

## Utah Retirement Systems 2018 Summary Report to Members

# Built for All Seasons

Your URS pension fund is carefully invested for growth in times of abundance and for protection in times of scarcity.

Dear Valued Member:

On the calendar, seasons come and go in a reliable, orderly way. But in terms of financial markets, seasons aren't so easy to predict. Will sunny skies nourish the markets in the coming months, or will a nasty cold spell send investors scrambling for shelter?

URS manages the pension fund that pays your monthly benefit when you retire. We carefully manage this important fund to maximize long-term returns throughout market cycles, with an emphasis on downside protection. In other words, it's built for all seasons.

It's been largely a gloomy season for investors since our last report. In 2018, U.S. markets suffered losses in practically every category. For example, the Dow Jones Industrial Average was down 3.5% for the year, while the S&P 500 shed nearly 4.4% of its value.

While peers lost an average of 3.29% in 2018, the URS pension fund was positioned to better withstand the elements. With an overall loss of just 0.22%, URS was the top-performing fund in 2018 compared to similar public pension systems (*source: Callan Associations Inc. database comparison of Very Large Public Pension Funds*).

That's no surprise to us. Our investing strategy is to protect principal as much as possible when market seasons turn bleak. For example, during market pullbacks in 2008, 2011, and 2015, our yearly returns were at or near the top 10% compared to our peers. In the abundant seasons, we may not get the same lofty returns. But in seasons of scarcity, we generally outperform. By preserving principal, the compounding effect going forward is greater and produces more wealth for the portfolio in the long run.

This strategy has worked well for the URS pension fund. The fund has nearly doubled in value since 2008, growing from \$15.9 billion to nearly \$31.3 billion by the end of 2018.

We're proud to serve Utah public employees by providing you dependable retirement benefits. We're prepared for all seasons to help give you financial security through every season of your life.



Daniel D. Andersen, Executive Director  
Utah Retirement System



*"What is beautiful is a joy for all seasons."*

— OSCAR WILDE

### About This Report

The URS Summary Report is provided yearly to update URS members on the condition of the pension systems and to share statistics, news, and other information about URS.

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# Introduction

## About URS

URS provides retirement and insurance benefits exclusively for Utah public employees. We serve more than 228,000 members and about 482 public employers. We're a component unit of the State of Utah, governed by Utah Code Title 49. We administer eight defined benefit pension systems and four retirement savings plans.

## Mission Statement

We serve Utah public employees with retirement and insurance benefits in a partnership of trust with a commitment to value, innovation, and excellence.

## A Snapshot of You

When we pose all of you together, we get this picture of age, service, and income.



*"There are seasons in life.  
Don't ever let anyone try to deny you the joy of one season  
because they believe you should stay in another season."*

— JAYNE CLAYSON

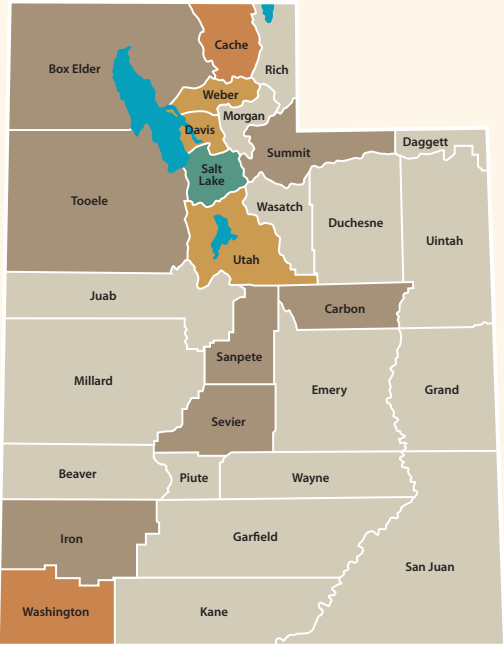


2018

	Noncontributory System	Contributory System	Public Safety System	Firefighters System	Judges System	Utah Governors & Legislators Plan	Tier 2 Public Employees System	Tier 2 Public Safety & Firefighter System	Tier 2 Defined Contribution Only	Averages and Totals All Systems
<b>Total Membership</b>	159,459	5,622	16,193	3,444	279	387	32,326	3,431	7,066	228,207
Active	56,299	519	5,305	1,540	116	52	30,291	3,301	6,397	103,820
Terminated vested	46,756	1,186	4,921	440	8	85	1,971	130	669	56,166
Retired	56,404	3,917	5,967	1,464	155	250	64	*—	—	68,221
<b>Active Members</b>	56,299	519	5,305	1,540	116	52	30,291	3,301	6,397	103,820
Average age	49.1	57.1	42.8	43.2	53.8	57.0	36.0	29.5	36.7	43.5
Average years of service	16.6	30.2	16.4	16.4	14.5	13.6	2.9	3.0	3.7	11.5
<b>2018 Retirees</b>	3,445	110	372	61	10	7	38	*—	N/A	4,043
Average age	64.4	62.4	52.2	53.6	66.3	68.6	67.6	—	N/A	63.1
Average years of service	20.8	31.8	22.4	23.2	34.0	10.8	5.4	—	N/A	21.2
<b>All Retirees</b>										
Average annual benefit	\$22,921	21,028	30,193	37,777	92,753	3,860	2,505	*—	N/A	23,822

\*There are no retirees in the Tier 2 Public Safety & Firefighter Retirement System.

*Pictured left to right, top to bottom: Jenessa Carvajal, Teacher, Freedom Elementary, Highland, Utah; Senator Wayne A. Harper, District 6, Salt Lake County; Lieutenant Alex Davis, Layton City Police Department; Carmen Thompson, Registered Nurse, Davis County Health Department; Dusty Bills, Airfield Roads and Grounds Manager, Salt Lake City Airport; Justice Paige Petersen, Utah Supreme Court; Bob Fitzgerald, Battalion Chief, West Valley City Fire Department; Nicole Jacobson, Police Officer, Bountiful Police Department*



2018 BENEFITS PAID BY AMOUNT



## Pension Payouts in Utah

Retirees Who Live in Utah Characteristics by County

County	Recipients	Dollars Paid
Salt Lake County	21,968	\$586,975,787
Utah County	7,909	201,368,697
Davis County	6,585	172,506,400
Weber County	5,424	134,836,876
Washington County	3,755	89,181,245
Cache County	2,624	60,701,377
Box Elder County	1,350	29,460,111
Tooele County	1,167	27,161,490
Iron County	1,114	25,367,241
Sevier County	883	21,366,187
Summit County	708	20,074,891
Sanpete County	864	18,781,306
Wasatch County	664	16,993,653
Carbon County	750	16,071,545
Uintah County	732	14,945,076
Duchesne County	603	11,905,361
Millard County	484	10,890,201
San Juan County	436	9,951,440
Emery County	418	8,556,740
Morgan County	321	8,285,529
Juab County	348	7,520,758
Grand County	288	6,429,449
Beaver County	213	4,658,475
Kane County	217	4,288,712
Garfield County	182	4,009,933
Wayne County	117	2,672,317
Rich County	95	2,071,770
Piute County	85	1,628,485
Daggett County	59	1,230,463
Out of the State of Utah	7,691	155,571,353
<b>Total</b>	<b>68,054</b>	<b>\$1,675,462,868</b>

**\$1.5 billion**  
in pension payouts

**60,363**  
total recipients

**1.1%**  
of state's total income

**8,818** jobs supported

**\$358 million**  
of earnings from these jobs

**\$677 million**  
in state GDP impact

**\$59 million**  
state and local tax revenue

— URS 2018 Economic Impact to Utah Residents

## An Economic Force in the State of Utah

URS paid more than \$1.5 billion in pension payments in 2018, the vast majority of which remained in the Utah economy. More than 90% of URS pension payouts in 2018 went to retirees living in Utah, including \$586 million to Salt Lake County retirees alone. Pension payments by county are shown to the right.

## By the Numbers

URS pension payments ripple throughout Utah's economy, supporting jobs, expanding GDP, and providing steady tax revenue. Each year, these payments support about 8,800 Utah jobs, \$358 million in wages, \$677 million in GDP, and \$59 million in state and local tax revenue, according to a 2018 report prepared by the University of Utah's Kem C. Gardner Policy Institute.



# Investments

## Return on Investment

The average portion of benefits paid through investment returns over the past 20 years is 64%.



## Our Investment Philosophy

Our pension asset allocation is designed to meet long-term obligations, protect members' benefits, and minimize risk and volatility. We take a long-term perspective.

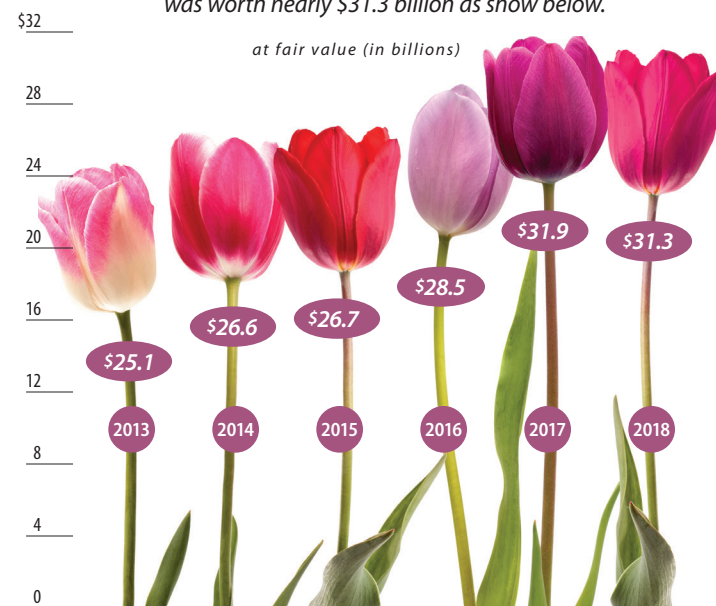
We position the portfolio in such a way to protect principal as much as possible in negative equity markets. We may lose money in such markets, but we expect to lose less than most peers. By doing so, the compounding effect going forward is greater and produces more wealth to the portfolio in the long run.

In negative global equity markets, such as 2008, 2011, 2015, and 2018, we have been either in the top 10% of our peer group or just below it. We have been able to add value with a lower-risk and more diversified portfolio.

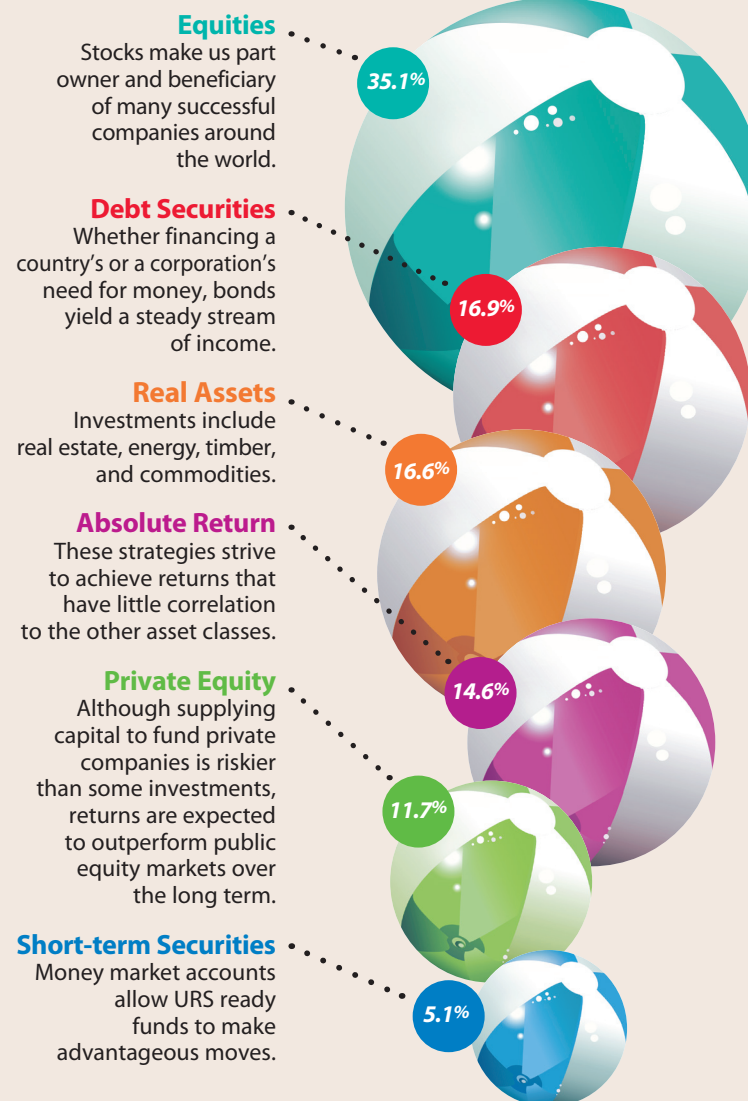
## Defined Benefit Pension Assets

**Our Asset Growth has Been Fueled by Wise Investments.**

As of December 31, 2018, the net position of the pension fund was worth nearly \$31.3 billion as show below.

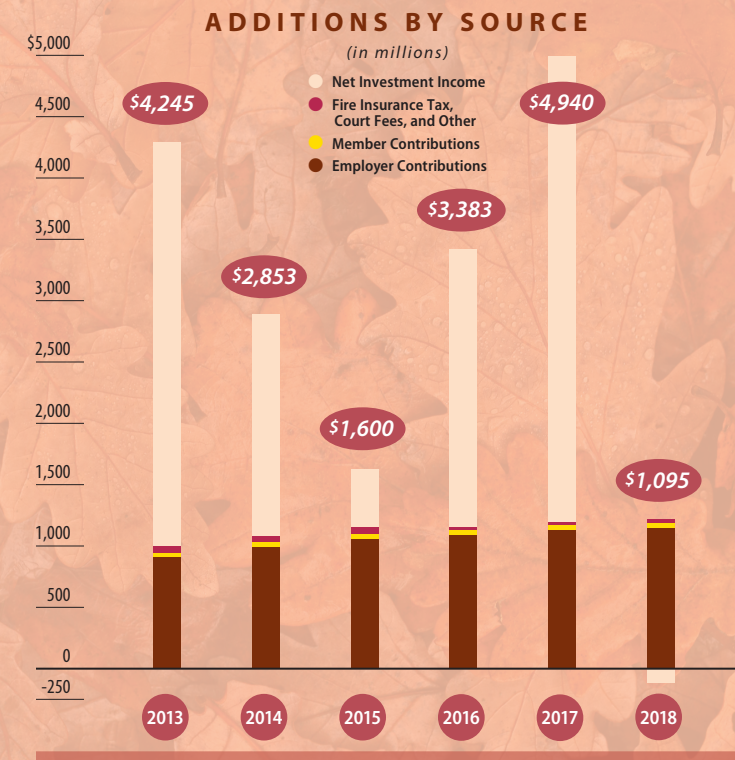


## Where Pension Funds Were Invested



## How Your Pension is Funded

In addition to member and employer contributions, investment income typically funds the greater portion of members' retirement benefits. To minimize financial risk, URS diversifies its investment portfolio. The pension funds' 2018 return was a negative 0.22%.



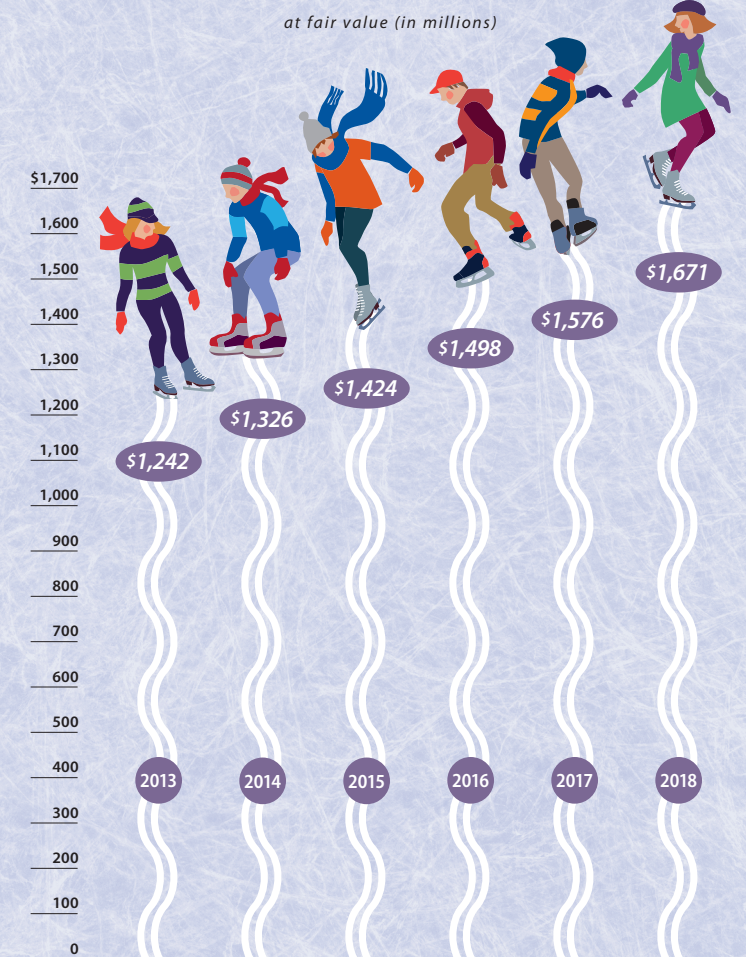
"October is the fallen leaf, but it is also a wider horizon more clearly seen. It is the distant hills once more in sight, and the enduring constellations above them once again."

— HAL BOURLAND

## Benefits Paid to Members

**Pension Benefit Payments: Secure and Growing**

URS exists to secure and pay your retirement benefits. The past six years' benefit payments grew as shown below.





# Financials

## Net Position

Statements of Fiduciary Net Position present the assets of the Systems that have been accumulated for the payment of your retirement benefits.

UTAH RETIREMENT SYSTEMS

### Statements of Fiduciary Net Position — Pension Trust Funds

December 31, 2018 (in thousands)

Total Defined Benefit Pension Plans		
<b>Assets:</b>		
Cash	\$	33
Receivables:		
Member contributions		777
Employer contributions		55,270
Court fees and fire insurance tax		847
Investments		611,588
Total receivables		668,482
Investments at fair value:		
Short-term securities		1,590,727
Debt securities		5,313,032
Equity investments		11,006,650
Absolute return		4,598,396
Private equity		3,661,356
Real assets		5,206,229
Total investments		31,376,390
Invested securities lending collateral		1,058,056
Property and equipment at cost, net of accumulated depreciation		4,675
Total assets		33,107,636
<b>Liabilities:</b>		
Securities lending liability		1,058,056
Disbursements in excess of cash balance		32,801
Compensated absences, post-employment benefits and insurance reserve		21,149
Investment accounts payable		616,109
Real estate liabilities		119,999
Total liabilities		1,848,114
Net position restricted for pensions	\$	31,259,522

UTAH RETIREMENT SYSTEMS

### Schedules of Net Pension Liability

December 31, 2018 (dollars in thousands)

Retirement System	(1) Total Pension Liability	(2) Plan Fiduciary Net Position	(3) Employers' Net Pension Liability/(Asset)	(4) Plan Fiduciary Net Position as a % of the Total Pension Liability	(5) Projected Covered Payroll	(6) Pension Liability/(Asset) as a % of Covered Payroll
Noncontributory	\$ 29,122,948	24,666,059	4,456,889	84.7%	\$3,330,548	133.8%
Contributory	1,284,009	1,172,429	111,580	91.3	39,279	284.1
Public Safety	4,258,247	3,528,069	730,178	82.9	348,475	209.5
Firefighters	1,261,289	1,207,889	53,400	95.8	113,587	47.0
Judges	244,209	195,570	48,639	80.1	18,802	258.7
Utah Governors and Legislators	13,177	10,537	2,640	80.0	639	413.1
Tier 2 Public Employees	467,461	424,633	42,828	90.8	1,171,543	3.7
Tier 2 Public Safety & Firefighter	56,841	54,336	2,505	95.6	123,439	2.0
All Retirement Systems	\$ 36,708,181	31,259,522	5,448,659	85.2%	5,146,312	105.9%

## Additions and Deductions

The Statements of Changes in Fiduciary Net Position show the additions (income) and deductions (expenses) of the Systems. Investment earnings and contributions comprise the additions. The deductions are composed almost entirely of benefit payments and refunds. Deductions exceeded additions by \$619 million in 2018.

The Systems are audited annually by CPA firm Eide Bailly. Our actuary, Gabriel, Roeder, Smith & Company, reviews the funding and contribution rates to ensure they are adequate to fund your benefits.

UTAH RETIREMENT SYSTEMS

### Statements of Changes in Fiduciary Net Position — Pension Trust Funds

December 31, 2018 (in thousands)

Total Defined Benefit Pension Plans		
<b>Additions:</b>		
Contributions:		
Member contributions	\$	36,312
Employer contributions		1,139,051
Court fees and fire insurance tax		10,265
Total contributions		1,185,628
Investment income:		
Net appreciation in fair value of investments		(746,103)
Interest, dividends, and other investment income		685,725
Total income from investment activity		(60,378)
Less investment expenses		63,496
Net income from investment activity		(123,874)
Income from security lending activity		8,168
Less security lending expense		1,062
Net income from security lending activity		7,106
Net investment income		(116,768)
Transfers from affiliated systems		26,337
Total additions		1,095,197
<b>Deductions:</b>		
Retirement benefits		1,418,805
Cost-of-living benefits		251,380
Supplemental retirement benefits		459
Refunds		4,797
Administrative expenses		12,515
Transfers to affiliated systems		26,337
Total deductions		1,714,293
Increase from operations		(619,096)
Net position restricted for pension benefits beginning of year		31,878,618
Net position restricted for pension benefits end of year	\$	31,259,522

### To Learn More

This Summary Report contains excerpts from the URS 2018 Comprehensive Annual Financial Report, containing detailed financial informations about URS. Find it at [www.urs.org](http://www.urs.org).



# URS Savings Plans

## 1 Choose Your Plan.

401(k), 457, Traditional IRA, and Roth IRA (may be subject to employer participation).

## 2 Choose Your Investments.

Target Date Funds offer a one-fund approach to investing, giving you a diversified portfolio through a single investment option. Each fund is comprised of a different mix of investment types that gradually adjust over time. They automatically reallocate toward more conservative investments as you age and enter retirement.

**Core investment funds** let you design your own diversified portfolio.

**Personal Choice Retirement Account (PCRA)** is for experienced investors looking for specific investments.

## Growing Personal Investments:

Member balances in the 401(k), 457, and IRAs at year-end 2018 totaled over \$5.6 billion.

## Total Balances by Investment Option and Rates of Return

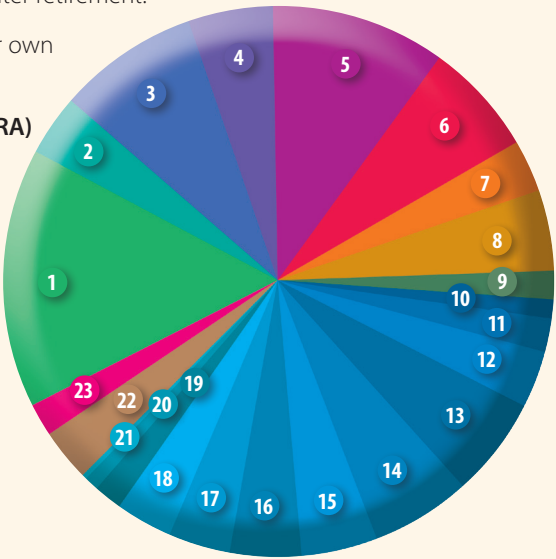
Percentage Total of Each Investment Option  
December 31, 2018

Percentage of Total Fair Value		(dollars in thousands)						2018 Total Investment Balance	Annualized Rates of Return
Investment Option		401(k) Plan	457 Plan	Roth IRA	Traditional IRA				
15.4% 1 Income Fund		\$ 738,742	82,690	12,776	33,690	867,898		2.16%	
3.6 2 Bond Fund		175,794	21,241	3,635	4,870	205,540		(0.04)	
8.5 3 Balanced Fund		423,135	37,100	6,075	9,994	476,304		(1.77)	
4.9 4 Large Cap Stock Value Fund		230,351	33,583	8,171	5,556	277,661		(7.13)	
10.3 5 Large Cap Stock Index Fund		514,884	50,326	8,741	6,262	580,213		(5.00)	
6.6 6 Large Cap Stock Growth Fund		314,381	40,435	10,927	8,271	374,014		(0.91)	
3.2 7 International Fund		156,001	18,276	3,233	2,026	179,536		(14.51)	
4.6 8 Small Cap Stock Fund		221,248	28,759	7,428	3,474	260,909		(13.28)	
1.7 9 Tier 2 DC Nonvested		94,551	N/A	N/A	N/A	94,551		(5.29)	
1.2 10 Retired Fund		51,068	6,875	1,627	5,680	65,250		(0.87)	
1.8 11 2010 Fund		79,354	8,162	1,845	10,166	99,527		(1.16)	
3.4 12 2015 Fund		164,874	16,804	4,154	6,828	192,660		(1.30)	
5.9 13 2020 Fund		285,940	30,352	7,791	8,750	332,833		(2.35)	
5.8 14 2025 Fund		283,265	26,761	9,318	4,675	324,019		(3.78)	
4.3 15 2030 Fund		206,264	24,666	7,360	3,096	241,386		(5.96)	
4.2 16 2035 Fund		199,668	24,499	8,883	2,201	235,251		(7.35)	
3.8 17 2040 Fund		179,937	25,532	9,042	1,265	215,776		(8.18)	
3.1 18 2045 Fund		146,439	18,171	8,491	1,135	174,236		(8.50)	
1.9 19 2050 Fund		91,772	8,647	6,048	315	106,782		(8.50)	
0.8 20 2055 Fund		40,474	2,898	3,037	608	47,017		(8.50)	
0.2 21 2060 Fund		7,943	1,633	843	449	10,868		(8.50)	
3.1 22 Brokerage Window		142,418	26,649	2,366	594	172,027		N/A	
1.7 23 Loan Fund		85,580	10,098	N/A	N/A	95,678		N/A	
100.0% Total		\$ 4,834,083	544,157	131,791	119,905	5,629,936			

Learn more about URS Savings Plans at [www.urs.org/us/savings](http://www.urs.org/us/savings)

*"You cannot change the circumstances, the seasons, or the wind, but you can change yourself. That is something you have charge of."*

— JIM ROHN







From left: Ryan G. Hessenthaler (Vice President), Laura O. Houston (President), Roger G. Donohoe, Sheri K. Nelson, Edward T. Alter, David C. Damshen, William W. Wallace

## Meet the Board

A majority of the URS Board members are experts in banking and investments, and are appointed by the Governor. The Board appoints our executive director to carry out the day-to-day operations of URS. Together they guide and safeguard URS.

### MEMBERSHIP ADVISORY COUNCIL

Those who serve on the Membership Advisory Council speak for the interests of active and retired members and participating employers.

#### Executive Committee Members / Represents

Mr. Marty Peterson  
(Chairperson)  
Professional Firefighters of Utah

Mr. Richard Petersen  
(Vice Chairperson)  
Utah Public Employees' Association

Mr. Stuart Bailey  
Utah Education Association

Ms. Amy Ehresman  
Utah School Employees' Association

Ms. Brandy Grace  
Utah Association of Counties

#### Council Members / Represents

Mr. Brandon Baca  
Utah Education Association

Mr. Jamie Davidson  
Utah League of Cities and Towns

Mr. Larry Evans  
Utah Public Employees' Association

Senior Trooper Arlow Hancock  
Utah Peace Officers' Association

Mr. Michael Harman  
Utah Education Association

Ms. Debra McBride  
Utah Association of Retired Public Employees

Mr. Larry Millward  
Utah Retired School Employees' Association

Honorable Kara Pettit  
Utah Judicial Council



*"I believe in process. I believe in four seasons. I believe that winter's tough, but spring's coming. I believe that there's a growing season. And I think that you realize that in life, you grow. You get better."*

— STEVE SOUTHERLAND

## Want to Know More?



Web [www.urs.org](http://www.urs.org)

Please visit [www.urs.org](http://www.urs.org) or call our office. We can explain your benefits one-on-one or to your group.



### Write

Salt Lake Office, P.O. Box 1590  
Salt Lake City, UT 84110-1590  
St. George Office, 165 North 100 East #9  
St. George, UT 84770-2505



### Call

Salt Lake Office  
801-366-7700 • 800-365-8772

Pension Benefits  
801-366-7770 • 800-695-4877

401(k), 457, IRA, HRA  
801-366-7720 • 800-688-401k

St. George Office  
435-673-6300 • 800-950-4877



### Fax

Salt Lake Office: 801-366-7734  
401(k), 457, IRA, HRA : 801-366-7445  
St. George Office: 435-634-0654



### Visit

Salt Lake Office, 560 East 200 South  
Salt Lake City, UT 84102-2021

St. George Office, 165 North 100 East #9  
St. George, UT 84770-2505

Utah Retirement Systems 2018 Summary Annual Report  
Published by: Utah Retirement Systems  
560 East 200 South, Salt Lake City, UT 84102-2021

The Utah Retirement Systems 2018 Summary Report to Members contains summary financial and actuarial information from the URS 2018 Comprehensive Annual Financial Report. Get a copy of the full report at [www.urs.org](http://www.urs.org) or by emailing [publications@urs.org](mailto:publications@urs.org).