



**EMPLOYER
WEBINAR**



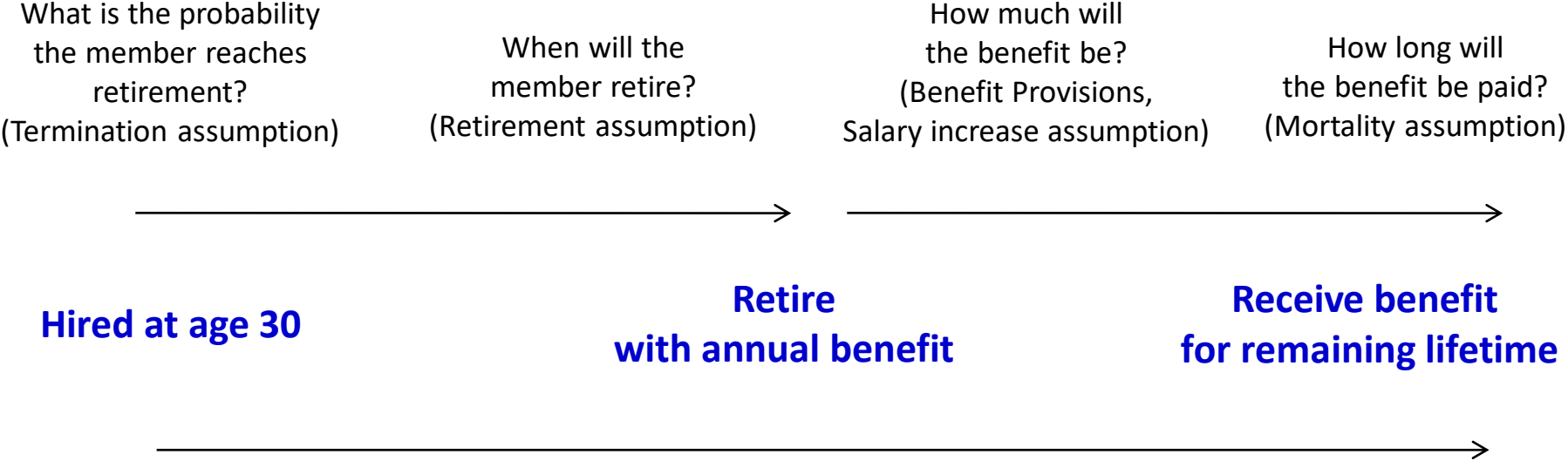
Understanding Member Contributions in the Tier 2 Hybrid System

» 9 a.m., Thursday, March 28, 2024

Agenda

- » URS Actuarial Experience and Assumptions
- » Tier 2 Member Contributions
- » FY 2024-2025 Amortization Rate Changes

Actuarial Valuation – Determining the Plan Liability



What level of COLA will be paid?

What investment earnings will be available to help pay the benefits?

What overall payroll will be available to provide contributions?

URS Actuarial Assumptions

- » Economic assumptions
 - › Price inflation, Investment return
- » Demographic assumptions
 - › Salary increases (for individuals), Mortality (active, post-employment, disability), Disability incidence, Retirement rate, Other terminations

URS Assumption Changes

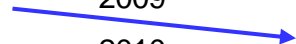
FY 2024-2025

- » Economic assumptions
 - › No changes
- » Demographic assumptions
 - › Upward shift in the salary increase assumption

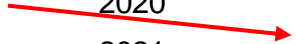
Year over Year Salary Increase

Year	State	Average Increases for Continuing Members			
		Teachers	Local	Public Safety	Firefighters
2007	7.8%	9.8%	7.1%	7.7%	6.8%
2008	6.9%	7.4%	6.8%	7.5%	6.4%
2009	2.9%	3.9%	3.4%	4.0%	4.0%
2010	1.4%	1.2%	1.4%	0.8%	2.1%
2011	2.3%	3.2%	2.7%	2.3%	2.5%
2012	2.7%	2.5%	3.0%	2.6%	2.7%
2013	3.0%	3.4%	3.9%	3.4%	3.4%
2014	3.4%	3.7%	3.7%	3.9%	3.7%
2015	4.6%	4.5%	4.6%	4.6%	4.7%
2016	4.8%	6.0%	4.6%	5.4%	5.1%
2017	4.6%	6.7%	4.9%	5.7%	5.4%
2018	5.2%	7.8%	5.4%	6.1%	5.1%
2019	5.3%	7.5%	5.8%	7.1%	6.1%
2020	4.2%	7.7%	4.9%	5.2%	5.5%
2021	6.0%	8.6%	6.0%	7.7%	6.1%
2022	7.9%	7.0%	9.9%	16.4%	9.4%
Last 10	4.9%	6.3%	5.4%	6.6%	5.5%
Last Exp Study	3.7%	4.7%	4.0%	4.2%	4.1%

Prior Experience Study



Current Experience Study



Tier 2 - Hybrid Option

FY 2023-2024 Rates
Pension

401(k)



9.82%



0.18%

Tier 2 FY 25 Contribution Rates

0.70%

	Final Tier 2 Hybrid Retirement System							
	(1) Employee Tier 2 DB Rate	(2) Employer Hybrid Plan DB Plan Rate	(3) Employer Hybrid Plan DC Plan Rate	(4) Death Benefit*	(5) Tier I Amortization %	(6) Total Employer Rate (2) + (3) + (4) + (5)	(7) Total Required Contribution (1) + (6)	Employee Increase (Decrease) From Prior Year
Public Employees Contributory Retirement System								
11- Local Government ***	0.70	10.00	0.00	0.08	6.87	16.95	17.65	0.70
Public Employees Noncontributory Retirement System								
15- Local Government ***	0.70	10.00	0.00	0.08	5.11	15.19	15.89	0.70
16- State and School ¹	0.70	10.00	0.00	0.08	9.44	19.52	20.22	0.70
18- Higher Education	0.70	10.00	0.00	0.08	9.94	20.02	20.72	0.70
Public Safety Contributory Retirement System								
23- Other Division A (2.5% COLA)	4.73	14.00	0.00	0.08	11.27	25.35	30.08	2.14
Public Safety Noncontributory Retirement System								
42- State	4.73	14.00	0.00	0.08	17.96	32.04	36.77	2.14
43- Other Division A (2.5% COLA)	4.73	14.00	0.00	0.08	11.25	25.33	30.06	2.14
75- Other Division A (4.0% COLA)	4.73	14.00	0.00	0.08	12.41	26.49	31.22	2.14
44- Salt Lake City	4.73	14.00	0.00	0.08	24.20	38.28	43.01	2.14
45- Ogden	4.73	14.00	0.00	0.08	26.30	40.38	45.11	2.14
46- Provo	4.73	14.00	0.00	0.08	19.61	33.69	38.42	2.14
47- Logan	4.73	14.00	0.00	0.08	18.87	32.95	37.68	2.14
48- Bountiful	4.73	14.00	0.00	0.08	26.89	40.97	45.70	2.14
49- Other Division B (2.5% COLA)	4.73	14.00	0.00	0.08	9.95	24.03	28.76	2.14
76- Other Division B (4.0% COLA) ***	4.73	14.00	0.00	0.08	13.94	28.02	32.75	2.14
Firefighters' Retirement System								
31- Division A**	4.73	14.00	0.00	0.08	0.00	14.08	18.81	2.14
32- Division B**	4.73	14.00	0.00	0.08	0.00	14.08	18.81	2.14

2.14%

Tier 2 Hybrid Contributions

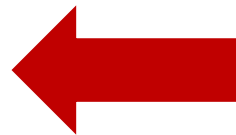
Public Employees - Effective July 1, 2024

Pension Rate



10.70%

401(k)
Contribution



Employee
Contribution



.70%

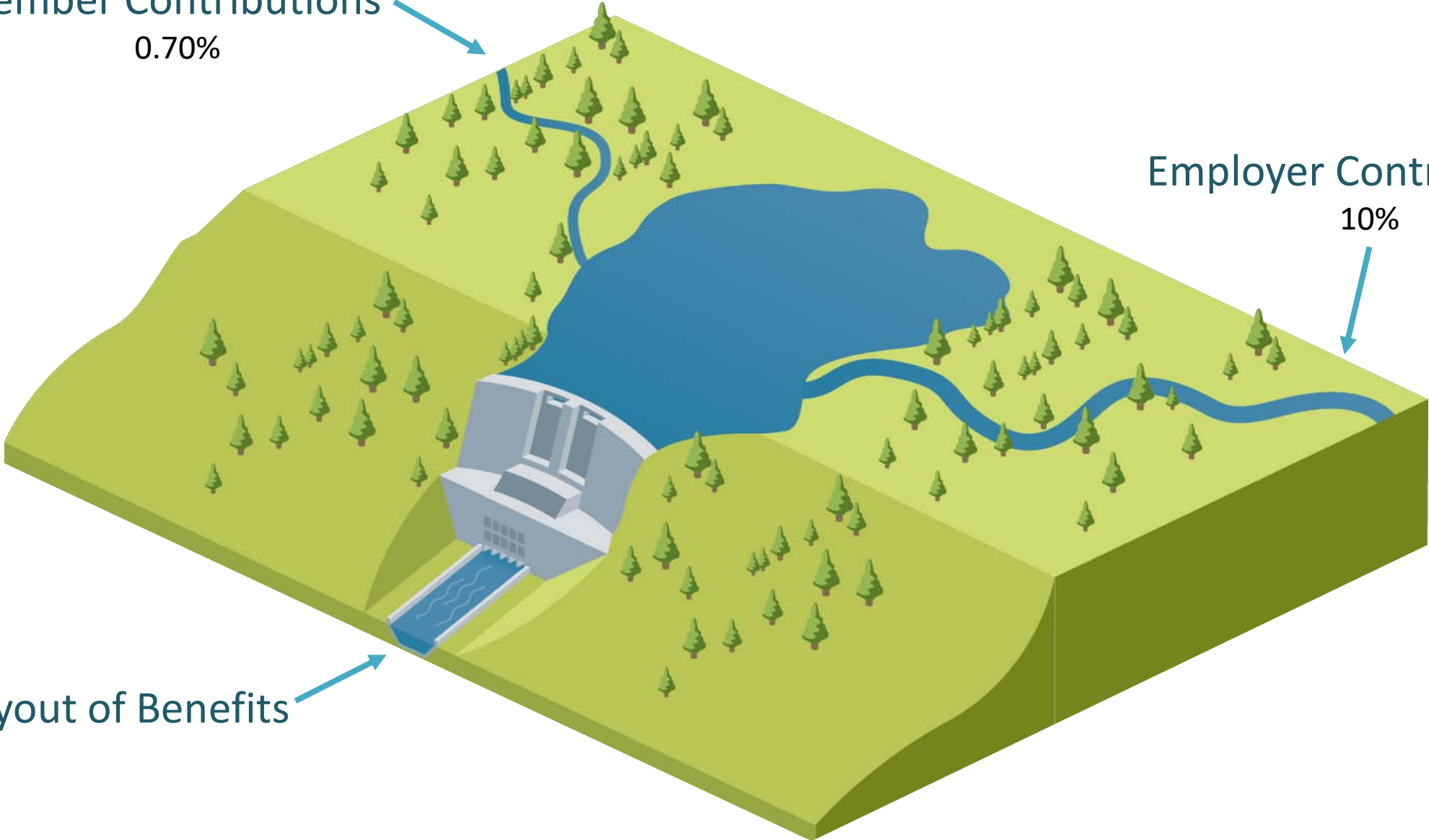
Member Contributions

0.70%

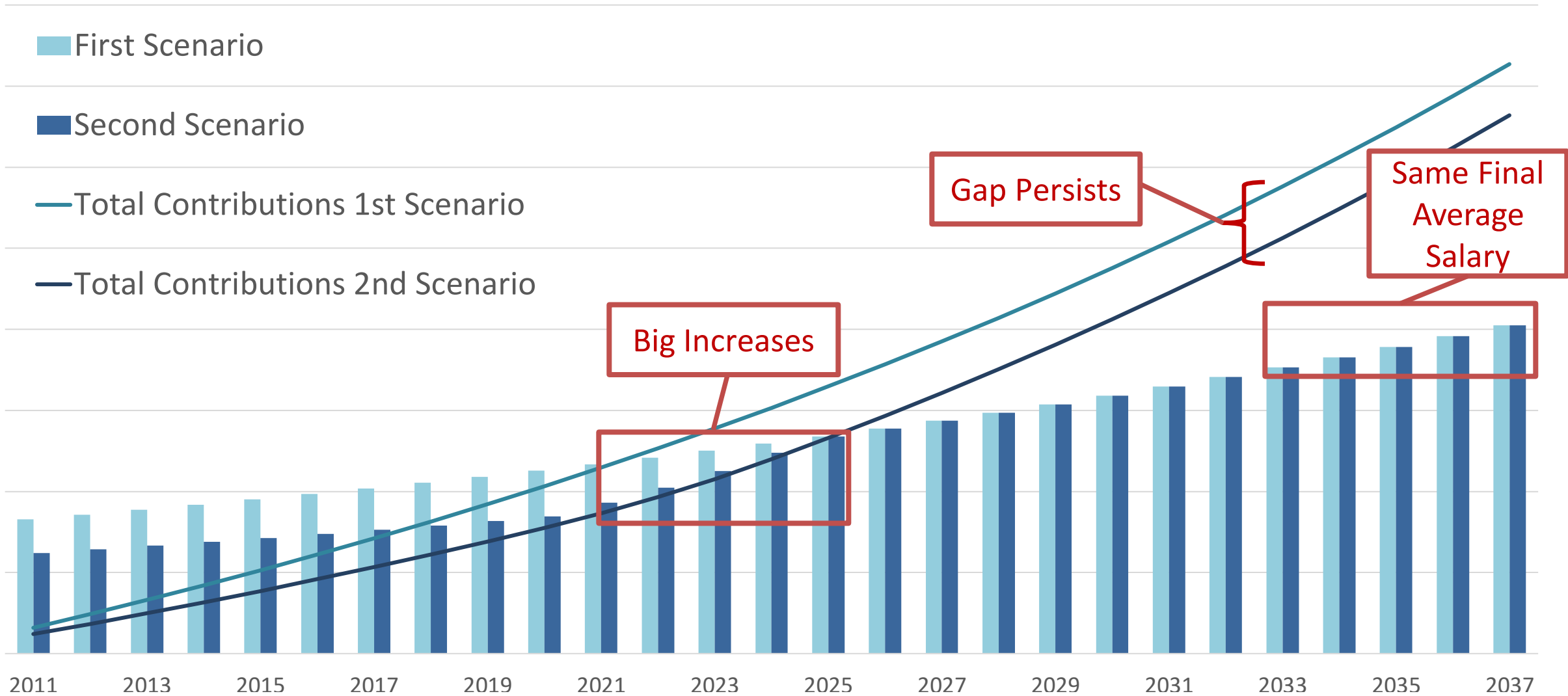
Employer Contributions

10%

Payout of Benefits

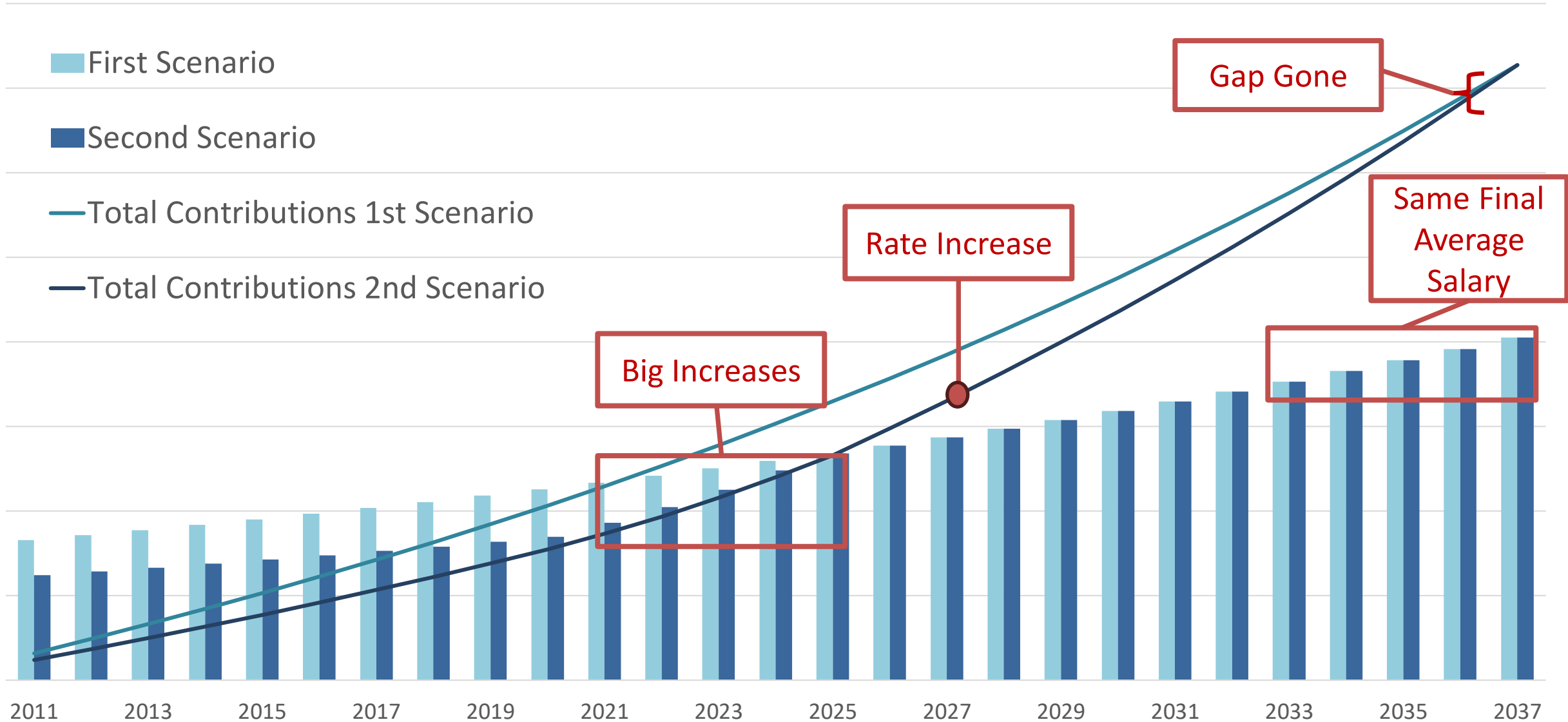


Why Is A Higher Rate Needed? (No change in rate)



*Amounts shown are for illustrative purposes only

Why Is A Higher Rate Needed? (change in rate)



*Amounts shown are for illustrative purposes only

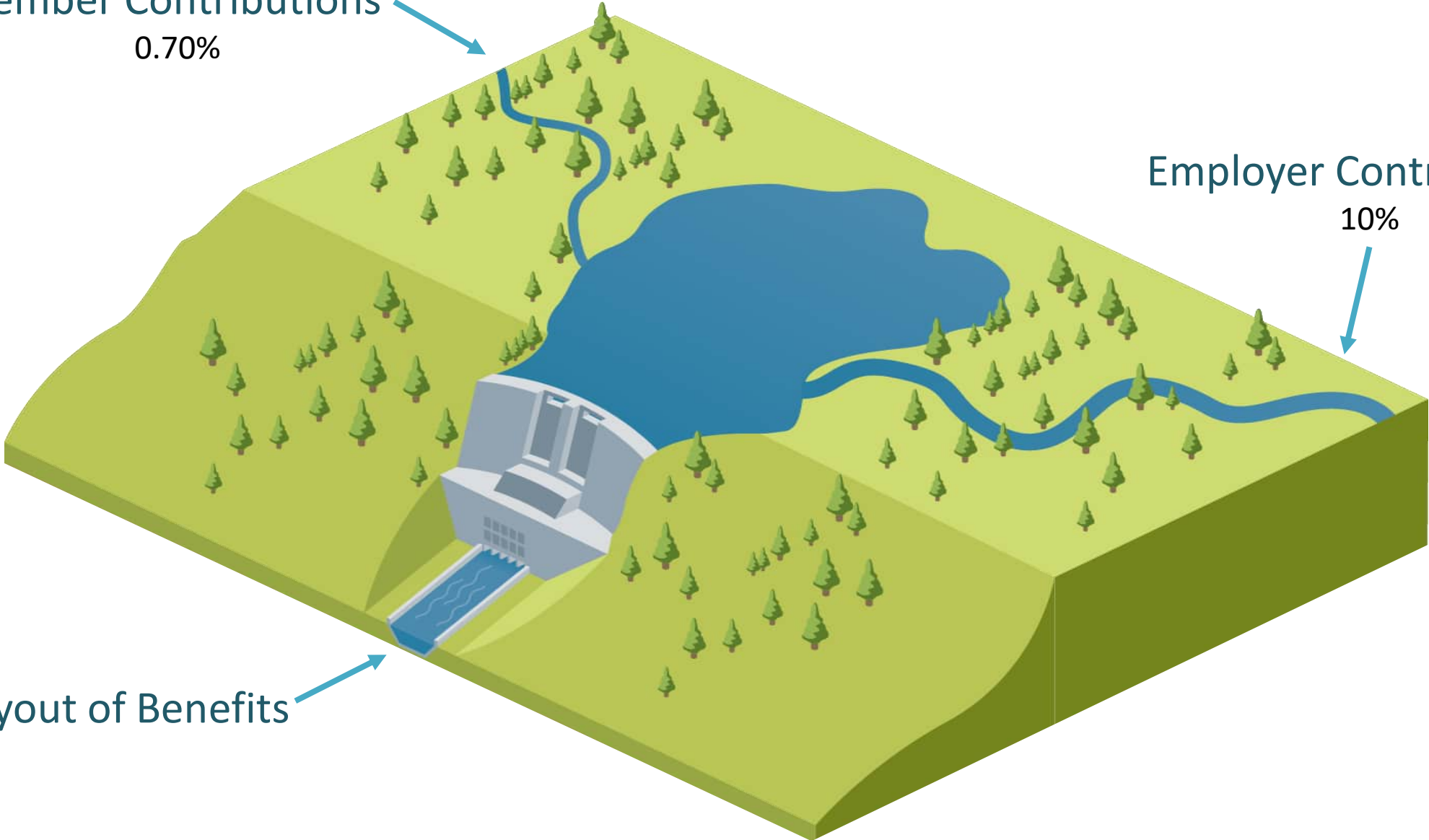
Member Contributions

0.70%

Employer Contributions

10%

Payout of Benefits



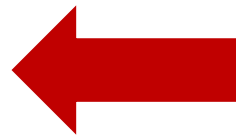
Tier 2 Hybrid Contributions

Public Employees - Effective July 1, 2024

Pension Rate



10.70%

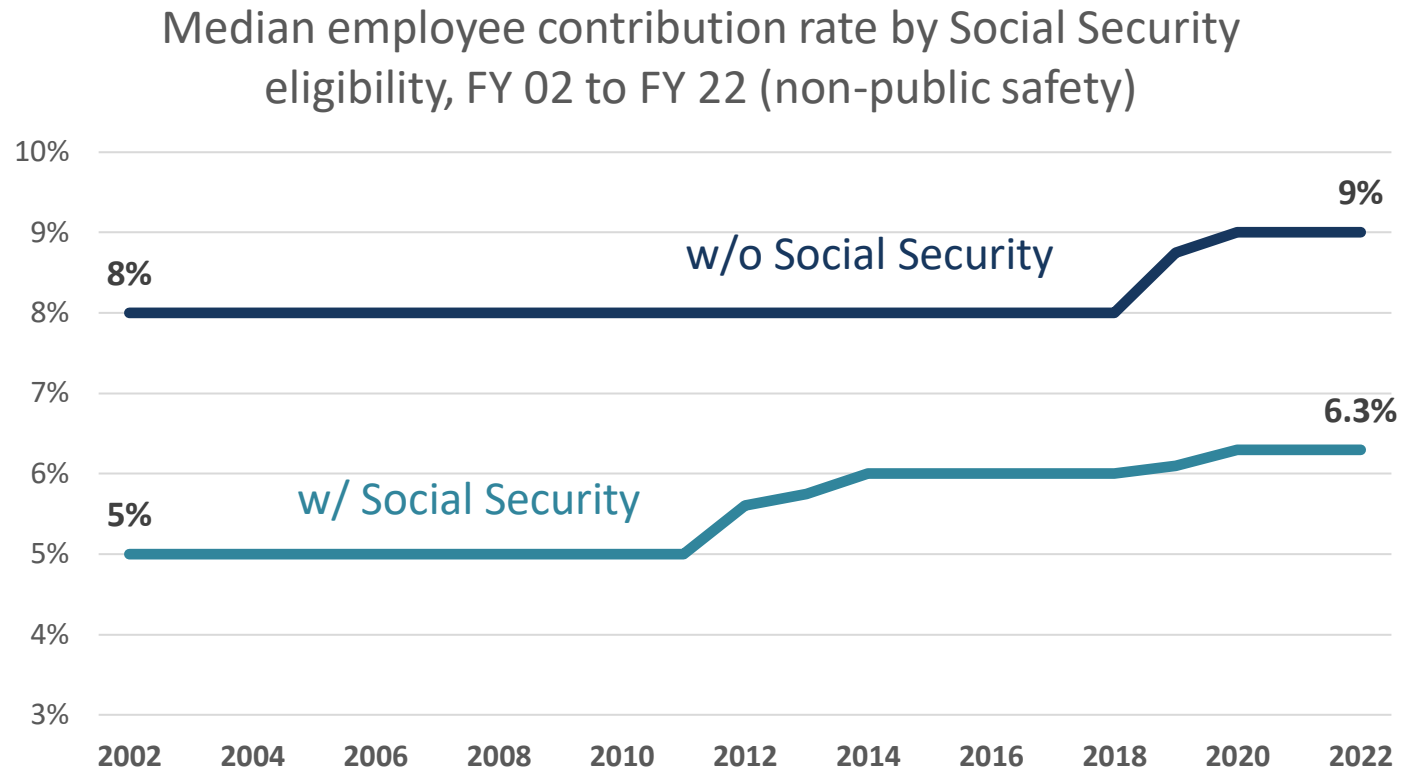


Employee
Contribution



.70%

Other Plans



Public Employee Hybrid

- » Pick-ups are prohibited – salary enhancements?
- » Member contributions = After tax amount
- » Hybrid election – withhold 0.70% from paycheck
 - › MEM33 Table - Field 9
- » 1st pay period end date on or after July 1, 2024

First Year Employee

- » “Defaulted” into Hybrid
- » Election does not go into effect until 1-year anniversary
- » 401(k) Option
 - › Member contributions will be moved to after-tax fund
 - › Employer contributions will be moved to non-vested fund
 - › Back-date investments as if 401(k) option chosen from beginning

*Does not include Elected Officials

Hybrid Plan?

- » Hybrid Plan has 2 elements
 - › Defined Benefit (Pension)
 - › Defined Contribution (401(k))
- » Defined Contribution piece is dormant
 - › Contributions could change in future
 - » Lower or higher contribution rate

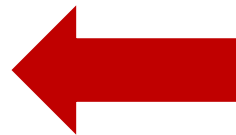
Tier 2 Hybrid Contributions

Public Safety - Effective July 1, 2024

Pension Rate



18.73%



Employee
Contribution
Employer may
pick-up



4.73%

Public Safety Hybrid

If not picking-up full amount

- » ***Cannot reduce amount picking up***
- » Member contributions – After tax amount
- » First year – withhold 4.73% or other % from paycheck
- » Hybrid election – withhold 4.73% or other % from paycheck
 - › MEM33 Table - Field 9
 - › 1st pay period end date on or after July 1, 2024

First Year Employee

- » “Defaulted” into Hybrid
- » Election does not go into effect until 1-year anniversary
- » 401(k) Option
 - › Member contributions will be moved to after-tax fund
 - › Employer contributions will be moved to non-vested fund
 - › Back-date investments as if 401(k) option chosen from beginning

Public Safety

If Picking-Up Contributions

- » Pick-up = pre-tax amount
- » If selected “All” or >2.59% = new form
 - › May need new resolution, etc.
- » If increasing pick-up amount = new form
 - › Need new resolution, etc.
- » If nothing changing = do nothing



Utah Retirement Systems
PO Box 1590
Salt Lake City, UT 84110-1590
801-366-7318 | 800-753-7318
www.urs.org

Employer Election To Pick-Up Member Contributions Tier 2 Public Safety and Firefighter Contributory System

Instructions:

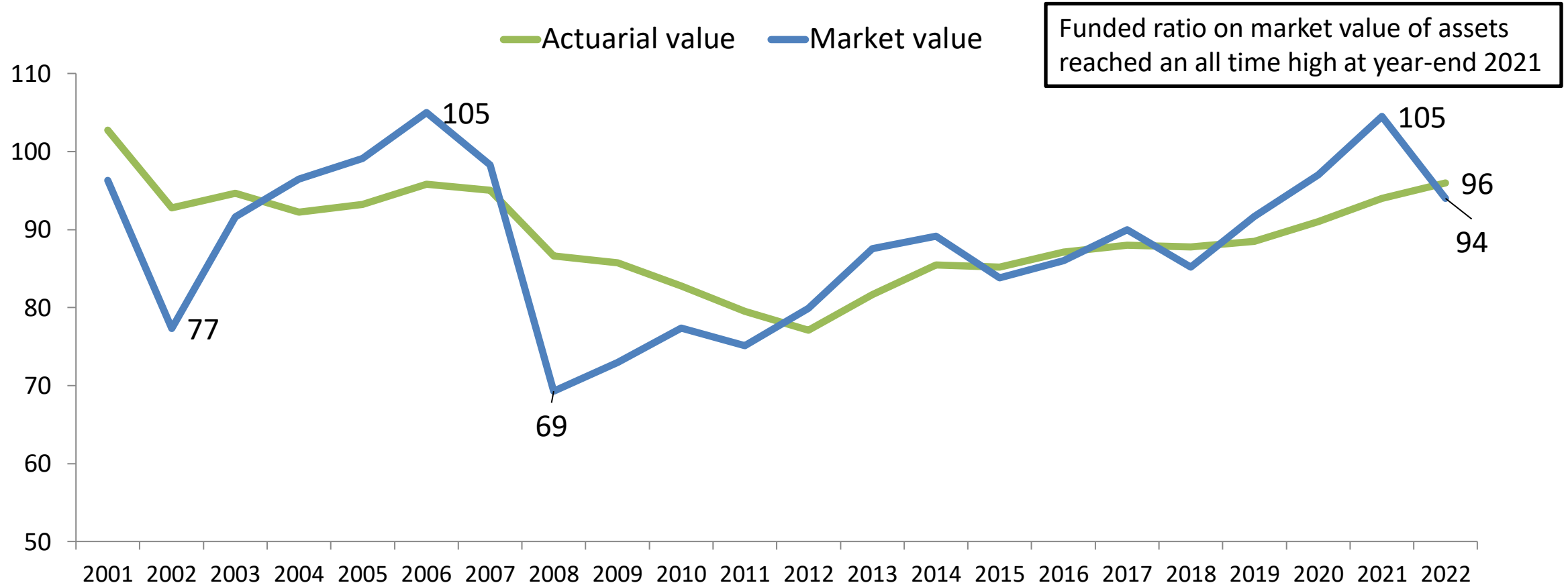
1. This form is designed to notify URS of an Employer's formal election to pick-up Member retirement contributions for Tier 2 Public Safety and Firefighter Employees.
2. This form and accompanying documentation must be returned to URS for processing.
3. A pick-up election is subject to federal law, resulting in tax and legal consequences, including limitations about the ability to modify or revoke the election. For information regarding employer pick-up contributions, please refer to federal law and guidance, including Internal Revenue Code Section 414 and IRS Revenue Ruling 2006-43. If you would like to update the *Employer Election to Pick-Up Member Contributions* form on file for your Tier 2 Public Safety and Firefighter employees, please input the total amount you are electing to pick-up. By submitting this information, it will amend your previous election, and it cannot be less than the previous pick-up amount.
4. An Employer should consult its legal, financial, and tax advisors if it has any questions concerning the consequences of Member contribution pick-ups and submitting this form.

SECTION A » EMPLOYER INFORMATION		
Employer Name	Employer Number	Date
Desired Effective Date: _____ (The effective date must be after the date that the pick-up election was formally adopted as provided in the attached documentation.)		
SECTION B » PICK-UP AMOUNT(S)		
The above-named Employer certifies that it has taken formal action to provide that the contributions on behalf of its covered employees in the following URS System, although designated as employee contributions, will be paid by the employer in lieu of employee contributions. (Check the box and fill in the portion of employee contributions picked-up for each class of employees below.)		
Please also attach written documentation to this form that provides evidence that the Employer formally elected to prospectively pick-up specified employee contributions. (For example, ordinance, resolution, governing body meeting minutes, etc.) Note: If you are picking-up contributions for public safety, and firefighter employees, check all the boxes		
<input type="checkbox"/> Tier 2 Public Safety and Firefighter Contributory Retirement System, with the following pick-up election that will be paid by the Employer in lieu of employee contributions for members serving as a Public Safety Officer : <input type="checkbox"/> _____ % of salary. (*e.g., 4.73% of salary)		
<input type="checkbox"/> Tier 2 Public Safety and Firefighter Contributory Retirement System, with the following pick-up election that will be paid by the Employer in lieu of employee contributions for members serving as a Firefighter : <input type="checkbox"/> _____ % of salary. (*e.g., 4.73% of salary)		
<small>*These amounts are the required Member Contribution Rates effective July 1, 2024. Employers are not required to pay the full Member Contribution rate and may pick up a percentage of salary. The percentages included by the Employer may not exceed the required Member Contribution rate and cannot be less than the amount previously picked-up by the Employer.</small>		
SECTION C » CERTIFICATION AND SIGNATURE		
I acknowledge, certify and understand the following: » I represent and have the authority to sign and submit this form on behalf of the Employer; » The Employer has taken all appropriate and necessary actions to make a formal Employer pick-up regarding employee contributions on behalf of its employees; » The election to pay for the Employee contributions shall constitute an Employer pick-up of designated contributions pursuant to Internal Revenue Code Section 414(h); » From and after the date of the pick-up election, an Employee may not: 1) have a cash or deferred election right with respect to designated Employee contributions; 2) be permitted to opt out of the pick-up; or 3) have the option of choosing to receive or receiving the contributed amounts directly instead of having them paid by the Employer to the specified system/plan; » In order for contributions to be considered paid by the employer, and therefore not subject to Social Security and Medicare tax (FICA), the Employer contributions: 1) Must be mandatory for all Employees covered by the retirement system; and 2) Must be a salary supplement and not a salary reduction—in other words, the Employer must not reduce employee salary to offset the amount designated as employee contributions; » Future modifications to this Employer election may be disallowed or limited; » The election authorized to be taken by the foregoing is not contrary to any governing provisions of the Employer; » I understand that URS is not providing the Employer legal, financial, or tax advice relating to making a “pick-up” election or submitting this form; » The information provided on this form and attached documentation is correct and can be relied upon by URS; and » I agree that the Employer will indemnify URS from and against any claims or other liability including attorney fees based upon the Employer's failure to comply with pick-up election requirements.		
Printed Name of Employer Representative (Binding Official)	Signature of Binding Official	Title

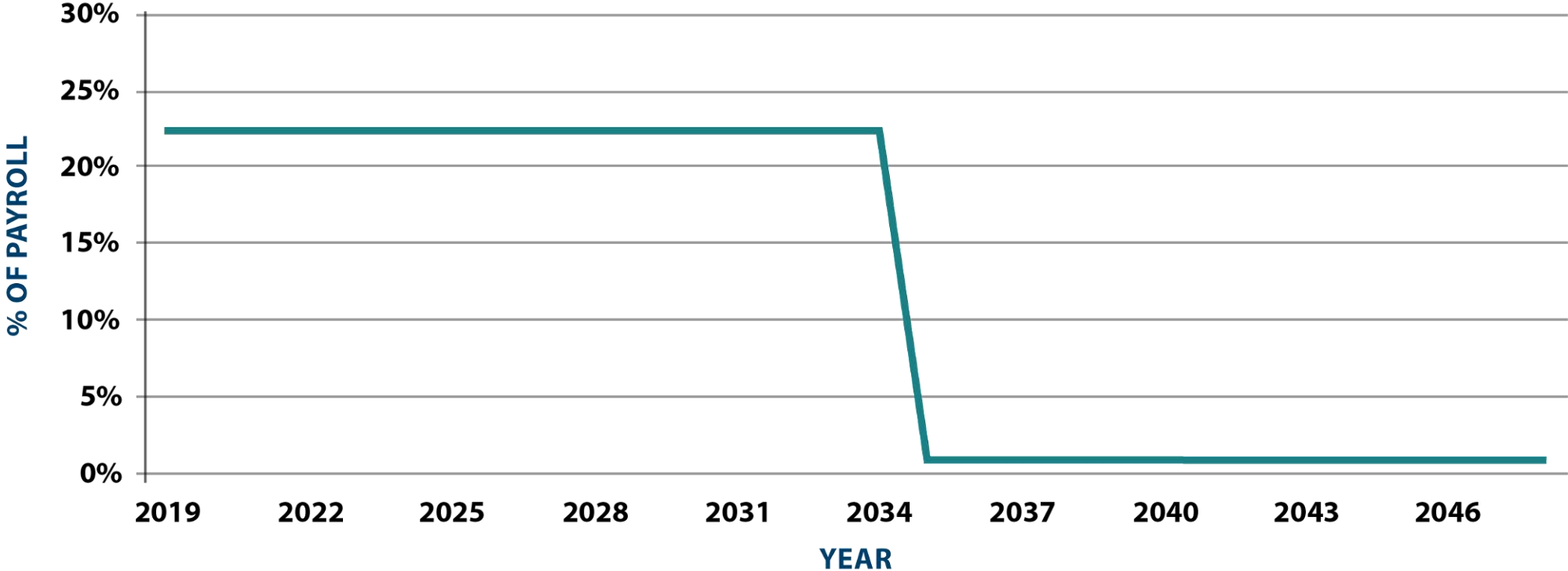
PS Report Pick-up or Member Contributions

- » Member Contribution = After-tax amount
 - › MEM33 Table - Field 9
- » Employer pick-up = Pre-tax amount
 - › MEM33 Table – Field 10
- » 1st pay period end date on or after July 1, 2024

DB Plan Funded Ratio (at Dec. 31)



Looking Forward



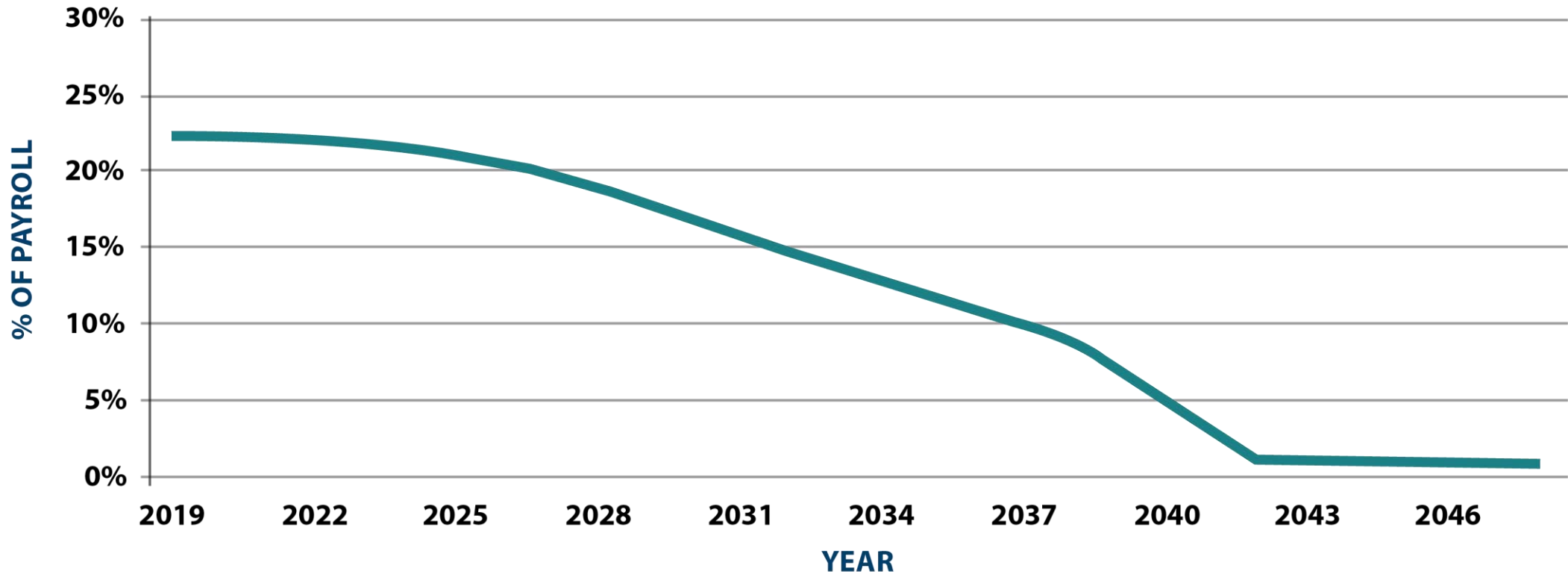


Contribution Rate Management

- » The State Retirement Board and consulting actuary designed a prudent method for managing the reduction of the contribution rate in accordance with the 110% funding rule adopted by the legislature.
- » Smooths rate decreases to mitigate impact of large decreases in the future and possible contribution rate increases.
- » Factors include:

Funded Ratio Actuary Basis	Projected Years to 100% Funding	Contribution Rate Change from Prior Year Required Actuary Rate	Contribution Rate Margin Difference between Board certified rate and actuarially determined rate
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Contribution Rate Management



Tier 1 FY 25 Contribution Rates (Corresponding in Tier 2 Also)

	Final Tier 1 2024-2025 RATES						Increase (Decrease) From Prior Year
	(1) Employee	(2) Employer	(3) Normal cost (1) + (2)	(4) Amortization of UAAL *	(5) Net Employer (2) + (4)	(6) Total (3) + (4)	
Public Employees							
Contributory Retirement System							
11- Local Government	6.00	6.09	12.09	6.87	12.96	18.96	(1.00)
12- State and School **	6.00	5.45	11.45	11.75	17.20	23.20 1	(0.50)
17- Higher Education	6.00	5.45	11.45	12.25	17.70	23.70 1	0.00
Public Employees							
Noncontributory Retirement System							
15- Local Government	-	11.86	11.86	5.11	16.97	16.97	(1.00)
16- State and School **	-	12.25	12.25	9.44	21.69	21.69 1,2	(0.50)
18- Higher Education	-	12.25	12.25	9.94	22.19	22.19 1,2	0.00
Public Safety							
Contributory Retirement System							
Division A							
23- Other Division A With 2.5% COLA	12.29	11.02	23.31	11.27	22.29	34.58	(0.50)
Public Safety							
Noncontributory Retirement System							
Division A							
42- State With 4% COLA	-	22.89	22.89	17.96	40.85	40.85 1	(0.50)
43- Other Division A With 2.5% COLA	-	22.29	22.29	11.25	33.54	33.54	(0.50)
75- Other Division A With 4% COLA	-	22.80	22.80	12.41	35.21	35.21	(0.50)
48- Bountiful With 2.5% COLA	-	23.49	23.49	26.89	50.38	50.38	0.00
Division B							
44- Salt Lake City With 2.5% COLA	-	22.51	22.51	24.20	46.71	46.71	0.00
45- Ogden With 2.5% COLA	-	22.42	22.42	26.30	48.72	48.72	0.00
46- Provo With 2.5% COLA	-	22.62	22.62	19.61	42.23	42.23	0.00
47- Logan With 2.5% COLA	-	22.60	22.60	18.87	41.47	41.47	(0.50)
49- Other Division B With 2.5% COLA	-	22.62	22.62	9.95	32.57	32.57	0.29
76- Other Division B With 4% COLA	-	23.03	23.03	13.94	36.97	36.97	(1.00)
Firefighters' Retirement System							
Division A							
Gross Rate	15.05	11.68	26.73	0.99	12.67	27.72	(2.00)
Insurance Premium Offset	0.00	(10.07)	(10.07)	(0.99)	(11.06)	(11.06)	0.00
31- Net rate	15.05	1.61	16.66	-	1.61	16.66	(2.00)
Division B							
Gross Rate	16.71	9.83	26.54	5.57	15.40	32.11	(2.00)
Insurance Premium Offset	0.00	(5.49)	(5.49)	(5.57)	(11.06)	(11.06)	0.00
32- Net rate	16.71	4.34	21.05	-	4.34	21.05	(2.00)

Next Steps - Members

- » Employees within First Year – Make Sure they Learn About their Choice
 - › www.urs.org/us/steps
 - » Webinars and Presentations (April 10, May 1)
 - › www.urs.org/us/Tier2webinar
 - » Individual Retirement Planning Sessions
- » Webinar for Current Tier 2 Hybrid Members - April 11th @ 10am

4 Simple Steps

Follow them at
www.urs.org/us/steps

Create a myURS Online Account

Learn about Your Tier 2 Choice

Enroll in URS Savings Plans

Schedule a Free Consultation



Resources

Understanding Contribution Rates

<https://www.urs.org/rates>

Frequently Asked Questions

<https://www.urs.org/ratesfaqs>

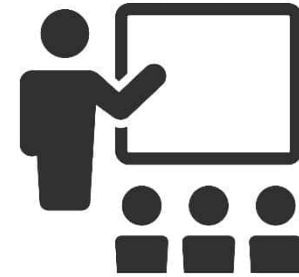
Comprehensive Employer Training

» What is covered?

- › Title 49 compliance
- › Legislative updates and board resolutions
- › Administrative hot topics
- › AUREUS updates

» Who should attend?

- › All staff members who participate in administering the retirement benefits



Comprehensive Employer Training

- » St. George – Tuesday, April 23
- » Richfield – Wednesday, April 24
- » Moab – Thursday, April 25
- » Price – Friday, April 26
- » Ogden – Monday, April 29
- » Sandy – Tuesday, April 30
- » Logan – Wednesday, May 1
- » Orem – Thursday, May 2
- » Heber City – Monday, May 6
- » Vernal – Tuesday, May 7
- » Salt Lake City – Wednesday, May 8



Questions

URS Employer Line

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Utah Retirement Systems

Trust • Commitment
Value • Innovation • Excellence