

One of the biggest misconceptions by state employees is that sick leave from program I and program II has no value at retirement, this is not true. With the passage of HB213, many employees think only Program I (Pre2006) Sick/Converted Sick leave has value but what many don't realize is that there is a percentage split for Program II (Pre 2014) Sick/Converted Sick leave that goes directly into a post retirement HRA account and/or 401k accounts for post retirement use depending on which Retirement Tier you are eligible for. The explanations below describe what happens to your sick leave during the retirement process per Tier eligibility.

The only sick leave program without post retirement medical benefits is Program III sick leave. This program was created with the passage of HB194.

TIER I RETIREMENT AND SICK LEAVE

Noncontributory System:

4 years vesting period

Employer puts in 1.5% into 401(k)

You can contribute into a 401(k)

Annual contribution limits \$17,000 With age 50+ catch-up \$22,500

Your employer's contributions, combined with your personal deferrals, cannot exceed the lesser of \$50,000 for 2012, or the equivalent of 100% of your gross wages for the year.

Qualifications:

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

The payment is determined by multiplying an employee's 3 year monthly average salary by the product of the employee's years of service and 2% (.02).

*If you have fewer than 30 years of service from any combination of Utah Retirement Systems, retiring before age 65 reduces your monthly benefit approximately 7% for every year under age 60 and 3% for each year between ages 60 and 65. 4% COLA begin one year after you retire, based on the Consumer Price Index.

Public Safety System:

4 years vesting period

No employer 401(k) contribution

You can contribute into a 401(k)

Annual contribution limits \$17,000 With age 50+ catch-up \$22,500

Your contribution cannot exceed the lessor of \$50,000 for 2012, or the equivalent of 100% of your gross wages for the year.

Qualifications:

65 with 4 years of service

60 with 10 years of service

Any age with 20

You receive credit for any part of a year for which contributions have been paid.

The payment is determined by multiplying an employee's 3 year monthly average salary by the product of the employee's years of service through 20 years by 2.5% (0.25), or over 20 years by 2% (0.2).

Sick Leave Usage:

Employee and employer deferrals are placed into the 401(k) first, including one time final deferrals (such as annual leave and excess payouts). Next 25% of all Program II sick leave and converted sick leave balances are placed in the 401(k). Last, 25% of all Program I sick leave and converted sick leave balances are placed in the 401(k). If the IRS limit is reached before the 25% mandatory contribution is placed in the 401(k), the remaining program II sick leave hours are converted to the dollar amount, (based on your hourly rate or the average retiree rate from the previous year, whichever is greater at time of retirement), and placed in the HRA, (based on your hourly rate or the average retiree rate from the previous year, whichever is greater at time of

retirement), and the remaining program I sick leave hours maybe used to purchase insurance at the 8 hours for one month rate.

Program I hours (Pre-2006 sick & converted sick) Converted sick leave program ends on January 1, 2014.

Employee receives 25% of the value of sick leave and 25% of the value of converted sick leave as a mandatory employer contribution into a 401(k) account. Remaining sick leave hours from both accounts are set aside for the purchase of the State's portion of medical insurance at the rate of 8 hours for one month coverage for everyone covered under the plan (retiree, spouse, and dependent children). Employees will still be responsible for their portion of the premiums until they turn age 65.

Once the retiree turns age 65, there may be a need to purchase a Medicare supplement for the retiree and regular health insurance for the spouse (if the spouse is under age 65). In this case, 8 hours per person (16 hours total) equal one month of coverage. Dependent children are not eligible to be covered under the regular policy once the retiree turns age 65.

If you are purchasing a Medicare supplement for both you and your spouse, 8 hours **per person** equals one month of coverage.

Program II (Pre 2014 sick & converted sick leave) Converted sick leave program ends on January 1, 2014.

Employee receives 25% of the value of sick leave and 25% of the value of converted sick leave as a mandatory employer contribution into a 401(k) account. The remaining sick leave is converted to a dollar value and placed in an interest earning health reimbursement account (HRA) to pay for health related costs.

Program III (post 2013 sick leave) has no value at retirement.

TIER II RETIREMENT SYSTEMS AND SICK LEAVE

All new eligible employees will be placed in the Tier II Hybrid plan at hire. The employee then has one year to change their mind, and they can change their mind as often as they want within that one year. URS will not be moving employees in and out of the Hybrid and DC, they are going to wait until the employee's one year period is up, and whichever plan they selected last will be the plan they are permanently in. **The option is then irrevocable.** You must log onto www.urs.org to change your option.

HYBRID Retirement System: Pension and 401(k)

4 years vesting period

You can contribute into a 401(k)

Employer contributes an amount equal to 10% of your salary between both plans (pension and 401(k)).

Pension contributions are based on the yearly pension contribution rate. The 2012-2013 year rate is 8.41% contributed to your pension and 1.59% into 401(k). *If the pension contribution rate ever exceeds 10% you must pay the additional amount above 10% and there will be no employer 401(k) contribution.*

Qualifications:

65 with 4 years of service

62 with 10 years of service*

60 with 20 years of service*

Any age with 35 years of service.

The payment is determined by multiplying an employee's 5 year monthly average salary by the product of the employee's years of service and 1.5%.

*If you have less than 35 years of service credit and retire before age 65, your monthly payment will be reduced by approximately 7% for each year between the ages of 60 and 63 and approximately 9% for each year between ages 63 and 65. 2.5% COLA begin one year after you retire, based on the Consumer Price Index.

DEFINED CONTRIBUTION PLAN (DC) 401(k) ONLY

4 years vesting period

You can contribute into a 401(k)

Employer contributes an amount equal to 10% of your salary to a 401(k) plan.

The amount of money you have throughout retirement depends on investment performance and personal withdrawals. No guaranteed income.

No COLA benefit.

There is no early retirement reductions. You will have access to the full value of your vested account balance when you leave employment, regardless of age. **In this plan you do not officially “retire” but URS will keep a date to show your service time and DHRM will use that date to determine eligibility for Post Retirement Medical.**

If you receive a distribution from your account prior to age 59 1/2, you may be subject to the 10% early withdrawal penalty tax. This penalty is in addition to any federal or state income taxes you are required to pay. This penalty tax may not apply if you work into or beyond the year you reach age 55, or take periodic payments based on life expectancy factors.

PUBLIC SAFETY HYBRID System:

4 years vesting period

You can contribute into a 401(k)

Employer contributes an amount equal to 12% of your salary between both plans (pension and 401(k)).

Pension contributions are based on the yearly pension contribution rate. The 2012-2013 year rate is %10.91 contributed to your pension and %1.09 into 401(k). **If the pension contribution rate ever exceeds 12% you must pay the additional amount above 12% and there will be no employer 401(k) contribution.**

Qualifications:

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*

The payment is determined by multiplying an employee's 5 year monthly average salary by the product of the employee's years of service and 1.5%.

*If you have less than 25 years of service credit and retire before age 65, your monthly payment will be reduced by approximately 7% for each year between the ages of 60 and 63 and approximately 9% for each year between ages 63 and 65. 2.5% COLA begin one year after you retire, based on the Consumer Price Index.

PUBLIC SAFETY DEFINED CONTRIBUTION PLAN (DC) 401(k) ONLY

4 years vesting period

You can contribute into a 401(k)

Employer contributes an amount equal to 12% of your salary to a 401(k) plan

The amount of money you have throughout retirement depends on investment performance and personal withdrawals. No guaranteed income.

No COLA benefit

There is no early retirement reductions. You will have access to the full value of your vested account balance when you leave employment, regardless of age. **In this plan you do not officially "retire" but URS will keep a date to show your service time and DHRM will use that date to determine eligibility for Post Retirement Medical.**

If you receive a distribution from your account prior to age 59 1/2, you may be subject to the 10% early withdrawal penalty tax. This penalty is in addition to any federal or state income taxes you are required to pay. This penalty tax may not apply if you work into or beyond the year you reach age 55, or take periodic payments based on life expectancy factors.

SICK LEAVE USAGE:

Employees in Tier II retirement system have Pre 2014 sick & converted sick leave, **Program II**. Converted sick leave program ends on January 1, 2014.

Program II (Pre2014 sick and converted sick leave): Employee and employer deferrals are placed into the 401(k) first, including one time final deferrals (such as annual leave and excess payouts). Next 25% of all Program II sick leave and converted sick leave balances are placed in the 401(k).

The remaining sick leave is converted to a dollar value, (based on your hourly rate or the average retiree rate from the previous year, whichever is greater at time of retirement), and placed in an interest earning health reimbursement account (HRA) to pay for health related costs.

Program III (post 2013 sick leave) has no value at retirement

REHIRED/RETIREEES

ON or AFTER 7/1/2010

Re-employment after one year from the member's retirement date with URS:

If the member is employed with a participating employer after one year from their retirement date with URS, the employee must elect to either:

Earn a salary and continue to receive the retirement benefits. ***If this option is elected the employee will not be able to use any additional sick leave they have accrued for the Post Medical Retirement program. You cannot retire twice.***

OR

Earn a salary and cancel the retirement benefit in order to earn additional service credit; if re-employed for at least two years, a separate benefit will be calculated based upon the new service and salary at the time of the second retirement. The original retirement benefit and the new retirement benefit will be combined. ***If the employee elects this option, after two years they can retire again and use any sick leave they have accrued for the Post Medical Retirement program.***

It is the responsibility of the retired employee to notify the URS office of their continued eligibility under this rule to avoid pension cancellation.

PHONE NUMBERS/WEB SITES

UTAH RETIREMENT SYSTEM 801 366-7770

www.urs.org www.myurs.org

PEHP 801 366-7575

www.pehp.org www.mypehp.org

**EMPLOYEE RESOURCE INFORMATION CENTER
(ERIC) 801 538-3742**