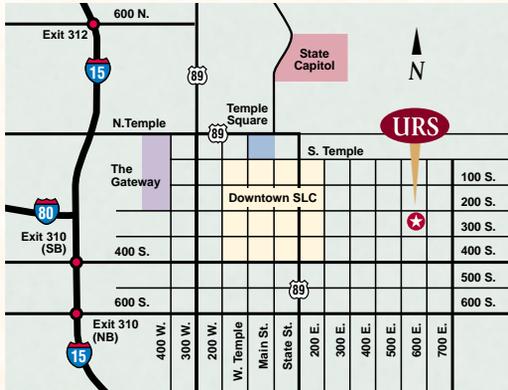




Utah Retirement Systems

Robert V. Newman, Executive Director



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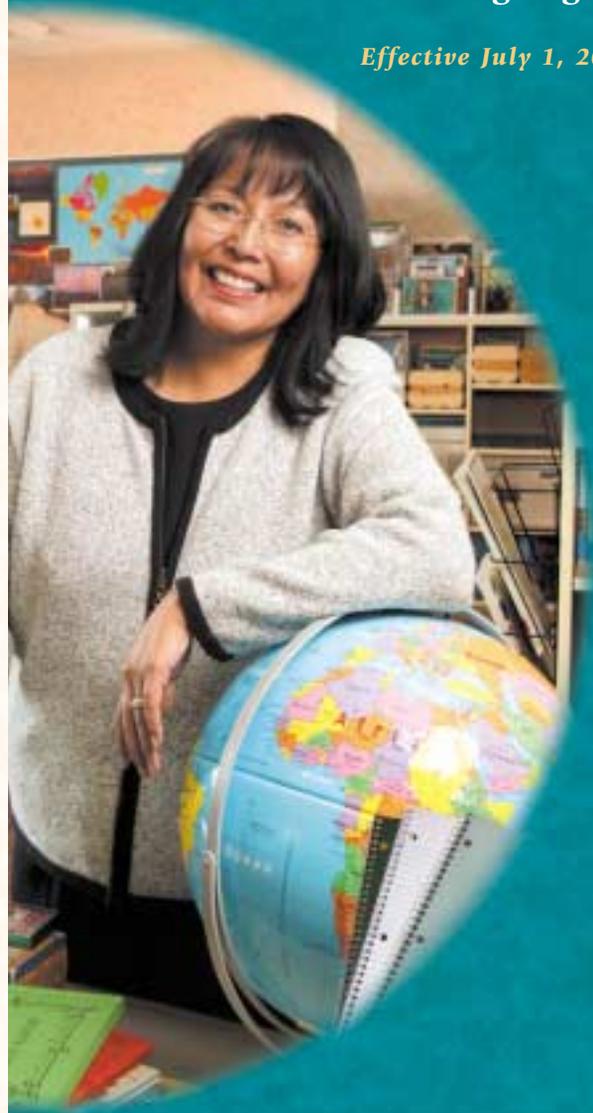
*On the cover: Brenda Beyal, Educator,
Nebo School District, Spanish Fork*



Utah Retirement Systems

**Public Employees'
NONCONTRIBUTORY
Retirement System
Highlights**

Effective July 1, 2005



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**Welcome to the
Public Employees'**

**NONCONTRIBUTORY
Retirement System!**



The Public Employees' Noncontributory Retirement System is a defined benefit retirement plan under Utah Retirement Systems (URS) intended to provide a meaningful retirement benefit to the employees who have chosen a career in public service. It is a qualified tax-deferred plan under Internal Revenue Code Section 401(a). The laws that govern this retirement system are set forth in Utah Code Title 49.

Membership Eligibility

At the time you are hired, you must complete **one** of the following forms:

- A membership enrollment form,
- An exemption form, or
- A post-retirement employment form (see section marked *Returning to Work* on page 19 of this brochure).

You qualify for membership if:

- You are hired to perform services for an employer who participates in this system,

And one of the following:

- Your employment, contemplated to continue during a fiscal or calendar year, normally requires an average of 20 hours or more per week *and* you receive benefits normally provided by your employer as approved by the Retirement Board.
- You are a classified school employee whose employment normally requires an average of 20 hours per week or more, regardless of benefits.
- You are a teacher who teaches half-time or more.
- You are an elected or appointed* official who earns the minimum salary required by law during the first full month of the term of office. The minimum salary is increased yearly by the Consumer Price Index. The amount as of February 1, 2005, is \$798.
- You are in a probationary status and meet eligibility requirements.
- You perform services through an employee leasing or similar arrangement and you meet eligibility requirements.

**Appointed officials are employees appointed to a position for a definite and fixed term of office, and the position is recorded in the employer's charter, creation document, or similar document.*

Note: A transfer between systems requires enrollment in the system to which your employer participates and that eligibility requirements be met.

Exceptions to immediate enrollment and coverage:

- Temporary (not probationary) and seasonal employees when the job is scheduled to be completed in six months or less.

Employees who are not eligible for service credit with URS:

- Exchange employees from outside the state;
- Employees of the Department of Workforce Services who are covered under another retirement system;
- Employees of a two-year or four-year college or university who hold a retirement annuity contract with TIAA during any period when required contributions based on compensation are paid on behalf of employees by their employer;
- Former full-time employees who currently work fewer than 20 hours per week; *or* who no longer receive benefits provided by the employer.

Employees who may exempt from retirement coverage by filing a URS exemption form with our office:

- Full-time students;
- The spouses of full-time students;
- Persons employed in a trainee relationship;
- Elected officials;

- Executive department heads of the state or a legislative director;
- Senior executives employed by the governor's office;
- Members of the State Tax Commission;
- Members of the Public Service Commission;
- Members of full-time or part-time boards or commissions;
- Persons appointed as city managers or chief administrators; or
- Persons employed by municipalities, counties, or other political subdivisions
 - who are not entitled to merit or civil service protection; *and*
 - who are included in an Employee Exemption Plan developed by the municipality, county, or political subdivision.

In all cases, an *exemption form* must be filed with our office *before the date of exemption*.

Defined Benefit Annual Retirement Statement

Defined benefit annual retirement statements are mailed to your home address. The statement reflects salary, service credits, and designated beneficiaries. If applicable, it also includes member contributions transferred from previous membership in any Utah Retirement System.

Refunds

If you terminate all URS-covered employment, you may request a refund of your member contribution account, if applicable.

If you elect to take a refund, you will forfeit contributory service credit for the periods covered by your member contributions.

Your refund will be processed after 60 days from the last date of the pay period for which contributions were paid.

You are not eligible for a refund under the following conditions:

- You transfer from one participating employer under URS to another.
- You terminate your employment with one participating employer and you are subsequently rehired by the same or a different participating employer, even though there may be a break in service.
- You are exempted from retirement coverage. This includes:
 - Employees listed on an Employee Exemption Plan,
 - Full-time students who are exempt from retirement coverage, and
 - Elected or appointed officials.
- You become ineligible for retirement coverage. This includes:
 - Employees whose hours drop below an average of 20 per week,
 - Employees who do not receive an employer's normal benefits, and
 - Teachers whose hours drop below teaching half-time.

If you have exempted from retirement coverage or you become ineligible for service credit, you may request a direct transfer of member contributions to a qualified defined contribution plan.
- You are receiving or have applied for long-term disability benefits through an agency that has a *benefit protection contract* with our office.
- You are on a leave of absence from any position covered by this system.

A Word of Caution — refunds are subject to:

- A 20% federal income tax withholding on the eligible portion of your distribution, unless you make a direct transfer to a 401(k) or other qualified plan, or to an eligible plan such as a 403(b), 457, or traditional IRA.
- Utah state income tax.
- Possible taxes of the state where you reside if other than Utah.
- A 10% early withdrawal penalty if taken before age 59 1/2 or if employment ends before you reach age 55.

Note: *You do not lose service credit if you withdraw your URS Savings Plans (401(k), 457, IRAs) balances. For more information regarding the 401(k) plan, 457 plan, and IRAs please see the section marked URS Savings Plans.*

Reinstating Withdrawn Contributions

As long as you have an existing record of eligible, nonforfeited, service credit with our office, you or your employer may reinstate eligible service you previously withdrew. The cost to reinstate your account is the amount you withdrew plus interest from the date of withdrawal to the date of repayment. The entire amount of withdrawn contributions plus interest must be paid in a lump sum or in installment payments through payroll deduction. The reinstatement must be completed before your retirement date. Reinstating eligible service may qualify you for an earlier retirement and/or increase your monthly allowance.

See the section marked *Payment Options* (page 9) for reinstating withdrawn contributions.

Service Purchase

If you have an existing record of four or more years of eligible service credit with our

office, and if the service credit you intend to purchase has been forfeited under any other retirement system or plan, you or your employer may purchase the following:

- Active full-time United States military service if it does not otherwise qualify for service credit under a system administered by URS.

OR

- Any amount of the following qualified service if the service has been forfeited under any other retirement system or plan. This includes:
 - 1.) Forfeited United States federal employment,
 - 2.) Forfeited private school employment based in the United States,
 - 3.) Forfeited public employment in another state that qualifies a member for membership in the public plan or system covering the employment,
 - 4.) Forfeited public service in this state,
 - 5.) Full-time public employment while on an approved leave of absence,
 - 6.) Exempt service,
 - 7.) Utah service that does not meet eligibility requirements, and the hours worked are at least 20 or more hours per week,
 - 8.) Worker's compensation, long-term and short-term disability benefit periods for which you were paid and no *benefit protection contract* existed, or
 - 9.) Employment covered by the Teachers Insurance and Annuity Association of America (TIAA) retirement plan if you forfeit any retirement benefit from that plan for the period of employment to be purchased.

To qualify for a purchase, service credit you've earned in other public employment must meet the minimum qualifications of the system you're in at the time of purchase. Under this system, a minimum of 20 hours of work per week is required or you must be a half-time teacher.

The cost of your service purchase is based on an actuarial formula which includes the following:

- An age factor;
- Your highest salary at the time of purchase;
- The length of time before retirement factor;
- The amount of service you buy;
- Your total years of credited service at retirement; and
- The final average salary factor according to the system you're in at the time of your purchase.

If any of the above-listed factors differ at retirement, an additional payment plus interest will be required. The additional payment plus interest must be received by our office before your retirement date, or your service will be prorated.

Purchasing Future Service Credit

To purchase future service you must have an existing record of five years of eligible service credit with URS, if you're age 65; or you must have a minimum of 25 years of eligible service. You (or jointly with your employer) may purchase up to five years, even if it exceeds the years you need to retire with an unreduced retirement allowance (meaning no early age reduction). You must pay at least 5% of the total cost and retire immediately after your purchase. Your employer may pay up to 95%. (See the *Purchasing Future Service Credit* brochure for more information.)

Payment Options

You may reinstate eligible service you previously withdrew or purchase service according to one of the following options:

- 1.) **Lump-sum payment** made any time before your effective date of retirement set with our office.
 - Future service credit in total (your payment, rollovers, and any employer payment) must be received within 15 days before your retirement date and no later than the day before your retirement date.
- 2.) **Payroll deduction** (with your employer's approval) to be completed before your effective date of retirement and within 60 months of your first payment.
 - Payroll deduction is not available for future service credit purchases.
- 3.) **Direct transfer** that you arrange from your 401(k) or other qualified plan, or from an eligible plan such as a 403(b), 457, or conduit IRA.
- 4.) **Payment made by your employer** must be received by our office no later than the day before your retirement date.
 - Employer is limited to 95% of the cost of a future service credit purchase. Total payment must be received within 15 days before your retirement date and no later than the day before your retirement date.

All payments must be received before your effective date of retirement set with our office.

For specific information about purchases, contact the Defined Benefit Retirement Department at (801) 366-7770 or (800) 695-4877.

Disability Benefits

Your employer's long-term disability (LTD) program describes your benefits. If your employer has a *benefit protection contract* with our office and you have been approved for LTD benefits, you will continue to accrue service credit while receiving LTD benefits. Once you retire through URS, service accrual will cease.

Death Benefits for Non-retired Members

The financial settlement your beneficiary receives when you die is determined by your status in this system and, if applicable, in the Contributory System before your transfer, with the following possibilities:

CAREER BENEFIT

If you are a non-retired career employee and die before retiring and you have been married at least six months immediately preceding your death, your spouse is eligible for a monthly allowance if you meet one of the following requirements:

- 1.) You qualify for a service retirement under the Noncontributory System at the time of death.
- 2.) You have 20-24 years of service credit and you are not age 60 or older at the time of death, your spouse will receive a reduced allowance.
- 3.) You have 15-19 years of service credit and you are not age 62 or older at the time of death, your spouse will receive a reduced allowance.

If you transferred from the Contributory to the Noncontributory System, your spouse is eligible for a career benefit. If your spouse is also the designated beneficiary, he or she will be required to select the option of a lifetime monthly allowance or a refund of your member

contribution account.

However, if your spouse qualifies for a career benefit and is not the designated beneficiary, the lifetime monthly allowance is the only amount payable to your spouse. If your spouse does not elect to receive the monthly allowance, your member contributions will be paid to the designated beneficiary.

In order for the career benefit to be effective the first day of the month following the month of your death (the benefit effective date), your spouse must file an application with our office within 90 days of your death. If the application is received 90 days after the date of death, the benefit effective date will be the first day of the month in which the application is received.

LUMP-SUM SETTLEMENT

If you transferred from the Contributory to the Noncontributory System and your spouse does not qualify for a career benefit, your beneficiary will receive a refund of your member contribution account.

RETIREMENT DEATH BENEFIT

If you are a non-retired member who is employed by a participating employer at the time of your death, your beneficiary will receive an insurance payment representing 75% of your highest annual salary. If you have less than 12 months' service, the benefit will be pro-rated. The minimum insurance payment is \$1,000.

If you are a non-retired member who hasn't worked for a participating employer for 120 days or more since termination, you have 10 or more years of credited service before July 1, 1987, and you did not withdraw your member contributions, your beneficiary will receive an insurance payment representing 75% of your highest annual salary.

Note: *The insurance payment will not be payable if the covered member commits suicide before group coverage has been in force for two years.*

ACCELERATED DEATH BENEFIT

This provision allows you to take an advance payment of 75% of your death benefit coverage if you have a terminal illness and a life expectancy of under 18 months.

Note: After your death, any money vested in your URS Savings Plans (401(k), 457, IRAs) will be payable to your beneficiary(ies).

Beneficiaries Before Retirement

You may name anyone as beneficiary for the death benefit insurance payment. You may also name anyone as beneficiary for member contributions, if applicable.

You may change your beneficiary at any time. A *change form* must be signed by you and filed with our office in order to be valid. By filing the *change form*, you revoke all previous designations. Forms are available from your employer, our office, or on our web site at www.urs.org.

Beneficiaries After Retirement

If you select Option One, your beneficiary receives no monthly allowance or refund of member contributions (if applicable) unless death occurs within 90 days after your retirement date.

If you select Option Two, you may name anyone as beneficiary to receive the remaining balance of member contributions (if applicable) upon your death.

You may change your beneficiary at any time. A *change form* must be signed by you and filed with our office in order to be valid. By filing the *change form*, you revoke all previous designations. Forms are available from your employer, our office, or on our web site at www.urs.org.

If you select options Three, Four, Five, or Six, your spouse at the time of retirement is designated as your beneficiary. This beneficiary *cannot* be changed.

If Retiree Life Insurance is selected at the time of retirement for either you and/or your spouse, anyone can be named as beneficiary. Beneficiaries on the life insurance can be changed at any time. A *change form* must be signed by you and filed with our office in order to be valid. By filing the *change form*, you revoke all previous designations. Forms are available from your employer, our office, or on our web site at www.urs.org.

Beneficiary Designations should be kept current and on file in our office at all times. Forms for claiming benefits will be sent to the last known address of the beneficiary.

Retirement Qualifications

You qualify for a monthly retirement allowance if you are:

- 65 with 4 years of service.
- 62 with 10 years of service.
- 60 with 20 years of service.
- Any age with 25 years of service with full actuarial age reduction.
- Any age with 30 years of service.

If you have fewer than 30 years of service from any combination of Utah Retirement Systems, retiring before age 65 will reduce your monthly allowance approximately 7% for every year under age 60 and 3% for each year between ages 60 and 65.

Benefit Formula

Your monthly retirement allowance is determined by your age, years of actual service credit, final average monthly salary, and the benefit formula. To estimate your monthly retirement allowance under Option One, follow the steps below or refer to our web site at www.urs.org and click on *Retirement Benefit Estimate Calculator*.

- 1.) **TOTAL your three highest years of salary*** \$ _____
- 2.) **DIVIDE line 1 by 36, this is your final average monthly salary** \$ _____
- 3.) **MULTIPLY your years of service by 2% (.02)** _____
- 4.) **MULTIPLY line 2 by line 3 for your total** _____
- 5.) **ADJUSTED AMOUNT after any early retirement reduction** \$ _____

**If any one of the years used exceeds the previous year's salary by more than 10%, plus a cost-of-living adjustment determined by the Consumer Price Index, the year(s) in question will be limited.*

Options that provide a survivor's allowance will reduce your allowance. (See the section marked *Six Retirement Options*.)

Service in Other Utah Retirement Systems

If you were employed in more than one Utah Retirement System or URS Retirement Plan and the service is not concurrent, you may combine your service credits to determine your eligibility to retire from the system you are in at the time of your retirement. The service you render in any one year cannot count for more

than one year of qualifying service credit. Your allowance will be computed using the service from the system in which you currently participate plus the transferred service which is increased or decreased to reflect the value of the assets transferred.

Steps to Retirement

Before making the decision to retire, you can compute an estimate of your potential allowance by accessing our web site at www.urs.org and clicking on the *Retirement Benefit Estimate Calculator*. The *Calculate Your Benefits* brochure is available upon request. If you're planning to retire in the next 12 months, contact our office for a URS-generated estimate.

When you decide to retire, make an appointment with a retirement advisor or request an application by mail. Your application setting your retirement date must be filed with our office no more than 90 days before or 90 days after your retirement date. Your signature on the application must be notarized.

You may set your retirement date for the 1st or the 16th day of the month following your last actual working day. You must actually terminate employment on or before your retirement date. Your retirement allowance is paid monthly. Retirement checks for the month of payment are mailed the last working day of each month. Although your first check may be delayed up to three months following your effective retirement date, the amount of your check will be retroactive to the date your retirement began. This delay is due in part to the time required to receive and post salary information from your employer and to receive verification of your termination and your service credit eligibility.

When you file your retirement application, you will need to provide an original or legible photocopy of your marriage certificate as well as birth certificates or other proof-of-age documents for yourself and your spouse.

You may cancel or change your application any time up to the date of your retirement. **Note:** There is a three-day rescission period from the date your application is signed during which time you may elect to make a change.

For more information, the *Steps to Retirement* brochure is available upon request.

Six Retirement Options

When you apply for retirement, you will choose one of six payout options. Consider carefully because no alterations, additions, or cancellation of benefits may be made after your date of retirement. **Note:** There is a three-day rescission period from the date your application is signed during which time you may elect to make a change.

Option One provides a maximum monthly allowance for the rest of your life. No monthly payments or refund of member contributions are made to your beneficiary after you die. If you die within 90 days after your retirement date, your retirement is canceled, and your account is settled as though you were a non-retired member at the time of death. (See the section marked *Death Benefits for Non-retired Members*.)

You are eligible for Option Two if you transferred member contributions from the Utah Public Employees' Contributory Retirement System.

Option Two provides a slightly reduced lifetime allowance. When you die, your beneficiary will receive the balance of your member contributions after a portion of your monthly allowance payment has been deducted. You may change beneficiaries under this option at any time.

The following four options restrict your beneficiary to the spouse to whom you are married on the effective date of your retirement.

Option Three provides a reduced allowance during your lifetime. After your death, your lawful spouse at the time of retirement will receive the same lifetime allowance.

Option Four provides a reduced allowance during your lifetime. After your death, your lawful spouse at the time of retirement will receive a lifetime allowance equal to one-half of your allowance.

Option Five provides a modification of the allowance in Option Three. After your death, your lawful spouse at the time of retirement will receive the same lifetime allowance. If your spouse dies before you do, your allowance will revert to the amount payable under Option One.

Option Six provides a modification of the allowance in Option Four. After your death, your lawful spouse at the time of retirement will receive a lifetime allowance equal to one-half of your allowance. If your spouse dies before you do, your allowance will revert to the amount payable under Option One.

A member retiring under Option Five or Option Six may increase the monthly allowance subsequent to a divorce depending on the court order.

Retiree Life Insurance

You and your spouse may enroll in the Retirees' Life Insurance which can be selected in addition to the six payout options. The cost of the life insurance will appear as a deduction on your retirement check. The coverage is available in the amounts of \$3,000, \$5,000, or \$10,000. If you or your spouse die within the first three years after retirement, payment to the designated beneficiary(ies) will be as follows: 25% of the selected amount will be paid if death occurs in the first year; 50% will be paid if death occurs during the second year; 75% will be paid if death occurs during the third year; and payment of 100% beginning with the fourth year and thereafter.

URS Savings Plans

URS offers four retirement savings plans: 401(k), 457, traditional IRA, and Roth IRA. You and/or your employer have the option of contributing to a 401(k) and/or 457 plan and you have the option of contributing to a traditional and/or Roth IRA.

Each plan has been established under separate sections of the Internal Revenue Code. Therefore, a separate set of laws and regulations governs each plan. As a result, there are some differences among the plans.

Information about the savings plans is available 24 hours a day via our web site at www.urs.org, or by contacting the Defined Contribution Department at (801) 366-7720 or (800) 688-4015 (press "0" to speak with a counselor during normal business hours).

Things to Know When You Retire

Federal Law requires you, if you are no longer working, to begin receiving benefits on or before April 1 after you turn age 70 1/2. If you are still working after age 70 1/2, you must begin receiving benefits on or before April 1 after you terminate. If you fail to meet the minimum distribution requirement, you may be subject to a substantial federal excise tax.

An Additional 3% may be added to your monthly retirement allowance if you had retirement contributions in your account on *January 1, 1989*. If you refund and subsequently reinstate withdrawn contributions, you will forfeit the 3%.

Federal and Utah State Income Taxes

can be withheld from your retirement check. Federal income tax will be withheld beginning with your first retirement check unless you tell us otherwise. If you're a nonresident, check your state's tax laws for the status of your Utah retirement benefits. You may change your withhold-

ing status at any time. Forms are available from our office or on our web site at www.urs.org.

If you had contributions withheld from your paycheck, you may exclude a percentage of your monthly allowance from taxation. This information will arrive with your first retirement check under separate cover. Every January you will receive a 1099-R showing the gross and taxable amounts of benefits paid to you the previous year and the taxes withheld. Consult a tax professional regarding your own situation.

Social Security Benefits are federally sponsored. For information, contact your local Social Security office.

Health Insurance after retirement is based on your employer's benefit package and should be reviewed carefully with your employer *before* you retire. You should also check with your employer about any early retirement incentives. A supplement to Medicare is available at age 65 to you and your spouse through Public Employees Health Program (PEHP). For more information, call PEHP at (801) 366-7555 or (800) 765-7347, or visit the PEHP web site at www.pehp.org.

Cost-of-Living Increases of up to 4% of your original retirement allowance begin one year after you retire, based on the Consumer Price Index.

Returning to Work for the same employer after you retire is possible under the provisions described in the *Post-Retirement Employment* brochure. You may work for any other employer covered by Utah Retirement Systems or an employer outside Utah Retirement Systems and earn any amount without penalty; however, Social Security has an earnings limit you cannot exceed without reducing its benefits.

Lost or Misplaced Checks may be replaced if you request it in writing.

Electronic Deposit or electronic funds transfer (EFT) is available for monthly checks once you retire. You will receive a monthly deposit notification unless you request otherwise. Forms are available from our office or on our web site at www.urs.org.

We need to know if your **Address Changes** in order to keep you informed about your retirement benefits. Our having your current address ensures that you receive your *defined benefit annual retirement statement*, your *defined contribution quarterly statement*, informative publications, and information you request on your account. Requests for address changes must have your signature. Forms are available from your employer, our office, or on our web site at www.urs.org.

Your Right to Privacy is Protected. Information will be given over the telephone to members, participants, or retirees only if they can demonstrate their identity through knowledge of personal information. If such knowledge cannot be demonstrated, retirement information will not be divulged over the telephone. Since your file is confidential, we cannot release information to your spouse, relatives, or group representative. Retirement and defined contribution information provided through our web site and Interactive Voice Response (IVR) System is permitted only with a valid user identification (ID) and personal identification number (PIN). For more information on confidentiality of records or any person's right to access this information, contact our office.

Administrative Information

NONASSIGNABILITY OF BENEFITS OR PAYMENTS

Retirement benefits or payments are not subject to alienation or assignment by the member and are not subject to attachment, execution, garnishment, or any other legal or equitable process except for a domestic relations order (DRO) and IRS tax levies. If you're subject to a DRO, your death benefits, all or part of your retirement allowance, or your refund of member contributions may be payable to former spouses and family members upon your termination and application for benefits. Our office has a model DRO available to help attorneys prepare an acceptable order.

APPEALS

If you disagree with the calculation of a benefit, accrual of service credit, or with some other action taken by a department of our office, you may appeal such decisions pursuant to Utah Code Ann. § 49-11-613.

If you decide to seek reversal of a decision by a department of our office, you'll need to write a letter to the executive director stating the facts of the situation, the remedy you seek, and the legal or equitable basis for the reversal. The executive director will review the case and either grant or deny your request. If it is denied, you may, within 30 days of the denial, file a written petition with the hearing officer. Steps for filing the petition will be sent to you at that time.

A Final Word

This brochure is general in nature. For specific information on your account, contact our office in Salt Lake City or St. George.

For more information regarding the URS Savings Plans (401(k), 457, IRAs) contact the Defined Contribution Department at (801) 366-7720 or at (800) 688-401k.