Plan

Your 401(k) Plan

- In addition to the Defined Benefit Plan already described, school employees also participate in a Defined Contribution Plan.
- This plan, also known as a 401(k) plan, receives a set contribution from the School District, currently equal to 1.5% of the employee's annual earnings.
- Additionally, employees may make a **elective deferral**, or a voluntary contribution to their account, through payroll deduction. The employee contribution is limited by law to no more than \$15,000 per year.

URS – Defined Contribution Plan

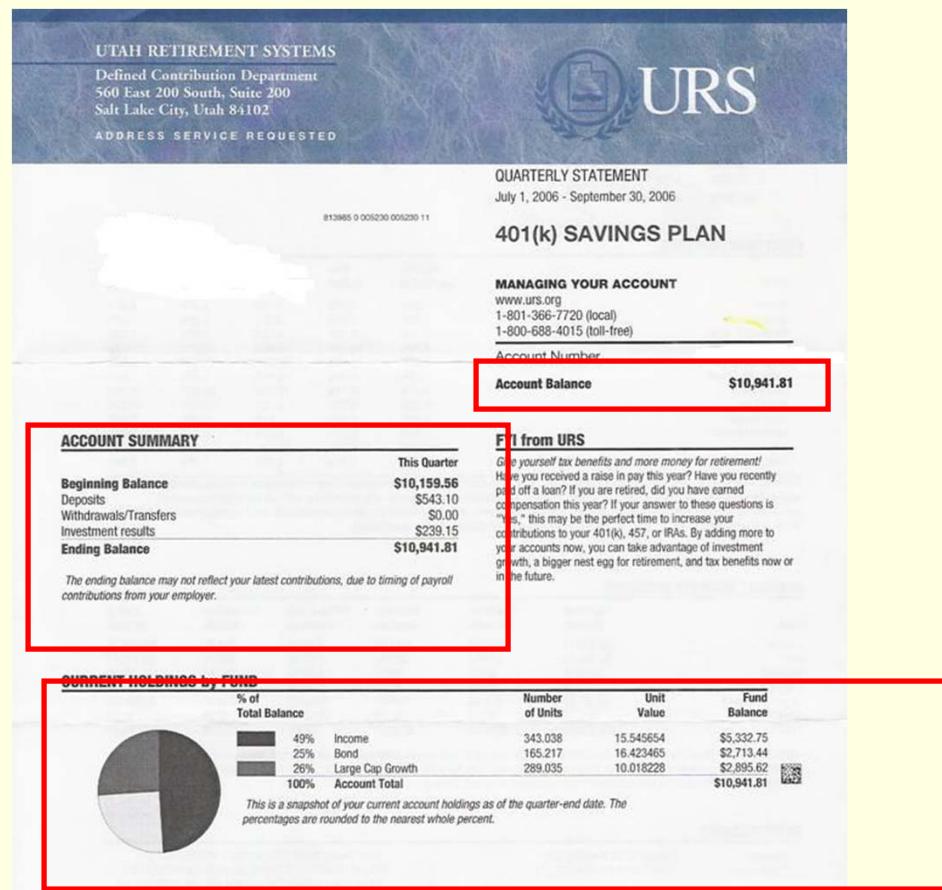
Your 401(k) Plan

- Rules Governing Contributions to a 401(k) Plan
 - The monies deposited are **pre-tax dollars**. This means that your taxable income is reduced by the amount of your contribution.
 - All monies are invested within the plan accounts according to the **election** or choice of the employee.
 - Employees may change their election at any time including the amount of the contribution or the way that the funds are invested.
 - These choices can be different for the current balances and for future deposits.

URS – Defined Contribution Plan

Tracking Your 401(k) Investments

- You will be sent quarterly statements for your account.
- Important things to check include the summary of deposits, your account balance, and the current holdings by fund.



URS – Defined Contribution Plan

Tracking Your 401(k) Investments

- The back of this form also holds important information for your review including:
 - How your future contributions will be invested
 - The performance of each fund over time
 - All activity on the account over the quarter including, deposits, interest earned/lost, and fund balances
 - Your beneficiaries

Participant: Account Number: 401(k) SAVINGS PLAN	July 1, 2006 - September 30, 2001																																																																														
INVESTMENT of FUTURE DEPOSITS All new money into your account will be allocated as follows: <table border="1"><tr><td>50.00%</td><td>Income</td></tr><tr><td>25.00%</td><td>Bond</td></tr><tr><td>25.00%</td><td>Large Cap Growth</td></tr><tr><td>100.00%</td><td>Account Total</td></tr></table> <p><i>These are the allocations you have instructed us to use when depositing any new contributions to your account. You may change these future allocations at any time.</i></p>		50.00%	Income	25.00%	Bond	25.00%	Large Cap Growth	100.00%	Account Total																																																																						
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Social Security: The Last Piece of the Puzzle

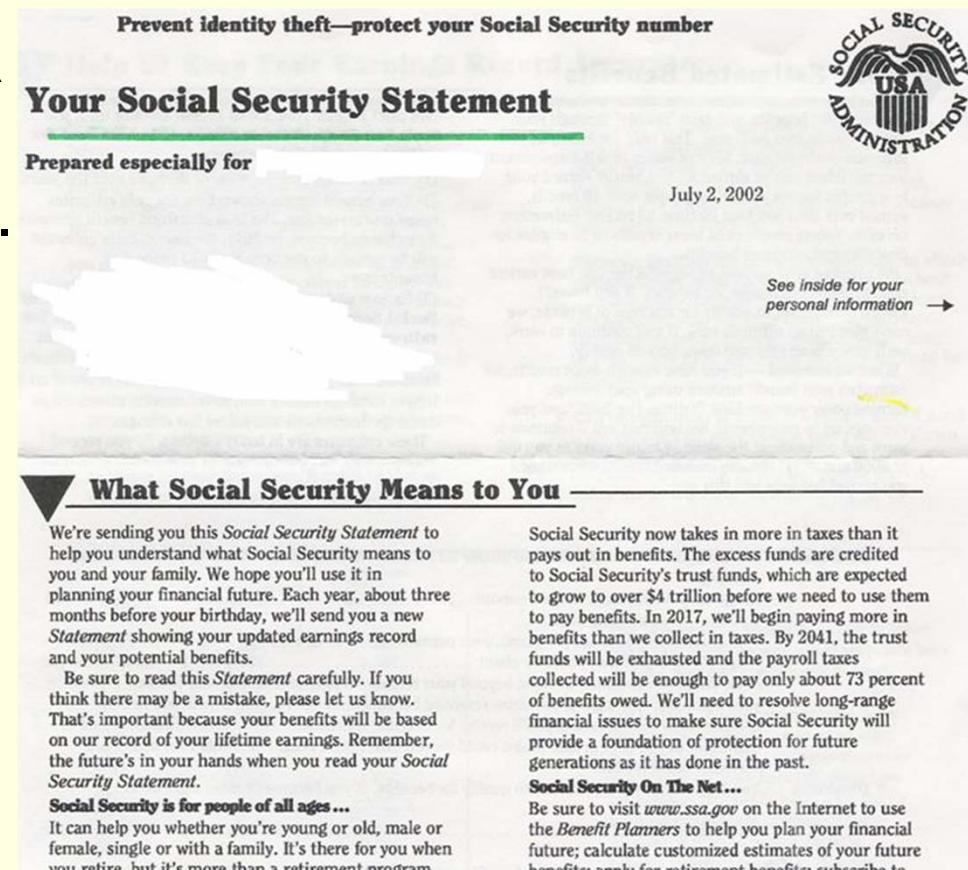
- Each month you receive a paycheck and you notice that there are two deductions for the Social Security System: **FICA and Medicare**
- **FICA** – the Social Security Tax – provides a retirement benefit for all workers who have participated in the system for 40 Quarters (10 years).
 - This is a mandatory tax and was designed to provide a “safety net” benefit for all workers.
 - Social security benefits are paid monthly for all retired workers who have reached a certain age (65 or 67 depending on the year of your birth.)

Social Security: The Last Piece of the Puzzle

- **Medicare** – is a health insurance program provided by the Federal Government designed so that the retired population could take advantage of the same type of “group benefit” which was provided while they were working.
 - All retired workers who qualify can enroll in medicare at the age of 65.
- **Social Security and Medicare taxes** are paid in two parts: One half paid by the employee and a matching contribution paid by the employer.

Social Security: The Last Piece of the Puzzle

- You should receive a Social Security Statement each year.
- Important parts of this statement to review are your earnings history, your eligibility status, and your anticipated benefit.



Social Security: The Last Piece of the Puzzle

▼ Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working... At age 62, your payment would be about \$ 743 a month If you continue working until... your full retirement age (67 years), your payment would be about \$ 1,056 a month age 70, your payment would be about \$ 1,309 a month <i>Note:</i> When you continue working beyond your retirement age, your benefit may increase because of your additional earnings. If you delay receiving benefits until age 70, your benefit will increase because of the special credits you'll receive for delaying retirement. This increased benefit could be important to you later in life. It also could increase the future benefit amounts your family and survivors could receive.
▼ Disability	You have earned enough credits to qualify for benefits. If you become disabled right now... Your payment would be about \$ 1,399 a month
▼ Family	If you get retirement or disability benefits, your spouse and children may also qualify for benefits.
▼ Survivors	You have earned enough credits for your family to receive the following benefits if you die this year. Total family benefits cannot be more than \$ 2,570 a month Your child \$ 1,101 a month Your spouse who is caring for your child \$ 1,101 a month Your spouse who reaches full retirement age \$ 1,468 a month Your spouse or minor child may be eligible for a special one-time death benefit of \$255.
▼ Medicare	You have earned enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

Your Earnings Record at a Glance

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1978	\$ 630	\$ 630
1979	1,387	1,387
1980	3,017	3,017
1981	4,999	4,999
1982	5,369	5,369
1983	7,734	7,734
1984	7,267	7,267
1985	7,896	7,896
1986	12,112	13,500
1987	13,312	20,209
1988	18,376	18,376
1989	24,020	24,020
1990	31,083	31,083
1991	29,246	29,346
1992	29,419	29,419
1993	28,092	28,092
1994	26,873	26,873
1995	31,501	31,501
1996	34,859	34,859
1997	42,396	42,396
1998	45,324	45,324
1999	50,826	50,826
2000	34,207	51,187
2001	17,083	51,007

Qualifying for Benefits: A Summary

- **In order to receive a retirement benefit, the rules are different for each part of the retirement system:**
 - **URS** – you must participate in the system for a minimum of 4 years in order to qualify for a benefit.
 - If you work less than 4 years before age 65, you receive no benefit.
 - If you work 4 or more years, but less than 10, you can begin receiving benefits at age 65.
 - If you work between 10 and 20 years, you can begin receiving benefits at age 62*.
 - If you work between 20-25 years you can begin receiving benefits at age 60*.
 - If you work 25 – 30 years you can begin receiving benefits at any age*.
 - If you work 30 or more years you can begin receiving full retirement benefits at any age.

* Actuarial reduction applies

Qualifying for Benefits: A Summary

- In order to receive a retirement benefit the rules are different for each part of the retirement system:
 - 401(k) –You are immediately vested in this account. All contributions belong to you.
 - If you leave the system, you may leave your money in the system to continue to earning, however you may not make additional contributions.
 - You may begin making withdrawals from this account any time after you reach the age of 59½ with no penalty, however any amount withdrawn will be subject to federal, state, and local taxes (where applicable).
 - Upon leaving the system or anytime thereafter, you may withdraw the funds in your account, however they are subject to Federal, State, and Local Taxes and an additional 10% penalty for early withdraw.
 - You may also “rollover” these funds into another qualifying account (IRA or 401K from another employer); however, any withdrawl will be subject to 20% federal tax withholdings, and you must make up the difference or pay a penalty.

Qualifying for Benefits: A Summary

- In order to receive a retirement benefit, the rules are different for each part of the retirement system:
 - Social Security and Medicare
 - You must participate in the system for a minimum of 10 years to qualify for a benefit.
 - You may begin taking a social security benefit at a reduced rate at age 62.
 - Regular Social Security benefits will begin between the ages of 65 and 67 depending on your birth year. (Before 1938 – age 65, between 1938-1960 sometime between 65 – 67, after 1960 age 67).
 - Medicare begins for everyone at age 65.

Where Can I get More Information?

■ Utah Retirement System

■ www.urs.org

- The portion of this site open to the general public provides highlights brochures in PDF form or you can request them in paper form.
- Registered members of this site can also view all of their accounts including current years of service or account balances, and can make fund transfers, revise their elections, and use benefit calculators for both their future retirement benefit and their 401(k) accounts.

■ Social Security and Medicare

■ www.ssa.gov

- This site provides general information about all aspects of the Social Security and Medicare Systems.