S.B. 127 Post Retirement Employment Amendments
S.B. 308 Amendments to Public Employee’s Benefit
S.B. 127 Post Retirement Employment Amendments

Changes intended to allow limited or part-time employment
Required wait of 60 days after URS Retirement date
No Benefits Allowed
Earnings cap—lesser of: $15,000 or 50% of retirement FAS
1 year separation from employment resets and is still required before earnings cap can be exceeded
S.B. 308 Amendments to Public Employee’s Benefit

Allows Social Security substitute payment for post retired employees

Mandates an employee must terminate from all covered employment to retire

Authorizes the Retirement Office to require electronic reporting, certification and payments

Requires employer to certify positions of elected officials and appointive officers as either full-time or part-time

All elected officials are only eligible for Tier 2 DC only coverage

Extends Tier 2 election period to 1 year for employee’s choice
# Tier 1 vs Tier 2

## Tier 1
- 30 year retirement Public
- 20 year Public Safety/Fire
- 2% multiplier
- 2.5% Public Safety/Fire
- 3 year final average salary
- 4% cost of living increase limit

## Tier 2
### Hybrid option
- 35 year retirement Public
- 25 year Public Safety/Fire
- 1.5% multiplier
- 5 year final average salary
- 2.5% cost of living increase limit

### Defined Contribution Option
- 10% Public system
- 12% Public Safety/Fire
## Retirement Qualifications Public System

### Tier 1

- 4 years of service at **age 65**
- **10** years of service at **age 62***
- **20** years of service at **age 60***
- **25** years of service at **any age***
- **30** years of service at **any age**

*Actuarial reduction if under age 65 with fewer than 30 years of service

### Tier 2

- 4 years of service at **age 65**
- **10** years of service at **age 62***
- **20** years of service at **age 60***
- **30** years of service at **any age** (only with service purchase)
- **35** years of service at **any age**

*Actuarial reduction if under age 65 with fewer than 35 years of service
## Retirement Qualifications
### Public Safety/Fire Systems

**Tier 1**
- 4 years of service at **age 65**
- 10 years of service at **age 60**
- 20 years of service at **any age**

**Tier 2**
- 4 years of service at **age 65**
- 10 years of service at **age 62** *
- 20 years of service at **age 60** *
- 20 years of service at **any age** *(only with service purchase)*
- 25 years of service at **any age**

*Actuarial reduction if under age 65 with fewer than 25 years of service*
Benefit Calculation Example

**Tier I**

- Years of Service
- \( \times \)
- 2% \( \times \)
- Average of 3 Highest Years Salary
- =
- Basic Benefit

**Tier II**

- Years of Service
- \( \times \)
- 1.5% \( \times \)
- Average of 5 Highest Years Salary
- =
- Basic Benefit
### Benefit Calculation Example

<table>
<thead>
<tr>
<th>Example: Years of Service</th>
<th>Tier I 30 years</th>
<th>Tier II 35 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>35 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2/1.5%</td>
<td>60%</td>
<td>52.5%</td>
</tr>
<tr>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Average of 3/5 Highest Years Salary</td>
<td>= $40,000</td>
<td>= $39,000</td>
</tr>
<tr>
<td>=</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic Benefit</td>
<td>$24,000</td>
<td>$20,475</td>
</tr>
</tbody>
</table>
10% Retirement Package

- Hybrid Option
  - Contribution rate to pension
  - Difference between contribution rate and 10% to 401(k)
  - If contribution rate exceeds 10%, employee pays difference
  - Employer pays amortized rate for Tier 1 (old fund)

- Defined Contribution Option
  - 10% 401(k) contribution
  - 4 year vesting
  - Employer pays amortized rate for Tier 1 (old fund)
Tier 2

Public Safety/Fire Systems

12% Retirement Package

- Hybrid Option
  - Contribution rate to pension
  - Difference between contribution rate & 12% to 401(k)
  - If contribution rate exceeds 12%, employee pays difference
  - Employer pays amortized rate Tier 1 (old fund)*

  or

- Defined Contribution Option
  - 12% 401(k) contribution
  - 4 year vesting
  - Employer pays amortized rate Tier 1 (old fund)*
Tier 2 Funds

- 111 Tier 2 DB Hybrid Local Government
- 211 Tier 2 DC Only Local Government
- 112 Tier 2 DB Hybrid State/School
- 212 Tier 2 DC Only State/School
- 122 Tier 2 DB Hybrid Public Safety
- 222 Tier 2 DC Only Public Safety
- 132 Tier 2 DB Hybrid Firefighters
- 232 Tier 2 DC Only Firefighters
Tier 2 Payment for Tier 1 Amortization Rate

- Discussion of Tier 1 Amortization Rate paid by new Tier 2 employees
- Review of Contribution Rates
- Tier 2 DC Money *MUST* come to URS
- Employers to allow Tier 2 employees to have voluntary deductions for 401(k) to URS
Explanation of Tier 2 Employee

- If Tier 1, always Tier 1 even if a new hire to a different covered employer after July 1, 2011
- New *eligible* or *ineligible* employee with a hire date on or after July 1, 2011 is Tier 2
- No Exempt for Tier 2, member elects DC Only
- Report new employees in Tier 2 as DB Hybrid for first year of service, URS will notify you if they move
- Refunded/Exempt/Ineligible Refund from Tier 1 will be certified into Tier 1. Why???
Explanation of Tier 2 Employee

- No change for Employers that are Social Security Exempt
- Tier 2 Public Safety and Firefighters have the same plan, LTD Coverage built into Firefighters
- How does Tier 2 affect Exempt employees? 10% of eligible employees
- How long does the employee have to elect DB Hybrid or DC Only? How will this be communicated?
- How will an employer know if an employee is to be hired into Tier 1 or Tier 2?
On-line New Employee Inquiry

Using the on-line URS for Employers, use the New Employee Inquiry Option

Enter SSN/DOB and date of hire

URS will notify you if the employee has any of the previous requirements to be hired into Tier 1, if not we will notify you to certify them into Tier 2

Same logic is used for Set Up New Employee
John Public
222-55-5555
01/01/1970
This employee has service with Utah Retirement Systems and would be hired into Tier 1.

If an employee were found in our system in Tier 1
This employee has no prior service with Utah Retirement Systems and would be hired into Tier 2.
Certify a New Employee

This new “Retirement” info will be added for everybody. If it’s a brand new person coverage would be always Tier 2.

Added 02/22/2011:
“Employment Status” dropdown need to be FIRST, “Retirement System” dropdown would be SECOND and would be populated from unit master file based on “Employment Status”.
I understand I have until (DATE) to make my election or I will be automatically entered into the Tier 2 Hybrid Option.

New step – choosing retirement option

Choose retirement option

Tier 2 Hybrid

The Tier 2 Hybrid Option provides a pension plan for qualified members. This pension is based on your age, years of service credit, highest 5 year final average salary, and benefit formula. Money may also be deposited into your 401(k) account, depending on the current contribution rate. This plan requires a 4 year vesting period.

- Link to educational brochure about TIER 2 Hybrid option

I choose Tier 2 Hybrid Option

Tier 2 DC Only

The Tier 2 DC Only Option provides a retirement savings plan for qualified members. The entire current contribution rate is deposited into your 401(k) account. After a 4 year vesting period, you are allowed to invest this money according to your own design.

- Link to educational brochure about TIER 2 DC Only option

I choose Tier 2 DC Only Option

I am not ready to make my election at this time
On **DATE** you selected **Tier 2 DB Hybrid** as your choice in Tier 2 retirement coverage. You may change this option until **DATE**. On this date your choice will become permanent and irrevocable.

Current Choice:  
**Tier 2 DB Hybrid**

- Link to educational brochure about TIER 2 Hybrid option

**Tier 2 DC Only**

The **Tier 2 DC Only Option** provides a retirement savings plan for qualified members. The entire current contribution rate is deposited into your 401(k) account. After a 4 year vesting period, you are allowed to invest this money according to your own design.

- Link to educational brochure about TIER 2 DC Only option
Tier 2 New File Layout

- Which employers are web created file?
- Which employers are Caselle or other third party vendor-created files?
- Which employers are in-house IT developed files?
- New file format for ‘old’ Tier 1 employees and new Tier 2 employees
- Contract Periods can be different for different employees, 9, 10, or 12 for schools...
- Beginning July 1, 2011 we will accept comma delimited files for reporting contributions
File Changes for Tier 2 Format

- MEM 11 Demographic Record required for every MEM33 Contribution Record
- Fund is now a 4 digit field, see Field Number 3
- Removal of 01 of 26 reporting. All reports will now only be accepted if they are for one reporting period
- EIP Code required for every employee on the Contribution Record; E for Eligible, X for Exempt, I for Ineligible, P for Post-Retired—No C, N, A, see Field 12
- Removal of Taxable Salary Field
- Lump Sum Indicator/Multiple Salaries Indicator, see Field 27 Y or M
Contact Information

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