

The URS ViewPoint

Inside: ♦ Retire and Return to Work? Just Wait. ♦ A Loan...or a Gift? ♦ Marginalizing a Roth IRA Conversion
♦ 2010 IRS Defined Contribution Limits ♦ If I Had Only Known Back Then ♦ 6 Helps to Forestall Foreclosure

Legislature ViewPoint

2010 RETIREMENT LEGISLATION

Here is a summary of other retirement legislation that passed in this 2010 legislative session. Full details can be read in the bills themselves.

HB 233 Retirement Office Amendments

Clarifies board appointments; retirement service purchase rules; appointment of certain third parties on behalf of a disabled member; makes technical changes.

HB 246 Charter School Retirement

Outlines service purchase requirements for charter school employees.

SB 171 Higher Ed Retirement

Higher education employees hired May 11, 2010, or after, with service credit in the Contributory or Noncontributory Retirement Systems, may continue participation in that system regardless of the institution's employment classification.

SB 240 Employer Non-Participation

Allows certain employers and employees to exempt from retirement coverage in the Noncontributory Retirement System.

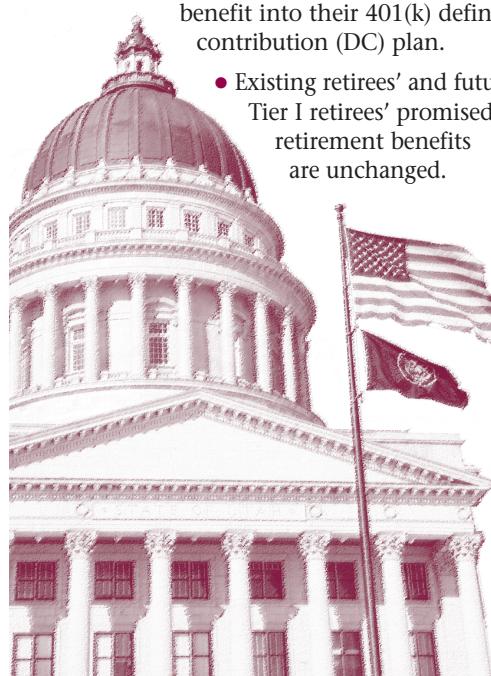
What Happened on the Hill this Year?

Legislature Creates a Two-Tier Retirement System

With the passage of Senate Bill 63 (SB 63), the Utah Legislature has given the Utah Retirement Systems a new look for the future. Employees hired on or after July 1, 2011, will enter URS under a different service and benefit structure called Tier II. Let's look at what this means.

Tier I Public Employees benefits are not changed

- Tier I employees are those who began or will begin employment before July 1, 2011. These employees' defined benefit (DB) retirement benefits are *not changed* by SB 63 in any way. Further, Tier I state and school employees will continue to receive the 1.5% employer paid benefit into their 401(k) defined contribution (DC) plan.
- Existing retirees' and future Tier I retirees' promised retirement benefits are unchanged.



Tier II Public Employees have retirement options

- Tier II public employees — those who begin initial employment on or after July 1, 2011 — will choose between a DC retirement benefit only or a hybrid retirement benefit (a combination of DC and DB plans).
- The employer contribution for Tier II public employees is 10% of salary.
- Tier II employees who choose the DC retirement benefit will have 10% of salary placed in a 401(k) account.
- Tier II public employees who select the hybrid retirement benefit will have the DB option funded by the employer contribution; any excess between the 10% contribution and the cost of the DB plan will go into the employee's 401(k) account; if the cost of the DB plan exceeds 10% of salary, the employee must contribute the difference to fund the DB plan and no employer funds will go into the employee's 401(k) account.
- Tier II public employees' DB plan has a 1.5% multiplier, 5-year final average salary, 35-year retirement at any age, up to a 2.5% COLA, death benefit, and disability benefit.

Tier II Public Safety/Firefighter Employees

- The employer contribution for Tier II Public Safety/Firefighter employees is 12% of salary.
- Tier II Public Safety/Firefighter employees who choose the DC retirement benefit will have 12% of salary placed in a 401(k) account.
- Tier II Public Safety/Firefighter employees who select the hybrid retirement benefit will have the DB option funded by the employer contri-

bution; any excess between the 12% contribution and the cost of the DB plan will go into the employee's 401(k) account; if the cost of the DB plan exceeds 12% of salary, the employee must contribute the difference to fund the DB plan and no employer funds will go into the employee's 401(k) account.

Retire and Return to Work? Just Wait.

If your retirement plans include returning to full- or part-time public employment after you retire, or you're now employed in a post-retired position, follow along as we note some changes to post-retirement employment provisions contained in new Senate Bill 43 (SB 43).

If you retire and are rehired before July 1, 2010

You would, as a retiree, earn a salary, collect your retirement benefit and, if full-time, receive a 401(k) contribution equal to the amount that would have been contributed to your defined benefit plan if you were an active member.

However, commencing July 1, 2010, you may earn a salary, continue to collect your retirement benefit, and may, at the discretion of your employer, receive a limited contribution to a Defined Contribution plan. Retired members who are now working part-time or will begin part-time work before July 1, 2010, are not affected by these provisions.

If you retire and are rehired on or after July 1, 2010

You must separate from employment (including part-time and contract arrangements) with any

- Tier II Public Safety/Firefighter employees' DB has a 1.5% multiplier, 5-year final average salary, 25-year retirement at any age, up to a 2.5% COLA, death benefit, line-of-duty death benefit, and disability benefit.

participating employer for one year from your URS retirement date.

If you're employed by a participating employer *within one year* of your URS retirement date, your retirement benefit will be canceled and you'll be returned to active status to earn additional service credit, if eligible.

If you return to employment for a participating employer *after one year* from your URS retirement, you may either earn a salary and continue to receive your retirement benefit, or earn a salary and cancel your retirement benefit in order to earn further service credit in the defined benefit plan.

If you're re-employed full-time for at least 2 years, a separate benefit will be calculated based upon your new service and salary at the time of your second retirement, and your previous and new retirement benefits will be combined. In all cases the date of re-employment and your URS retirement date define the terms of any postretirement employment arrangement.

This bill also removes the cap on the maximum retirement benefit a retiree of the Public Safety, Firefighters, or Judges Retirement Systems may receive. Further SB 43 details at urs.org.

Estate Planning

ViewPoint

A Loan ...

Q: We have a son who has always been "needy." We've probably been more understanding than we should have been with his ongoing financial crises. The total of our help to him has reached five figures. When we told him recently that we need him to start paying us back, he said he understood the money to be as gifts and that in "no way" would he ever have the means to pay any of it back. We need the money. What can we do?

THE BALLPOINT GERM

One of the places high in germ transmission is the reception area in doctors' offices — the counter, clipboards, pens, even magazines. For self-defense, use your own pen, carry hand sanitizer with you, and wash your hands when you get home.

—The Wall Street Journal

Health ViewPoint

5 Facts You Should Know About High Blood Pressure

- 1 One high blood pressure reading doesn't necessarily mean you have high blood pressure (hypertension). If you have several elevated blood pressure readings (taken at different times), you probably do have high blood pressure.
- 2 You can't tell when your blood pressure is high; that is, high blood pressure usually has no symptoms. The only way to know if you have high blood pressure is to have it checked.
- 3 A normal blood pressure reading is about 120/80. If the top number (systolic) consistently exceeds 140, or if the bottom number (diastolic) consistently exceeds 90, you should be working with your doctor on getting your blood pressure back to normal.
- 4 You can get an approximate blood pressure reading using a sit-down testing unit found in many supermarkets or drugstores.
- 5 If you have to take high blood pressure medicine, your doctor can manipulate the type and dose of medicine until it suits you. Don't stop taking your medicine without consulting your doctor first.



RAINY DAY CURE FOR DOG ODOR

Next time your dog comes in from the rain, simply wipe down the animal with Bounce® or any dryer sheet, instantly making your dog smell springtime fresh.

OK foods

- Apples, grapes, bananas, orange juice
- Avocado
- Broccoli
- Oats
- Fish
- Water

NO-kay foods

- High salt foods
- Medium salt foods
- Saturated fats
- Partially hydrogenated vegetable oils
- Chicken skin
- Alcohol

or a Gift?

A: If you had your son sign promissory notes, then there is no question about repayment: They were loans and must be repaid. Lacking this, your son has the legal upper hand. You can try to pressure him into signing a promissory note today acknowledging that the money was loaned and not given. Failing that, you can deduct the total (plus past and future accrued interest at whatever rate you choose) from his inheritance or by bequeathing his portion of your estate to your other heirs.

Loan vs. gift is a common tussle among families. If the money is meant as a gift, write it on the check. If it's meant as a loan, have the recipient sign a promissory note.

POPULAR PLANNING BROCHURES

The Retirement Office offers two free estate planning brochures that have been newly updated:

1. Suddenly Single details the essential legal and financial steps one must take during the first days and weeks after the sudden death of a spouse.

2. Record of Important Papers and Valuable Property guides your executor or family — even you — to the critical papers, properties, and obligations of your estate.

Order by calling (801) 366-7372 or toll-free (800) 753-7372.

Marginalizing a Roth IRA Conversion

A popular financial "guru" has promoted a strategy of converting your 401(k) or traditional IRA to a Roth IRA. It goes something like this:

"The market has dropped" or "the government will raise tax rates in the future," and "so this is a good time to convert to a Roth."

"Just like that!?" Is it really that simple for everyone? Or could your situation be different than your neighbor's?

Tax brackets matter

The key to your decision regarding moving a tax deferred plan (i.e., 401(k), 457 or traditional IRA) into a Roth IRA has less to do with the economy than with your individual finances. How so? You first need to understand your "marginal" tax bracket. Maybe you haven't even heard the term marginal tax bracket, yet it determines what rate you pay on each additional dollar you earn. For instance, you may pay a net 15% on your income now, yet each additional dollar you receive could be taxed at 25%, or more!

Let's look at how this works.

We'll borrow a table from the 2009 1040 Tax Rate Schedules to illustrate. Bill is 60 years old and is considering converting the \$50,000 balance in his 401(k) to a Roth IRA. His taxable income is \$67,900 for the year, and he'll file his tax return as married filing jointly.

Schedule Y-1 Married filing jointly or Qualifying widow(er) 2009

If your taxable income is:

over:	But not over:	The tax is:	of the amount over:
\$0	\$16,700	10% \$0
16,700	67,900	\$1,670.00 + 15%	16,700
67,900	137,050	9,350.00 + 25%	67,900
137,050	208,850	26,637.50 + 28%	137,050
208,850	372,950	46,741.50 + 33%	208,850
372,950	—	100,894.50 + 35%	372,950

If Bill rolls his 401(k) to a Roth IRA, the IRS will consider the \$50,000 as earned income, bringing his total income to \$117,900 for the year. Since he's in the 15% tax bracket now, Bill might think he would owe 15% of the \$50,000 (\$7,500) in federal income tax. But looking at the table above, we can see that Bill would actually be paying 25% (\$12,500) in income taxes, or a full 10% higher tax rate than what he is accustomed to paying.

Thus, although converting to a Roth IRA may yield welcome tax benefits in later years, a person should recognize the current and significant tax consequences now.

Important Note: *To convert a 401(k) or 457 plan to a Roth IRA you must be eligible for a withdrawal. This means you must be separated from service with your employer; or be age 59½ or older for the 401(k); or 70½ or older for the 457.*

2010 IRS Defined Contribution Limits

Did you know that Uncle Sam limits the amount you can defer to your defined contribution plans? To avoid issues with the IRS, you need to be aware of and monitor your deferrals to each plan. Your employer does likewise.

Plan	Employee	Employer	Total*	Employee Catch-up	Restrictions
401(k)	\$16,500	\$49,000	\$49,000	\$5,500 Age 50+	Must coordinate with 403(b) plans
457	\$16,500	\$16,500	\$16,500	\$5,500 Age 50+ OR \$16,500 Special catch-up, if eligible	Must coordinate with all 457s. Special catch-up within 3 years of retirement

*Contributions to each plan cannot exceed 100% of compensation.

If you have a URS Roth or Traditional IRA you'll need to make sure you're within IRS limits, especially if you have IRAs with other financial institutions, since *these limits apply to all IRAs combined*.

Plan	Employee	Employer	Total*	Employee Catch-up	Restrictions
Roth IRA	\$5,000	Not allowed	\$5,000	\$1,000 Age 50+	Must coordinate all IRAs
Traditional IRA	\$5,000	Not allowed	\$5,000	\$1,000 Age 50+	Must coordinate all IRAs

*Prior-year contributions cannot come via payroll deduction.



MONEY FOUND

Ask each of your utility companies to return the deposits you made when you first moved into your home or apartment. After a year or so of on-time payments, most utilities will refund such deposits.

Utah Retirement Systems

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Retirement Office *ViewPoint*

URS "How to be Smart" Seminars

If I Had Only Known Back Then...

Today is tomorrow's "back then." These free (for spouses, too) URS planning seminars can give you the information and tools to make key decisions. Register now for the seminar that fits your interests by calling 801-366-7750 or 800-753-7750. Spaces fill quickly.

URS Personal Planning Seminar

Seminars begin at 9:00 a.m. and end at 1:00 p.m.

Ogden — Friday, June 18

Salt Lake City Central — Friday, Aug. 6

Provo — Friday, Oct. 15

URS Pre-Retirement Seminar

Seminars begin at 9:00 a.m. and end at 3:30 p.m.

Salt Lake City North — Thurs., April 22

Salt Lake City Central — Friday, April 30

Provo — Friday, May 21

Richfield — Friday, June 11

Farmington — Friday, June 25

Salt Lake City Central — Friday, July 9

Logan — Friday, July 16

West Valley City — Friday, July 30

Ogden — Friday, Sept. 17

Moab — Thursday Sept. 23

Salt Lake City Central — Friday, Oct. 8

Seminar Locations

Farmington

Davis School
District Offices
70 E. 100 N.
Kendell Building
2nd Floor

Logan

Bridgerland Applied
Technology College
1301 N. 600 W.
Room 171

Moab

Grand Center
182 N. 500 W.

Ogden

Weber Center
2380 Washington Blvd.
Commission Chambers

Provo

City Offices
351 West Center
City Council Room

Richfield

Snow College
Richfield Campus
Administration Building
800 W. 200 S.
Conference Rooms
147 B & 147 E

Salt Lake City Central

County
Government Center
2001 S. State
Commission Chambers
Room N1100

Salt Lake City North

State Office Building
(behind Capitol)
1st Floor, Auditorium

West Valley City

Utah Cultural
Celebration Center
1355 W. 3100 S.
The Great Hall

Money *ViewPoint*

6 HELPS TO FORESTALL FORECLOSURE

1. If you fall behind in payments, contact your lender's payment resolutions department immediately!
2. Don't try to hide from the lender. Answer the phone and open all mail. Lenders are motivated to work out alternatives to foreclosure.
3. Explain your situation and listen to your lender's proposal, but don't agree to anything until you speak with an attorney or credit counselor.
4. Figure out if your problem is short or long term. This will help your lender come up with options.
5. Ask your lender whether you can make partial payments.
6. Keep notes of all your calls and correspondence, including envelopes with postmarks.

— Ed Mrkvicka, Jr.,
former Illinois Bank CEO

USEFUL WEBSITES

- Been peeved when opening a website only to learn that it's an irritating impersonation? Learn who operates that site. Visit www.register.com and click on Whois Lookup.
- Click to draw your daily walk, jog, or run route and see the distances and times involved. Hop over to www.walkjogrun.net.

