Individual Retirement Accounts
Roth & Traditional IRAs Guidebook
2016
Utah Retirement Systems
Roth & Traditional Individual Retirement Accounts

Utah Retirement Systems (URS) administers a Roth IRA and a traditional IRA. Individual retirement accounts (IRAs) combined with other retirement plans (e.g., 401(k), 457, pension, Social Security, etc.), provide additional options to save for retirement and may assist you in your tax and estate planning.

A Roth IRA allows non-deductible (after-tax) contributions. This gives you the advantage of tax-free withdrawals when certain conditions are met.

A traditional IRA may allow you to deduct all or part of your contributions for income tax purposes, while deferring any taxes on investment earnings until you start making withdrawals.

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**At-a-Glance**

<table>
<thead>
<tr>
<th>Roth IRA</th>
<th>Traditional IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>Members of Utah Retirement Systems are eligible to participate. You may contribute as long as you have earned income (regardless of age).</td>
</tr>
<tr>
<td><strong>Maximum Annual Contribution</strong></td>
<td>Contribution limits are the same for both the Roth IRA and traditional IRA. Contributions to all IRAs must be combined toward the total limit. For example, if you contribute $1,000 to a traditional IRA at your bank and another $1,000 to your URS Traditional IRA (total of $2,000), you may only contribute up to $3,500 to your Roth IRA (for a total of $5,500 in 2016). The maximum annual contribution limit is $5,500 for 2016.</td>
</tr>
<tr>
<td><strong>Contributions are subject to income limits. If you are:</strong></td>
<td>• A single income tax filer with income up to: $117,000 — qualifies for a full contribution $117,000 to $132,000 — qualifies for a partial contribution over $132,000 — cannot contribute • A married/joint income tax filer, with income up to $184,000 — qualifies for a full contribution $184,000 to $194,000 — qualifies for a partial contribution over $194,000 — cannot contribute</td>
</tr>
<tr>
<td><strong>Rollover/Transfers</strong></td>
<td>You may roll over or transfer money into a Roth IRA from: • Roth IRA • Roth-401(k) • Roth-403(b) • A qualified pension (withdrawn as a lump-sum distribution)</td>
</tr>
<tr>
<td><strong>Convert IRA</strong></td>
<td>You may convert all or part of your traditional IRA to your Roth IRA.</td>
</tr>
<tr>
<td><strong>Key Tax Advantage</strong></td>
<td>Tax-deferred growth.</td>
</tr>
<tr>
<td><strong>Tax-Deductible Contributions</strong></td>
<td>Contributions to a Roth IRA are not deductible from your income for tax filing purposes.</td>
</tr>
<tr>
<td><strong>Withdrawal Eligibility</strong></td>
<td>A withdrawal may be made at any time.</td>
</tr>
<tr>
<td><strong>Tax Treatment of Withdrawals</strong></td>
<td>Contributions can be withdrawn, at any time, without taxes or penalties. Earnings can be withdrawn without taxes or penalties if you are under age 59½ and you have had a Roth IRA for at least five years.</td>
</tr>
<tr>
<td><strong>10% Early Withdrawal Penalty Tax</strong></td>
<td>If you are under age 59½ you may avoid the penalty tax if your withdrawal is for one of the following reasons: • First-time home buyer • Qualified higher education expenses • Payments paid to you based on your life expectancy • Health insurance premium payments when unemployed • Payments of medical expenses in excess of 10% of your adjusted gross income • Disability or death</td>
</tr>
<tr>
<td><strong>Required Withdrawals</strong></td>
<td>There are no required (or minimum) distributions while you are living.</td>
</tr>
</tbody>
</table>
**Roth IRA**

**Benefits of a Roth IRA**

**Tax Deferral of Investment Earnings**
Investment earnings compound tax free. This allows your IRA to grow faster than if it were subject to annual taxation.

**Tax-Free Withdrawals**
A Roth IRA, unlike a traditional IRA, allows you to withdraw your earnings tax-free at any age, as long as you have earned income and are within the allowed limits.

**No Required Minimum Distribution at Age 70 1/2**
Even though your contributions may not be tax deductible, you can still make a non-deductible contribution to a traditional IRA if you have earned income and are under age 70 1/2.

**More Flexibility with Tax Withholding**
If you withdraw money from your employer-sponsored savings plan (e.g., 401(k), 403(b), 457), IRS rules may require 20% of the amount you withdraw be withheld for federal income taxes. When you withdraw money from an IRA, you can elect to have no taxes withheld.*

**Tax-Deductible Contributions**
Your contributions are generally tax deductible if you are an active participant in an employer-sponsored plan (e.g., 401(k), 457, pension plan) and your MAGI is below a certain threshold. (See the table to the right.)

**Transfers and Rollovers**
When you directly roll over or transfer money into a traditional IRA, the amount you roll over or transfer is not taxable at the time of the rollover. In addition, there are no limits on the amount you can roll over or transfer to a traditional IRA. These limits assume you are an active participant in an employer-sponsored retirement plan. The income limits are based upon modified adjusted gross income (MAGI), which is used to determine IRA eligibility. For information on calculating your MAGI see IRS Publication 590 or consult a tax advisor.

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*Exceptions to the 10% penalty tax include withdrawals taken due to death or disability, first-time home purchase ($10,000 lifetime maximum), medical insurance premiums when unemployed. (See IRS Publication 590 for a complete list of exceptions.)

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**Traditional IRA**

**Benefits of a Traditional IRA**

**Tax Deferral of Investment Earnings**
Investment earnings compound tax deferred. This allows your IRA to grow faster than if it were subject to annual taxation.

**Broad Eligibility to Contribute**
Even though your contributions may not be tax deductible, you can still make a non-deductible contribution to a traditional IRA if you have earned income and are under age 70 1/2.

**More Flexibility with Tax Withholding**
If you withdraw money from your employer-sponsored savings plan (e.g., 401(k), 403(b), 457), IRS rules may require 20% of the amount you withdraw be withheld for federal income taxes. When you withdraw money from an IRA, you can elect to have no taxes withheld.*

**Tax-Deductible Contributions**
Your contributions are generally tax deductible if you are an active participant in an employer-sponsored plan (e.g., 401(k), 457, pension plan) and your MAGI is below a certain threshold. (See the table to the right.)

**Transfers and Rollovers**
When you directly roll over or transfer money into a traditional IRA, the amount you roll over or transfer is not taxable at the time of the rollover. In addition, there are no limits on the amount you can roll over or transfer to a traditional IRA. These limits assume you are an active participant in an employer-sponsored retirement plan. The income limits are based upon modified adjusted gross income (MAGI), which is used to determine IRA eligibility. For information on calculating your MAGI see IRS Publication 590 or consult a tax advisor.

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*Exceptions to the 10% penalty tax include withdrawals taken due to death or disability, first-time home purchase ($10,000 lifetime maximum), medical insurance premiums when unemployed. (See IRS Publication 590 for a complete list of exceptions.)

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<table>
<thead>
<tr>
<th>Year</th>
<th>MAGI of Single Filer</th>
<th>Fully Deductible Up To</th>
<th>Partially Deductible Up To</th>
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</thead>
<tbody>
<tr>
<td>2016</td>
<td>$61,000</td>
<td>$184,000</td>
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<table>
<thead>
<tr>
<th>Year</th>
<th>MAGI of Joint Filer</th>
<th>Fully Deductible Up To</th>
<th>Partially Deductible Up To</th>
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<tbody>
<tr>
<td>2016</td>
<td>$98,000</td>
<td>$184,000</td>
<td></td>
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</tbody>
</table>

The MAGI limits are indexed for inflation each calendar year.
**Things to Know**

- **Taxation of Withdrawals**
  When you withdraw money from your traditional IRA, you will pay ordinary income tax on your investment earnings and on any deducted (untaxed) contributions.

- **Penalties** (including early withdrawal penalties)
  You may be subject to a penalty tax if you withdraw money before you reach age 59½, depending on the circumstances of the withdrawal. You may also be subject to a penalty tax if you contribute more than either 100% of your earned income or the allowable maximum for a year.

- **Recordkeeping Requirements**
  URS will report to you all contributions, withdrawals, and the year-end account value for your IRA.
  Keep in mind, you must maintain personal records tracking all deductible and non-deductible IRA contributions. This type of record-keeping is vital when you begin withdrawing money from your IRAs.

*The Internal Revenue Service and URS strongly encourage you to keep all records related to your traditional IRA(s).*

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**Minimum Distribution Example:**

Jacob will reach age 70½ on September 25, 2016. He has a URS Traditional IRA with a December 31, 2015, value of $6,500. Jacob has another traditional IRA at his bank with a December 31, 2015, value of $4,750. Jacob’s RMD amount is calculated by doing the following:

1. Add the December 31, 2015, value of Jacob’s URS Traditional IRA ($6,500) and his bank traditional IRA ($4,750) equaling a total of $11,250.
2. Divide Line 1 by the U.S. Treasury life expectancy factor (27.4) equaling a RMD of $410.58.

Jacob must withdraw $410.58 for his 2016 required minimum distribution.

Because Jacob has more than one traditional IRA, he can choose to withdraw his total RMD from just one IRA or he may withdraw money from both accounts adding up to the total RMD. Jacob’s first RMD (for the 2016 tax year) may be deferred until as late as April 1, 2017. If he chooses to wait until April 1, he will have to take another RMD payment (for the 2017 tax year) by December 31, 2017.

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**Roth & Traditional IRA Contribution Limits**

**Roth IRA Contribution Limits**

- **Tax Year**
  - **Contribution Limit Under Age 50**
    - 2015: $5,500
    - 2016: $5,500
  - **Contribution Limit Over Age 50**
    - 2015: $6,500
    - 2016: $6,500

**Traditional IRA Contribution Limits**

- **IRA Contribution Limits**
  - **Tax Year**
    - **Contribution Limit Under Age 50**
      - 2015: $5,500
      - 2016: $5,500
    - **Contribution Limit Over Age 50**
      - 2015: $6,500
      - 2016: $6,500

**Contributions to the IRAs Can Be Made in Two Ways:**

- **Payroll Deduction**
  If your employer participates, contributions can be made directly from your paycheck. Any amount you choose to contribute to your IRA will be deducted after taxes from each paycheck. Keep in mind the contribution limits to IRAs when you decide how much you want to contribute from each paycheck. There is a tax penalty if you contribute more to an IRA than you are allowed.

- **Personal Contribution**
  You can make a contribution with a deposit directly to URS. These deposits must be in an amount of $100 or more.

**IRA Contribution Timing**

You can make personal contributions to an IRA any time from January 1 of the current year until the tax filing deadline (generally April 15) of the following year. Any contributions you make for a prior year must be made through a personal contribution (check) and cannot be made through payroll deduction. Contributions for a prior year should be submitted with a URS IRA Deposit Authorization Form and must be postmarked by the tax filing deadline. For example, you could make an IRA contribution for the 2016 tax year any time from January 1, 2016, until April 17, 2017.

**Things to Know**

- **Limits Apply to All IRAs**
  The contribution limits for IRAs apply to all IRAs you may have (including those at a bank or credit union). This limit is the total of all Roth and traditional IRAs.

- **No Employer Contributions**
  All contributions to the URS IRAs must be made by you. Your employer is not allowed to make contributions (except as an after-tax deduction from your wages).

- **All Payroll Deductions are After Tax**
  If you choose to make IRA contributions directly from your paycheck, the amount you contribute will be deducted after applicable federal, state, Social Security, and Medicare taxes are withheld.

- **Contributions Will Be Report to You**
  URS will report any IRA contributions to both you and the IRS. It is your responsibility to maintain your own tax records.
Transfers and Rollovers

If you have multiple retirement accounts with different employers and other financial institutions, you may be able to consolidate them into your URS IRA. Depending on the type of account you own, your age and employment status, there are multiple methods to consolidate your accounts.

Direct Transfers
A direct transfer is a transfer of funds from your existing IRA to another IRA of the same type (e.g., traditional IRA to traditional IRA or Roth IRA to Roth IRA). A direct transfer occurs when funds from a similar plan are sent directly to URS. Roth and traditional IRAs that you have at other financial institutions can be directly transferred and consolidated into your URS Roth and Traditional IRAs without tax consequences.

Direct Rollovers
A direct rollover occurs when a distribution from an eligible employer plan (401(a), 401(k), 403(b), 457(b)) can be consolidated into your URS IRA. This avoids federal tax withholding and possible early withdrawal penalties because the distribution is made directly to URS.

Traditional IRA
Existing pre-tax employer-sponsored savings plans (e.g., 401(a), 401(k), 403(b), 457(b)) can be consolidated into your URS Traditional IRA through a direct rollover. When you directly roll over into a traditional IRA, the amount you roll over is not taxable at the time of the rollover. In addition, there are no limits on the amount you can roll over to a traditional IRA. This avoids federal tax withholding and possible early withdrawal penalties because the distribution is made directly to URS.

Rollover/Transfer Guideline

<table>
<thead>
<tr>
<th>Rollover/Transfer Guideline</th>
<th>From... to Traditional IRA</th>
<th>to Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional IRA</td>
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<td>✓</td>
</tr>
<tr>
<td>401(k)</td>
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</tr>
<tr>
<td>403(b)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>457(b)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>401(a) Pension</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Roth IRA</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Roth 401(k)</td>
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<td>✓</td>
</tr>
<tr>
<td>Roth 403(b)</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

60-Day (Indirect) Rollovers*
A 60-day, or indirect, rollover differs from a direct rollover or direct transfer in that the funds are sent to you (the member) and not directly to the plan. When you indirectly roll over funds into your URS IRA (converted amounts can be consolidated into your URS Traditional IRA through a direct rollover), you have 60 days to fund your IRA. These distributions may be subject to mandatory federal tax withholding. Any portion of the distribution that is not rolled over, including any taxes that are withheld and not replaced, is treated as a taxable withdrawal and may be subject to an additional 10% early withdrawal penalty tax. You may replace any amount that was withheld in order to rollover the entire distribution.

Employer-Sponsored Plan
Pre-tax employer-sponsored plans converted to a Roth IRA are taxable as income. The entire amount of the pre-tax converted amount is taxable (contributions and earnings). You must be eligible for a distribution from your employer-sponsored plan to do a conversion to a Roth IRA.

Conversions

A traditional IRA or pre-tax employer-sponsored plan (e.g., 401(a), 401(k), 403(b), 457(b)) may be converted to a Roth IRA. Converting your traditional IRA or pre-tax employer plan to a Roth IRA is taxable and should only be done after careful consideration of the tax consequences.

Traditional IRA
Traditional IRA to Roth IRA conversions are taxable as income. When converting your traditional IRA to a Roth IRA, you must pay taxes on any traditional IRA contributions you had previously deducted from your taxes and on any investment earnings.

Pre-tax employer-sponsored plans converted to a Roth IRA are taxable as income. The entire amount of the pre-tax converted amount is taxable (contributions and earnings). You must be eligible for a distribution from your employer-sponsored plan to do a conversion to a Roth IRA.

Tax Considerations

- If you convert a large balance from your traditional IRA or pre-tax employer plan, the taxes may be substantial.
- While converted amounts are considered taxable, there is no 10% early withdrawal penalty tax. Conversions may be subject to a 5 year holding period to avoid the penalty. See IRS Publication 590 for details.
- Conversions must be done before year end. It is important that URS receives your request by December 20, to ensure completion of the process by December 31 of that same tax year.
- Conversions must be reported to the IRS. For tax-filing purposes, you will receive an IRS Form 1099-R and an IRS Form 5498 when a conversion takes place. You must report any amount converted on your federal income tax return.
- Consult a Tax Professional — The rules and tax implications of converting any amount from a traditional IRA or pre-tax employer-sponsored plan to a Roth IRA are very complex. URS suggests you consult a tax professional to find out if a conversion is right for you.

Things to Know

- No Limit on the Number of Conversions
There is no limit to the number of conversions that can be made in one year. Keep in mind that the total amount of any conversions will need to be reported for federal income tax purposes.
- Reversing a Conversion (Recharacterization)
If you change your mind due to the tax impact, the initial conversion may be reversed. This process is called a recharacterization. All or part of a conversion may be recharacterized to a traditional IRA (converted amounts cannot be recharacterized back to an employer-sponsored plan) and appear as if the initial conversion never took place. However, you cannot convert, recharacterize and then reconvert an amount during the same taxable year, or within 30 days following a recharacterization (whichever is later).
Investing Funds

Investment options, the low expense structure, and trading rules for URS Roth and Traditional IRAs are identical to those of the URS 401(k) and 457 Plans. URS offers 20 investment options (8 core funds and 12 Target Date Funds), and a self-directed brokerage account (Personal Choice Retirement Account (PCRA) offered through Charles Schwab). The following is a description of the investment options:

- **Income Fund** is a stable value fund, the most conservative of the investment options.
- **Bond Fund** invests in fixed income securities, such as corporate and government bonds.
- **Balanced Fund** invests in approximately 60% stocks, 40% bonds.
- **Large Cap Stock Value Fund** invests in stocks of companies whose market capitalization falls primarily within the smallest 10% of the U.S. market universe.
- **Target Date Funds** - The URS Target Date Funds were created to give participants a diversified retirement portfolio through a single investment option. These funds gradually adjust throughout your career and into retirement. The investment mix—which includes stocks, bonds, and real assets—is automatically reallocated to be weighted more conservatively as you age and enter retirement. There is no need to adjust your investments as your time horizon changes; your Target Date Fund does the work for you.
- To select a Target Date Fund, choose the fund with the date closest to when you will start withdrawing funds for retirement purposes. For example: if you're a younger employee and you plan to leave the workforce and begin retirement in 2040, you would choose the Target Date 2040 Fund.
- **Dollar Cost Averaging** can help reduce the risk of investing your money at times when volatility makes it hard to predict market movement. By purchasing a fixed dollar amount (whether through contributions or rollovers). URS how to invest your money each time you add money to your account and all rates of return are based on a portfolio of URS funds that corresponds to your birthdate. You may change this allocation at any time on the URS website through myURS or by submitting an IRA Investment Request. You may also transfer the funds within your account among the 20 investment options. However, transfers among investment options are allowed no more than once every seven calendar days.
- **Flexible Investment Allocation** is a stable value fund, the most conservative of the investment options.
- **Bond Fund** invests in fixed income securities, such as corporate and government bonds.
- **Balanced Fund** invests in approximately 60% stocks, 40% bonds.
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- **Target Date Funds** - The URS Target Date Funds were created to give participants a diversified retirement portfolio through a single investment option. These funds gradually adjust throughout your career and into retirement. The investment mix—which includes stocks, bonds, and real assets—is automatically reallocated to be weighted more conservatively as you age and enter retirement. There is no need to adjust your investments as your time horizon changes; your Target Date Fund does the work for you.
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### Target Date Funds Asset Allocations

<table>
<thead>
<tr>
<th>Asset Classes</th>
<th>2060</th>
<th>2055</th>
<th>2050</th>
<th>2045</th>
<th>2040</th>
<th>2035</th>
<th>2030</th>
<th>2025</th>
<th>2020</th>
<th>2015</th>
<th>2010</th>
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<tbody>
<tr>
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<tr>
<td>URS Bond Fund</td>
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<td>International Bonds</td>
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<td>Global Inflation-Linked Bonds</td>
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### Target Date Funds Investment and Administrative Fees

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<th>Fund</th>
<th>Date of Birth</th>
<th>Date of Retirement</th>
<th>Investment Allocation</th>
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<td>Target Date 2055</td>
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<td>Target Date 2050</td>
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The PCRA offers a wide variety of investment options and gives you more flexibility in managing your retirement savings. With a PCRA, you can:

- Purchase stock in a diversified portfolio of 20 investment options (whether through contributions or rollovers).
- Select the investment option that is right for you.
- Mix investments to suit your needs.
- Change your investment mix at any time on the URS website.
- Have the flexibility to switch between investment options.

**Fees Examples:**

Let’s assume you had $1,000 in the Large Cap Stock Index Fund on January 1, 2016, and left it until January 1, 2017. Let’s also assume there was no change in the stock market during that period. The fees for investing and administering this fund would be $1.90.

**Collectibles**
- Margin trading and trade-away trades
- Options (writing covered calls and buying protected puts are allowed)
- Real estate (REITs are allowed)
- Life insurance policies

**Things to Know**

- **Risk vs. Return**: No investment is without risk. Generally, stocks are more risky than bonds. Stocks also have potential for higher returns than bonds. Cash investments are typically safer than either bonds or stocks.
- **Diversify Your Account**: A portfolio is the total of all your investments. Diversifying your investments allows you to not “put all your eggs in one basket.” How you diversify your investments depends on how much risk you’re able to bear and how much time you have until the money is needed.
- **Dollar Cost Averaging**: Investing a predetermined amount on a regular basis is called dollar cost averaging. Dollar cost averaging can help reduce risk by averaging out the ups and downs of volatile investments.
- 13% - 18%: Dollar cost averaging assures you will automatically buy more shares when the price is low and fewer shares when the price is high.
Other Things to Consider

Determining whether to invest in a Roth IRA, traditional IRA, 401(k) or 457 plan depends on several factors.

### Flexibility of Withdrawals
You may withdraw money from an IRA at any time. Unlike a 401(k), or 457 plan, money from an IRA can be withdrawn while you are still employed, regardless of your age. However, you may still be able to access your 401(k) and 457 funds if you find yourself in a financial hardship or emergency. In addition to hardship withdrawals, the 401(k) and 457 plans offer a lower-interest loan option. The interest you pay on these loans is contributed back into your respective plan.

### Penalty-Free Withdrawals
If you are under age 59½, IRA withdrawals may not be subject to a 10% early withdrawal penalty tax if used for these reasons:
- Expenses to buy, build, or rebuild your primary residence ($100,000 lifetime maximum)
- Qualified higher education expenses
- Certain unreimbursed medical expenses
- Disability
- Health insurance premiums when unemployed
- Periodic payments based on your life expectancy
- Payments to beneficiaries after your death
- See IRS Publication 946 for a complete list of exceptions.

The 457 plan is not subject to the 10% early withdrawal penalty tax. You may also avoid this tax in the 401(k) if you work into the year that you turn age 55 (age 50 if you separate from service as a qualified public safety employee).

### Qualified Reservist Distribution
If you are a qualified reservist on active duty, who takes or has taken a withdrawal after September 11, 2001, of all or part of your traditional IRA, you will not have to pay the additional 10% tax on a payment that is eligible for roll over and paid to you. You are a qualified reservist if you are a reservist or national guardian ordered or called to duty after September 11, 2001, for a period in excess of 179 days or for an indefinite period. You may repay a qualified reservist distribution to an IRA at any time during the two-year period after the end of active duty.

### Qualified Charitable Distributions
- If you are age 70½ or over and have a traditional or Roth IRA, you can directly transfer, tax-free, up to $100,000 per year to an eligible charitable organization. This option can be used whether or not you itemize your deductions. The distributed amount is excluded from your income; however, no deduction is allowed on your tax return. For example, fund transfers in your IRA do not affect your ability to transfer funds in your 401(k) or 457 plans.

### Additional Information Regarding Transfers
Transfer requests received at URS before the close of the New York Stock Exchange (NYSE), generally 2:00 p.m. Mountain Time, are transferred using that evening’s closing market value. Transfer requests received after the close of the NYSE are transferred using the next business day’s closing market value. Transfers are handled individually. For example, fund transfers in your IRA do not affect your ability to transfer funds in your 401(k) or 457 plans.
5-Year Holding Rule
A member must have had a Roth IRA open for at least 5 years before a tax-free distribution of earnings.

401(k) Plan
A savings plan in which employees may elect to contribute pre-tax dollars to a tax-deferred retirement plan.

403(b) Plan
A savings plan that permits employees of qualifying education or non-profit organizations to contribute pre-tax dollars to a tax-deferred retirement plan.

457(b) Plan
A savings plan whereby governmental employees may elect to contribute pre-tax dollars to a tax-deferred retirement plan.

Adjusted Gross Income (AGI)
Adjusted gross income is determined by adding all sources of income such as wages and interest income and subtracting certain deductions and adjustments to your income.

Asset Allocation
Separating investment funds among different asset types such as: cash, cash equivalents, bonds, stocks, real estate, etc.

Beneficiary
A person or entity receiving the proceeds of an eligible savings plan or IRA when the owner of the plan dies.

Beneficiary, Naming Your Spouse
As URS Savings Plans accepts information regarding your spouse (the person you are legally married to) as correct, and will not do an independent verification of your marital status. The number of years an individual is expected to live based on his or her current age.

Contributions and earnings may be withdrawn after contributions are made. After contributions are withdrawn are considered to be a return of contributions made. After contributions are withdrawn, further withdrawals are amounts that have been converted from a traditional IRA. Finally, the earnings are considered withdrawn. See IRS Publication 590 for a full description.

Penalty-Free Withdrawal
A withdrawal exempt from the 10% early withdrawal penalty tax, unless an exception applies.

Required Minimum Distribution (RMD)
After a traditional IRA holder reaches 70½ or a 401(k), 403(b), 457 plan participant reaches age 70½ and terminates employment, earnings must be withdrawn every year.

Rollover IRA
A traditional IRA that receives assets from another eligible plan.

Roth 401(k)
A savings plan in which employees may elect to contribute after-tax dollars to an employer-sponsored retirement plan. Contributions and earnings may be withdrawn tax free provided certain conditions are met. 

Roth IRA
A tax-deferred retirement account that allows voluntary contributions, and may be deductible on an individual’s income taxes. Withdrawals from a Roth IRA are partially or fully taxable when withdrawn.

Tax Deferral
Postponing payment of income taxes on retirement contributions and certain subsequent earnings until the money is withdrawn.

Tax Withholding
An IRS mandated or member elected tax withholding of the gross proceeds of a withdrawal from an eligible savings plan or IRA before the account owner is age 59½.

Traditional IRA
A tax-deferred retirement account that allows voluntary contributions, and may be deductible on an individual’s income taxes. Withdrawals from a Traditional IRA are partially or fully taxable when withdrawn.

Glossary of Investment and Financial Terms

5-Year Holding Rule
A member must have had a Roth IRA open for at least 5 years before a tax-free distribution of earnings.

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Beneficiary, Naming Your Spouse
As URS Savings Plans accepts information regarding your spouse (the person you are legally married to) as correct, and will not do an independent verification of your marital status. Providing incorrect information regarding your marital status may lead to tax consequences that are solely your responsibility. For additional information regarding the definition of marriage for federal tax purposes see U.S. Department of the Treasury Revenue Ruling 2013-17.

Bond
An interest-bearing security whereby the issuer agrees to pay the bondholder a specified sum of money, usually at specific intervals, and to repay the principal amount at maturity. This is a form of an IOU.

Cash or Cash Equivalent
Investments of such high liquidity and safety that they are similar to cash.

Catch-Up (Age 50)
An additional contribution allowed for individuals age 50 and over.

Compensation
Compensation typically includes salary, bonuses, overtime, vacation pay, and self-employment income. Compensation DOES NOT include rent, investment and interest income, pension, or Social Security disability, income, and payments of an unearned income.

Contribution
A deposit into an IRA for a particular tax year.

Credits
Funds withdrawn from a traditional IRA and deposited into a Roth IRA. A conversion is a taxable transaction.

Deductible Contribution
Contributions to a traditional IRA may be fully or partially deductible from your income when filing your federal income taxes. Contributions to a Roth IRA are NOT tax deductible.

Defeased IRA
A traditional or Roth IRA maintained under an eligible employer plan that accepts voluntary employer contributions.

Direct Rollover
A direct rollover allows you to move a distribution from an eligible plan into another eligible plan, avoid federal tax withholding and early withdrawal penalties because the distribution is made directly to the other institution.

First-Time Homebuyer Tax Penalty Exception
Generally, you are a first-time homeowner if you had no prior interest in a main home during the 2-year period ending on the date of acquisition of the home with which the distribution is being used to buy, build, or rebuild. If you are married, your spouse must also meet this no-ownership requirement.

Health Insurance Premiums for the Unemployed
A taxpayer who is receiving unemployment compensation for 12 consecutive weeks is eligible to take a distribution to pay for health insurance premiums for the IRA owner, owner’s spouse, and any dependents. This exception will result in no 10% early withdrawal penalty tax.

Indirect (60-Day) Rollover
A withdrawal from a retirement account that is rolled over to an eligible plan or IRA within 60 days. An indirect rollover is a direct rollover or direct transfer in that the money is sent to the participant and not directly to the new plan. You can make only one indirect rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs that you own. For additional information see IRS Announcement 2014-32.

Life Expectancy
The number of years an individual is expected to live based on his or her current age.

Modified Adjusted Gross Income (MAGI)
For most taxpayers, MAGI is the same as their AGI. MAGI is your AGI, with adjustments for the following: required minimum distributions (RMDs), income from U.S. Savings Bonds used for higher education expenses, foreign earned income exclusions, foreign housing exclusions, IRA deductions, employer-reimbursed adoption expenses.

Mutual Fund
An investment allowing investors to pool money for investments in stocks, bonds, and other securities. Diversification and professional investment management are among mutual fund advantages.

Nonrefundable Contributions
A contribution made to a traditional IRA that can be deducted until 50% of the individual’s federal income taxes. If a nonrefundable contribution is made, the contribution must file IRS Form 8606. The number of years an individual is expected to live based on his or her current age.

Ordinary Rules
The order in which Roth IRA assets are deemed to be withdrawn. The first assets qualified withdrawn are considered to be a return of contributions made. After contributions are withdrawn, further withdrawals are amounts that have been converted from a traditional IRA. Finally, the earnings are considered withdrawn. See IRS Publication 590 for a full description.

Penalty-Free Withdrawal
A withdrawal exempt from the 10% early withdrawal penalty tax. Exemptions include: age 59½, death of the IRA owner, qualified education expenses, qualifying medical expenses, health insurance premiums when unemployed, payments paid over the owner’s life expectancy, disability, or payments to a beneficiary.

Premature Distribution
Distributions taken from a traditional or Roth IRA before the account owner is age 59½. Premature distributions are usually subject to a 10% early withdrawal penalty tax, unless an exception applies.

Prior-Year Contribution
A contribution made to a Roth or traditional IRA between January 1 and April 15 for the prior tax year.

Qualified Distribution
A distribution from a Roth IRA that meets the applicable holding requirement and the taxpayer is over age 59½.

Qualified Health Expenses
Expenses such as tuition, fees, books, and supplies at an eligible higher education institution. These expenses include those of the IRA owner, spouse, children, or grandchildren. These expenses are exempt from the 10% early withdrawal penalty tax.

Qualified Retirement Plan
A qualified retirement plan is one that has been approved by the IRS and generally gets preferential tax treatment.

Qualifying Medical Expenses
Distributions from an IRA to pay unreimbursed medical expenses that exceed 10% of adjusted gross income are exempt from the 10% early withdrawal penalty tax.

Rebalancing
The process restoring a portfolio to its target mix by periodically buying or selling some of each investment option. The target mix by periodically buying or selling some of each investment option. The target mix by periodically buying or selling some of each investment option.

Roth 403(b)
A savings plan that permits employees of qualifying education or non-profit organizations to contribute after-tax dollars to an employer-sponsored retirement plan. Contributions and earnings may be withdrawn tax free provided certain conditions are met. 

Roth IRA
A tax-deferred retirement account that allows voluntary contributions, and may be deductible on an individual’s income taxes. Withdrawals from a Roth IRA are partially or fully taxable when withdrawn.

Tax Deferral
Postponing payment of income taxes on retirement contributions and certain subsequent earnings until the money is withdrawn.

Tax Withholding
An IRS mandated or member elected tax withholding of the gross proceeds of a withdrawal from an eligible savings plan or IRA before the account owner is age 59½.

Traditional IRA
A tax-deferred retirement account that allows voluntary contributions, and may be deductible on an individual’s income taxes. Withdrawals from a Traditional IRA are partially or fully taxable when withdrawn.
Defined Contribution Department
P.O. Box 1590, Salt Lake City, UT 84110-1590

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Fax: 801-366-7445
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435-673-6300, 800-950-4877

Daniel D. Andersen
Executive Director

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