

## Hybrid Option or 401(k) Option?

# Make Your Choice

## An Introduction to Your Retirement Benefit Options



### Meet **Jill**

She chose the Hybrid option  
— a pension and possible  
employer-paid 401(k).



### Meet **Sarah**

She chose the 401(k) option  
and will get a 10% contribution  
in an employer-paid 401(k).

These two new Utah public  
employees get a retirement benefit  
equal to 10% of their salary.  
Like you, they choose how to receive  
this benefit.

How did they make their decision?  
— *Look inside.* —

This brochure provides a brief overview of the Tier 2 Public Employees Hybrid Retirement System (Hybrid Option) and the Tier 2 Public Employees Defined Contribution Plan (401(k) Option).

Go to [www.urs.org](http://www.urs.org) for more details about your benefits.

# BENEFITS

## What's the **Hybrid Option**?

**Your employer contributes an amount equal to 10% of your salary** to fund the Hybrid Option, which combines a pension and possible 401(k) contribution. A pension provides a lifetime income stream based on the formula below.

$$\text{Number of Years of Service} \times 1.5\% \times \text{Average 5 Highest Years' Salary} = \text{Basic Yearly Pension Benefit}$$

EXAMPLE	
Years of Service	→ <b>35 Years</b>
x	.....
1.5%	→ <b>52.5%</b>
x	.....
Average Salary (Average of 5 highest years)	→ <b>\$60,000</b>
=	.....
Benefit	→ <b>\$31,500 / Year</b> <b>\$2,625 / Month</b>

### Benefit Costs

The total cost of the Hybrid Option benefit varies based on the yearly pension contribution rate. For **2024-25**, the amount required to fund it is **10.7%** of your salary. Employers are required to pay **10%**. This means, effective July 2024, you'll have to pay **0.7%** of your salary to fund this benefit. In the history of the system, since 2011, this will be the first time that costs exceed 10%. If the pension contribution rate drops below 10% in the future, you may get a 401(k) contribution. Learn more at [www.urs.org/rates](http://www.urs.org/rates).

## When Can I Retire?

**Your pension eligibility** depends on your age and years of service. Here are the minimum qualifications:

- » **65** with at least **4** years of service
- » **Any age** with at least **35** years of service
- » **62** with at least **10** years of service\*
- » **60** with at least **20** years of service\*

\*Early age reduction of 9% to 37% if you retire under age 65 with fewer than 35 years.

ELIGIBILITY



# CONSIDERATIONS

## Meet Jill

### HYBRID

- » Plans on staying in the Utah public sector for much of her career
- » Is uncomfortable taking investment risks
- » Likes the stability of fixed, monthly income



**Why did I choose the Hybrid Option?** *"I like the idea of getting guaranteed monthly income and the peace of mind a pension provides. I plan on working as a Utah public employee for most of my career and continuing to build my URS retirement benefit. I looked at the benefit formula, and if I work until the age most people normally retire, I can expect a pretty substantial monthly retirement benefit."*

### How Much Would the Hybrid Option Provide You?

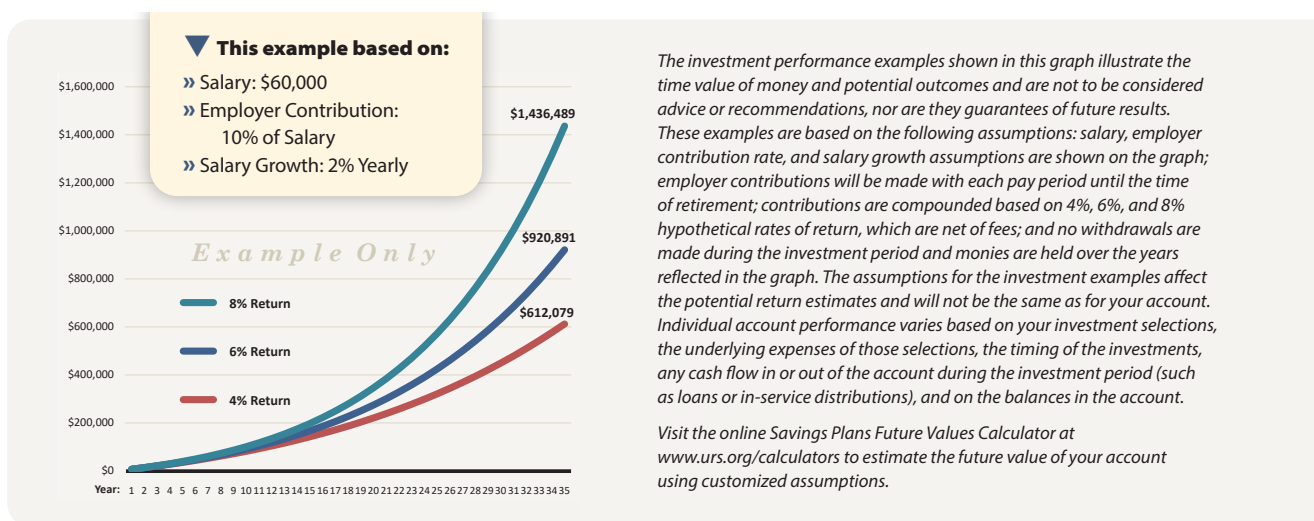
Go to calculators at [www.urs.org](http://www.urs.org) to estimate your monthly retirement income. Use the *Retirement Benefit Estimate Calculator* and *Savings Plans Future Values Calculator*.

# BENEFITS

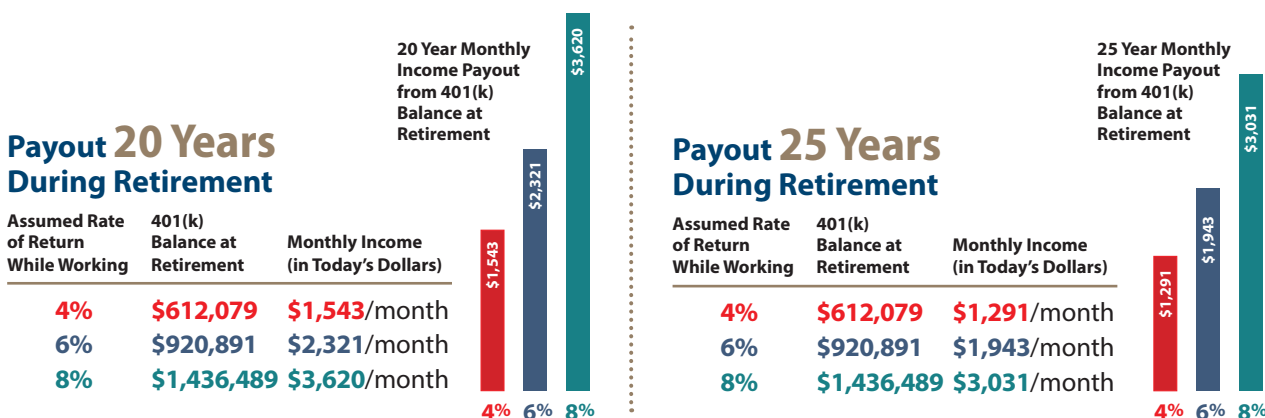
## What's the 401(k) Option?

**A 401(k) is a retirement savings plan.** With this option, your employer contributes an amount equal to **10%** of your salary into your 401(k). The money you get is based on employer contributions and two other main factors.

**INVESTMENT PERFORMANCE »** The way you invest your money and the financial markets will have a big impact on your retirement income.



**PAYOUT PERIOD »** You choose how to draw from your account in retirement. Your monthly withdrawals will be based on your account balance and how long you need the retirement income from your account to last.



The payout examples above illustrate hypothetical monthly payments from your account based on the following assumptions: a 20- and 25-year payout period; initial account balances at the time of retirement based on 4%, 6%, and 8% hypothetical rates of return and taken from the graph above; a 4% hypothetical rate of return during the payout period, which is net of fees; 2% annual inflation rate; and, besides the monthly payment shown, no additional withdrawals or contributions are made during the payout period. The assumptions for the example payouts will not be the same as for your account. For this reason, potential payouts from your account will not match those shown in the tables and will vary based on the balance in your account, investment selections, the underlying expenses of those selections, the timing of the investments, and cash flow in or out of the account during the investment and payout periods.

# CONSIDERATIONS

## Meet Sarah

401(k)

- » May consider going back into private sector
- » Is comfortable taking investment risks
- » Is excited about the opportunity to earn money in financial markets



**Why did I choose the 401(k) Option?** *“I’m excited about the potential of the markets, and I like the idea of playing a more-active role in my retirement. I like taking the chance that my investments might outperform what a professionally managed pension could give me, and I accept the risk that it might end up less. I expect to work at several different places in my lifetime. Once I’m vested after four years, my 401(k) is mine — I like the flexibility.”*

### How Much Would the 401(k) Option Provide You?

Go to the *Savings Plans Future Values Calculator* at [www.urs.org](http://www.urs.org) to estimate your monthly retirement income.

**WITHDRAWING YOUR MONEY** » Generally, you may withdraw your money once you reach an eligible age. You can also withdraw after you’ve terminated employment, however, depending on your age, you may be subject to a 10% IRS early-withdrawal penalty in addition to income taxes. For more specific information, go to [www.urs.org/us/savings](http://www.urs.org/us/savings).



# CONSIDERATIONS

## Consider Your Preferences

**Everyone’s situation is unique, and there’s no right or wrong answer.**

Like Jill and Sarah, you’ll have your own considerations. Here’s a brief overview of three major advantages of each option. For a better understanding and more considerations, see resources on the back page.

Hybrid Option	401(k) Option
» Stable, monthly retirement income	» Flexibility to manage and withdraw on your own terms
» Guaranteed benefit	» No guaranteed benefit; potential for higher or lower benefit
» You can continue to earn service credit if you continue to work for any eligible employer in the Utah public sector	» Once vested, if you change employment you can transfer your money if that employer offers a 401(k)

**Important Legal Notice**

Investing is an important decision. Read the Summary Plan Descriptions and Investment Fund Fact Sheets in their entirety for more information and consider all investment objectives, risks, charges, and expenses before investing in URS Savings Plans. All investing is subject to risk, and you assume all investment risks, including potential for loss of principal as well as responsibility for any federal and state tax consequences.

**No Guarantees.** The URS Savings Plans investments described in this publication: are not insured; are not a deposit or obligation of, nor guaranteed by, any financial institution; and are not guaranteed by URS or any

government agency. Because you make the investment decisions about your account, the plan’s sponsor, trustees, and others associated with the investments are not responsible or liable for your investment performance.

**Performance.** Past performance does not guarantee future results. The value of your investment may vary depending on market conditions and the performance of the investment option you select. It could be more or less than the amount you contribute; in short, your investment could lose value.

**Consult an advisor.** The information provided in this document does not contain financial, investment, tax, or legal advice and cannot be construed as such or relied upon

for those purposes. Please consult your own investment, tax, or legal advisors for qualified professional advice in these areas.

**Also Note:** This brochure refers to the Tier 2 Public Employees Hybrid Retirement System as the “Hybrid Option” and the Tier 2 Public Employees Defined Contribution Plan as the “401(k) Option”. Go to [www.urs.org](http://www.urs.org) for more details about your benefits.

“Jill” and “Sarah” are fictitious characters intended to help illustrate potential considerations in choosing between the retirement options. Individual circumstances and considerations vary.

# DECIDING

## Make Your Choice

**You have one year from your hire date to choose your retirement option.**  
To make your decision, create a myURS account at [www.urs.org](http://www.urs.org).

### How to Create a myURS Account

**Go to [www.urs.org](http://www.urs.org) and click “LOGIN”** in the top-right corner. To create an account, you'll need your URS Member Number — a “W” followed by eight digits. If you have questions, call 801-366-7720 or 800-688-4015.



### Making Your Decision

You'll choose between the **Tier 2 Hybrid Retirement System** (Hybrid Option) and the **Tier 2 Defined Contribution Plan** (401(k) Option). You may change your election any time within one year of your eligibility date. At the end of one year, your final selection can't be changed. If you don't choose, **the Hybrid Option is the default.**

## Your Next Important Choice

**What's the best decision you can make for your retirement?** It's the decision to start saving now, on your own, to supplement your benefit. Set up automatic deductions from your paycheck at myURS.

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



LEARN

Let Us Help You Understand Your Options

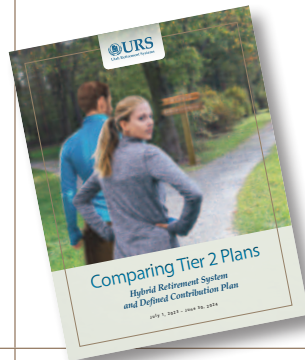
# Your Choice, Your Way

Whatever your style of learning, URS is here to help you understand your retirement choice and benefits.



## Website

Go to the **New Members** section of [www.urs.org](http://www.urs.org) for an overview of your retirement options and to find resources to make an informed decision.



## Publications

Go in-depth by reading the detailed booklet *Comparing Tier 2 Plans*. Find publications at [www.urs.org](http://www.urs.org). Or email [publications@urs.org](mailto:publications@urs.org) to request printed copies.

## Videos

Our library of videos provide both a quick overview and a deeper discussion of your retirement benefits. Go to [www.urs.org/us/videos](http://www.urs.org/us/videos).

## Webinars

*Tier 2 Choice* webinars explain your options. See schedule at [www.urs.org/us/webinars](http://www.urs.org/us/webinars). Archived webinars also available.

## Presentations

We offer Tier 2 New Hire Presentations regularly at various locations across the state. Go to the **New Members** section of [www.urs.org](http://www.urs.org).

## One-on-One

A URS Retirement Planning Advisor can help you choose the right retirement option for you. Schedule a free session at **myURS** at [www.urs.org](http://www.urs.org).



## Via Phone

We look forward to answering your questions. Call weekdays between 8 a.m. and 5 p.m., **801-366-7700** or **800-365-8772**.

