



Retirement Updates: 2025 Legislative Session



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URS/PEHP Employer Event

March 26, 2025

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Topics

- 1. General Retirement Bills that Passed**
- 2. Overview of FY 2024-25 Contribution Rate Changes**
 - a. Tier 2 Public Employees' Hybrid System Normal Cost Increases**
 - b. Amortization Rate Reductions**
 - c. URS' Saving Plans Fee Decrease**
- 3. Post-Retirement Reemployment Rules and Changes**
- 4. Upcoming Education and Communications**

1. General Retirement Bills that Passed



H.B. 25

Retirement Amendments

(Rep. Acton)

- » These are administrative and technical amendments to Utah Code Title 49 recommended to the Legislature annually by URS.
- » One change to participating employers' responsibilities: Increases the period of retention for all records necessary to support the participating employer's reports and certifications from three to four years, which aligns with the applicable four-year statute of limitation period for retirement claims.

S.B. 19

Utah Retirement Systems Amendments for Military Personnel

(Sen. Balderree)

- » Makes employer nonelective contributions to a defined contribution plan vest upon termination of employment if the member or the member's spouse is a military service member who receives permanent change of station or relocation orders outside the state.
- » Provides certain participation exemptions for specified Utah National Guard personnel, including the adjutant general.



2. Overview of Contribution Rate Changes

a. Tier 2 Public Employees' Hybrid System Normal Cost Increases

Pension Reform in Utah

In the aftermath of the global financial crisis, the Utah Legislature enacted major retirement reforms in the 2010 General Session:

1. Created a different benefit structure called Tier 2 for public employees hired on or after July 1, 2011; and
2. Enacted post-retirement reemployment restrictions for future retirees, including a one-year separation period between retirement and a return to work.

Legislative objectives included:

- » Cut costs and help pay down unfunded liability;
- » Cap employer liability for retirement benefits; and
- » Share risk between employers and employees.

Key Terms

“Defined Benefit Plan” (DB)

- » Means a monthly retirement benefit payable for life after meeting eligibility requirements, e.g. a pension.

“Defined Contribution Plan” (DC)

- » Generally, a set amount is being put into a savings plan without regard for benefits payable, e.g. a 401(k).

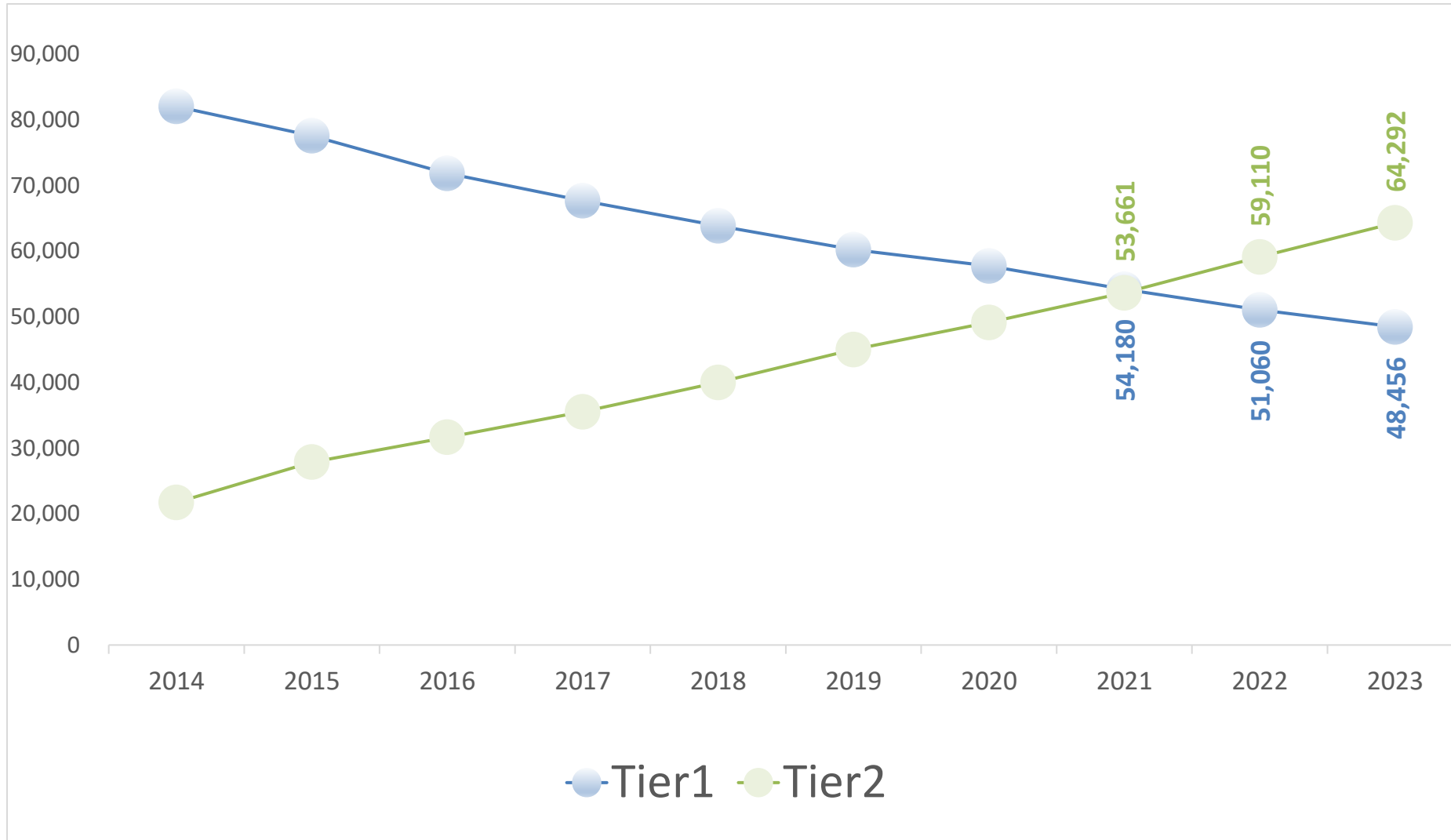
“Hybrid Plan”

- » A plan that contains elements of both Defined Benefit (DB) and Defined Contribution (DC) plans.

Tier 2 Retirement

- » Members have 1 year to make an irrevocable participation election.
- » Members choosing the **Hybrid System** will receive monthly pension benefits at the time of retirement; If the pension cost is less than the employer contributions (14% for PS/FF and 10% for PE), then the remainder is deposited into the employee's 401(k) account.
- » Members choosing the **Defined Contribution Plan** will only have the employer contributions (14% for PS/FF and 10% for PE) deposited into the employee's 401(k) account; these members will not receive a monthly pension.

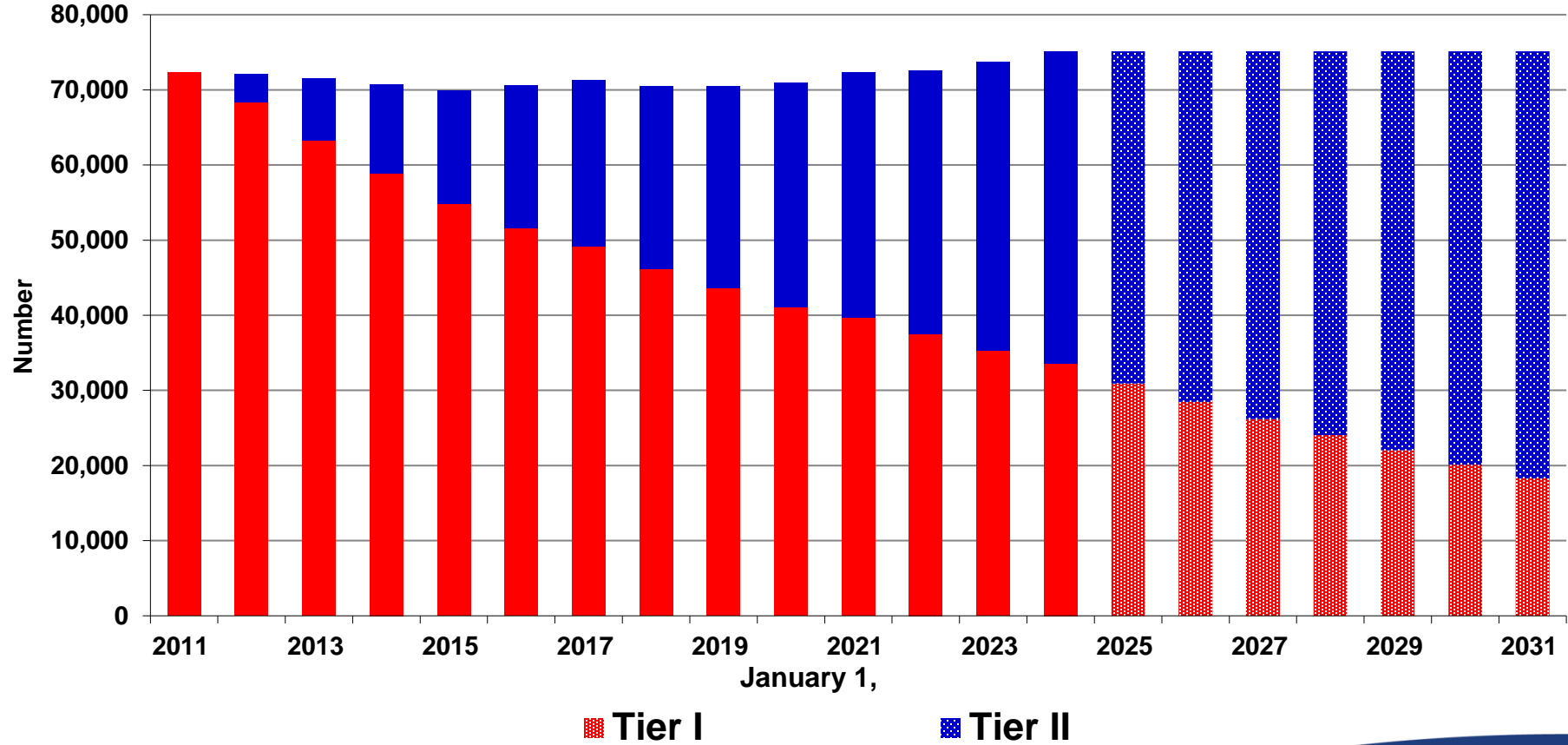
Tier 1 and Tier 2 Active Membership (on Dec. 31)



Tier 2 total active membership was nearly 57% of total active members at the end of 2023.

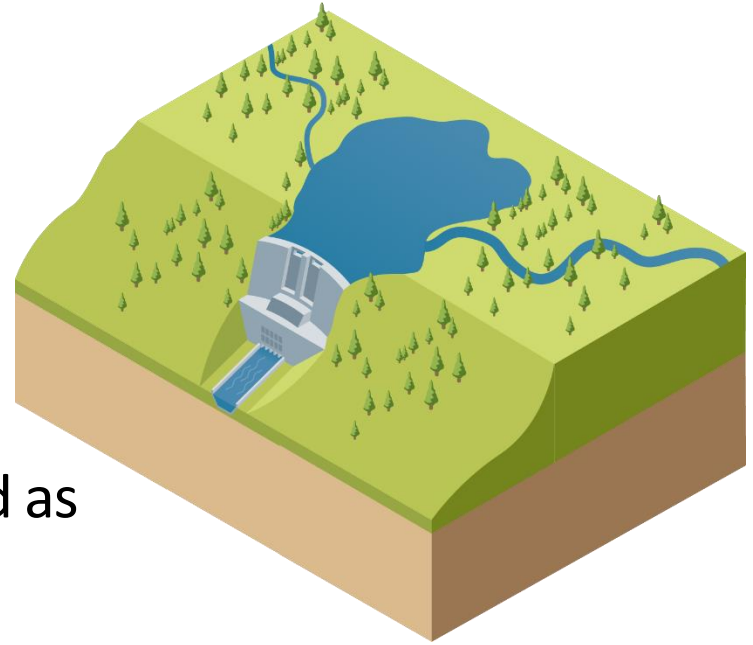
Projected Active Membership

Projected Number of Tier I and Tier II Employees of State and School Employers

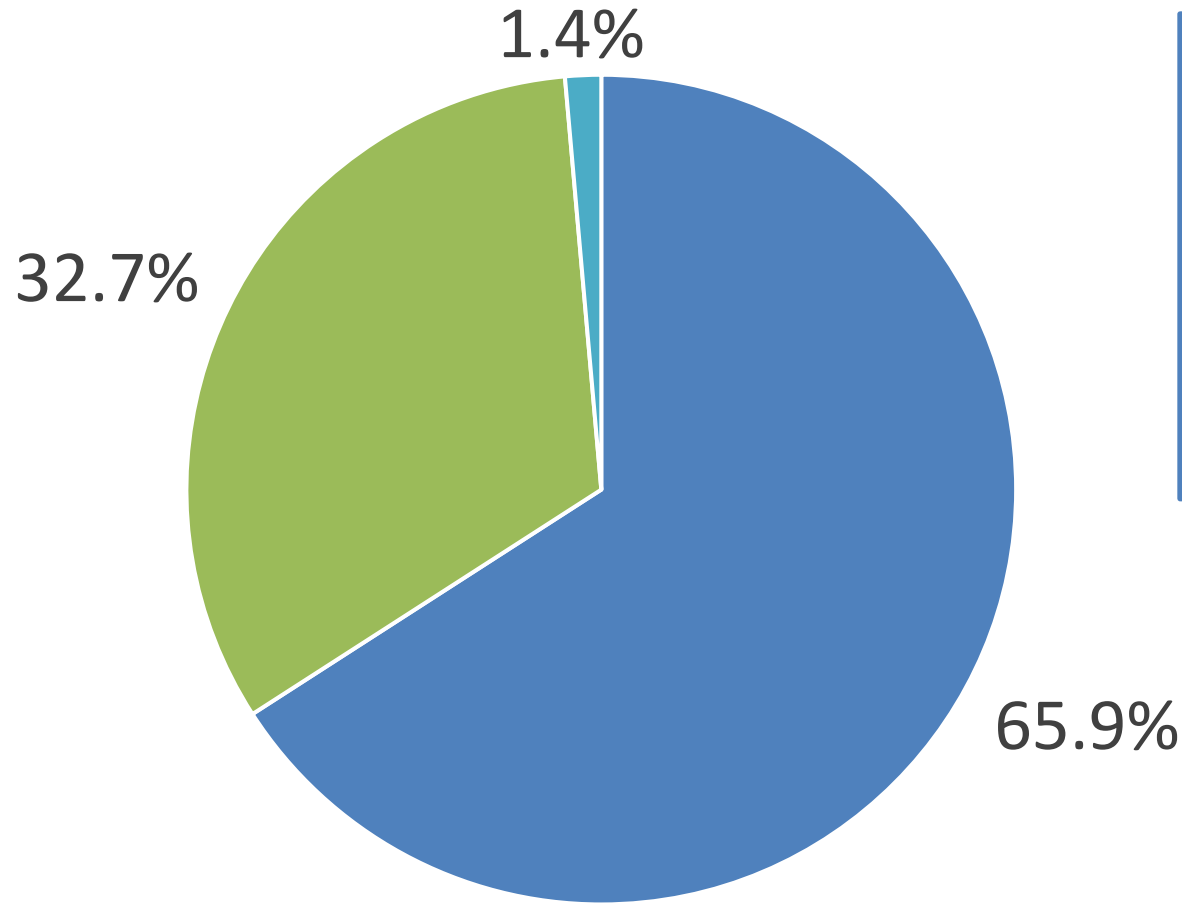


Contribution Rates

- » Most URS plans are cost-sharing, multiple-employer systems administered through a common trust fund to exclusively provide retirement benefits to Utah public employees.
- » During working years, the certified contribution rate, expressed as a percent of active members' pay is paid to URS to maintain the systems and plans on a financially and actuarially sound basis, as required by statute.
- » The Fund is invested to generate additional income and as employees retire, the Fund is used to pay the retirees' monthly retirement allowances.



Additions by Source DB Plan – 10-Year Average (on Dec 31, 2023)



Having two-thirds of all pension plan revenues come from investment earnings highlights the effectiveness of the Fund's investment strategies and management. Pre-funding provides important cost savings for employers and members.

■ Net investment income ■ Contributions ■ Fire insurance premium taxes, budget appropriations, and court fees

Contribution Rates- Components

Normal Cost

» The amount required to pay the members' benefits, based on the current plan provisions and if the fund's experience exactly followed the actuarial assumptions.

Amortization Rate

» A funding shortfall may occur, which is called an Unfunded Actuarial Accrued Liability (UAAL). UAAL can be caused by differences between actual experience and the plan's actuarial assumptions.

» Instead of requiring employers to pay their share of UAAL in full immediately, URS amortizes the liability amount so that it is paid down by contributions to URS over many years.

Pension Actuarial Assumptions

» Key economic assumptions

- › Price inflation, Investment return

» Key demographic assumptions

- › Salary increases (for individuals), Mortality (active, post-employment, disability), Disability incidence, Retirement rate, Other terminations

URS Actuarial Studies

Actuarial Experience Study

- » Conducted every three years to compare recent actual economic and demographic experience against the actuarial assumptions previously adopted by the Retirement Board.
- » 2023, 2026, etc.

Actuarial Valuation Report

- » Conducted annually to analyze the current actuarial condition of URS and calculate contribution rates.
- » Each year

Experience & Contribution Rates

- » The 2023 Experience Study brought an upward shift in the salary increase actuarial assumption resulting from higher than assumed salary growth, with the main factor being unprecedented salary growth since the pandemic.
- » Beginning July 1, 2024, Tier 2 Hybrid System **employee** contributions:
 - › 0.70% (0.70% increase) for Tier 2 PE
 - › 4.73% (2.14% increase) for Tier 2 PS/FF
- » The 2024 Valuation Report saw more salary increases, but no assumption change.
- » Beginning July 1, 2025, Tier 2 Hybrid System **employee** contributions:
 - › 0.81% (0.11% increase) for Tier 2 PE
 - › 4.73% (No change) for Tier 2 PS/FF

2023 Pay Increases

Group	Count	Expected Pay Increase	Actual Pay Increase
Educators	29,615	5.7%	9.9%
State	20,830	4.6%	10.4%
Local Government	17,432	5.0%	10.2%
Public Safety	6,556	5.9%	12.2%
Firefighters	2,138	5.5%	10.9%

2014-2023 Year over Year Salary Increase

	State	Educators	Local	Public Safety	Firefighters
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%
2023	10.4%	9.9%	10.2%	12.2%	10.9%
Average	5.6%	6.9%	6.0%	7.4%	6.2%
Expected	4.6%	5.7%	5.0%	5.9%	5.5%

2023 Educator Pay Increases

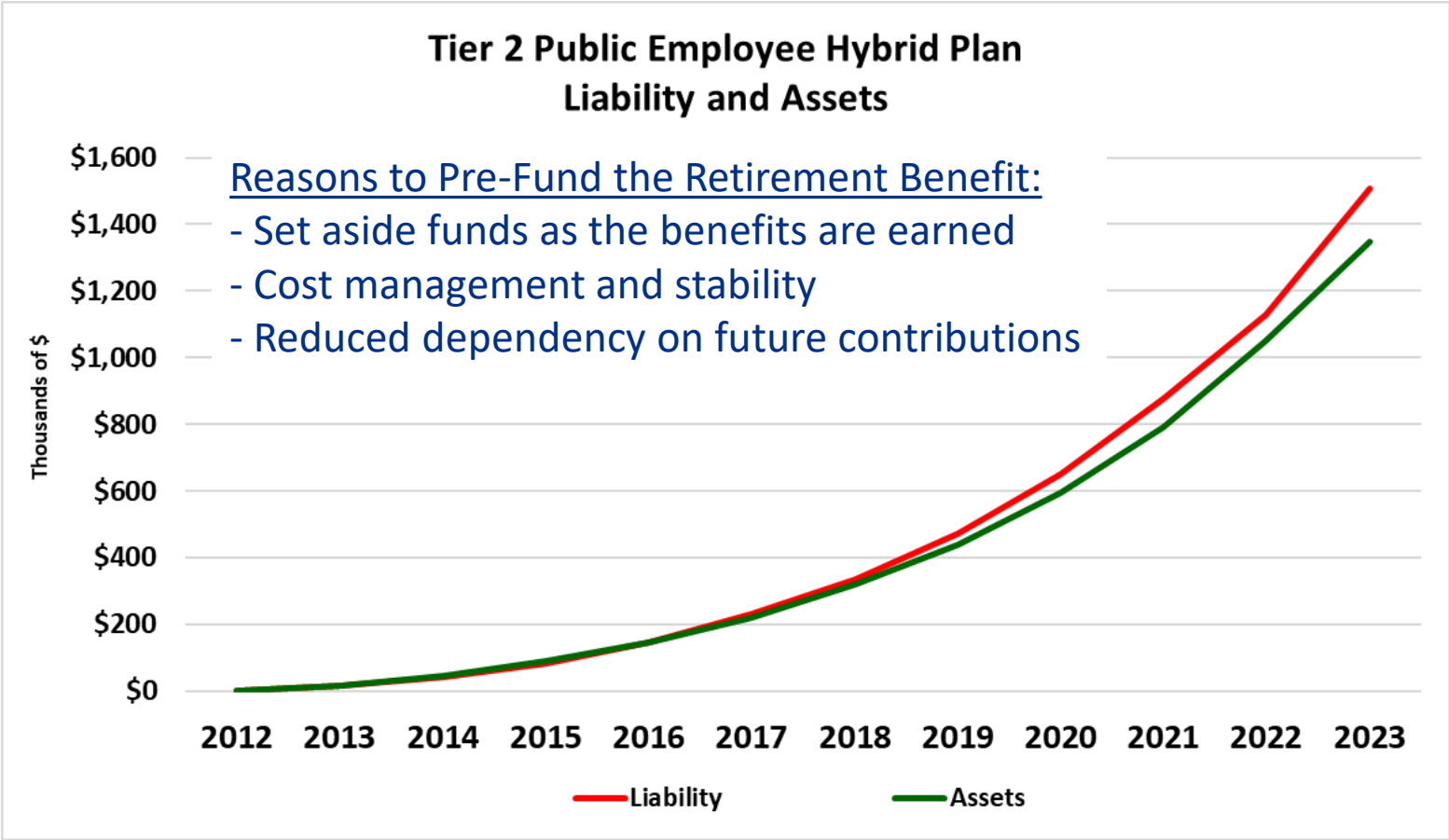
A Closer Look

Years of Service	Count	Expected Pay Increase	Actual Pay Increase
< 5	8,578	7.8%	12.5%
5 - 9	7,180	6.9%	10.7%
10 - 14	4,888	5.3%	9.4%
15 - 19	4,266	4.4%	8.5%
20 - 24	2,716	5.5%	10.9%
25 - 29	1,814	3.5%	7.9%
TOTAL	29,615	5.7%	9.9%

Average Pay increased from \$69,160 to \$76,006



Tier 2 Public Employee Hybrid Plan – Liability and Assets



Tier 2 Contribution Rates

Beginning July 1, 2025

System	Tier 2 Hybrid Contribution Rate	FY2025-26 Increase	Employer	Member	Employer "Pick-up" of member contributions
Tier 2 Public Employees	10.81%	0.11%	10.08%*	0.81%	Prohibited by statute
Tier 2 Public Safety and Firefighter	18.81%	None	14.08%*	4.73%	Allowed – Amount depends on employer's election

*Includes 0.08% employer paid active member death benefit (75% of pay)

“Pick-Ups”

- » An employer election under federal tax law to formally “pick-up” and pay employees’ portion of the contribution rate
- » Tax Implications
 - › After-tax if employee pays contributions
 - › Not subject to FICA if the employer contributions are:
 - » Made as a formal, irrevocable pick-up election
 - » Must be a salary “supplement” and not a salary reduction
 - » Mandatory for all employees



Tier 2 Public Safety/Fighter

2020 benefit enhancement legislation passed, primarily increasing the multiplier in the benefit formula :

- » Increased the costs from under 12% of pay to 16.59% of pay.
- » The employer contribution cap was increased from 12% to 14% of pay.
- » The statutory prohibition on “pick-ups” for Tier 2 PS/FF Hybrid System employees was removed.
- » Requires an employer who elects to pick-up Hybrid employee contributions to make an equal non-elective contribution to Defined Contribution Plan (401(k) only option) employees.

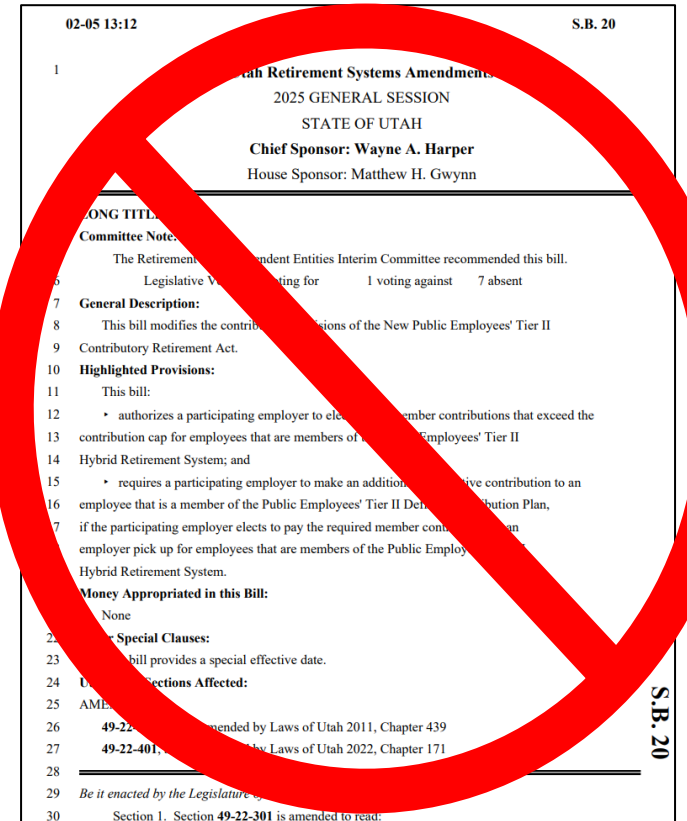
Many Tier 2 PS/FF employees, especially those on the Wasatch Front, have their current required member contributions (4.73%) picked up by their employer. There are about 150 PS/FF employers in the state.

S.B. 20

Utah Retirement System Amendments

(Sen. Harper)

- » Authorizes, but does not require, employers to “pick-up” employee contributions to the Tier 2 Public Employee Hybrid Plan
- » If an employer picks-up the employee contributions for members of the Hybrid Plan, they must make an equal nonelective contribution to the 401(k) for members in the Tier 2 Public Employee Defined Contribution Plan
- » **Did not pass**



Other Public Pension Plans

Median employee contribution rate by Social Security eligibility, FY 02 to FY 22 (non-public safety)





2. Overview of Contribution Rate Changes

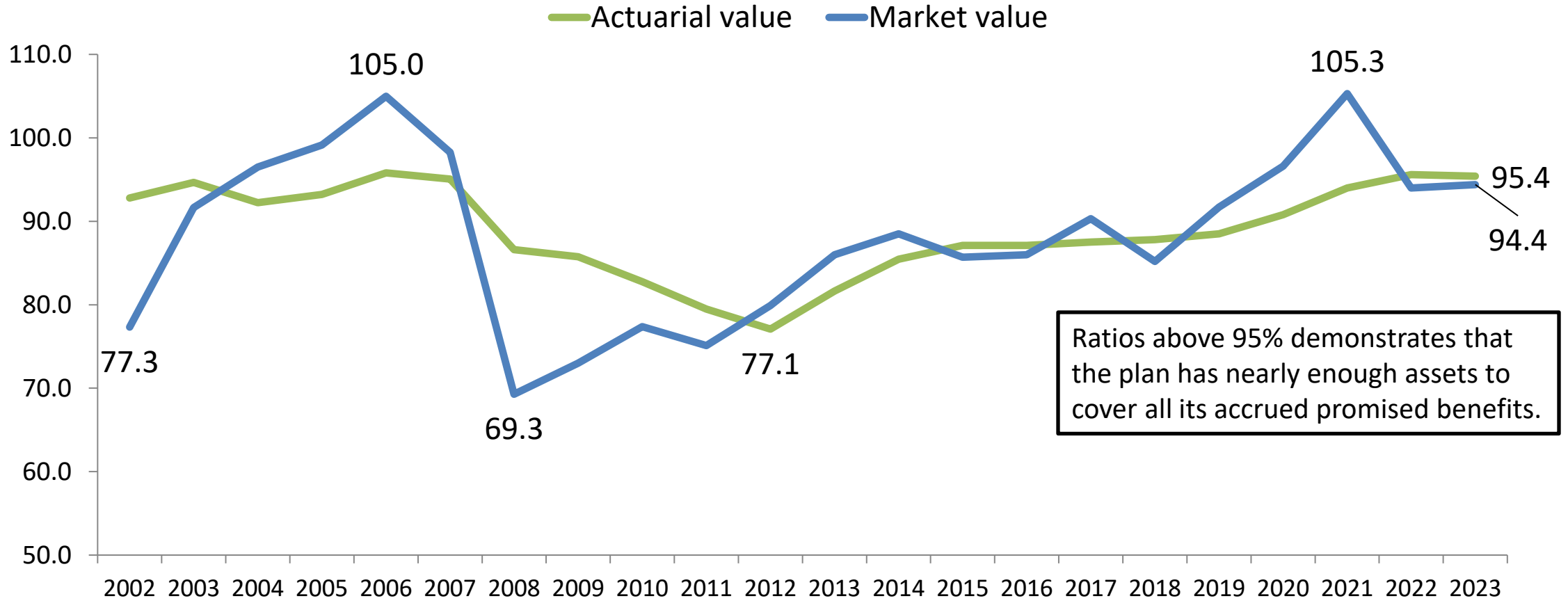
b. Amortization Rate Reductions

Contribution Rate Management

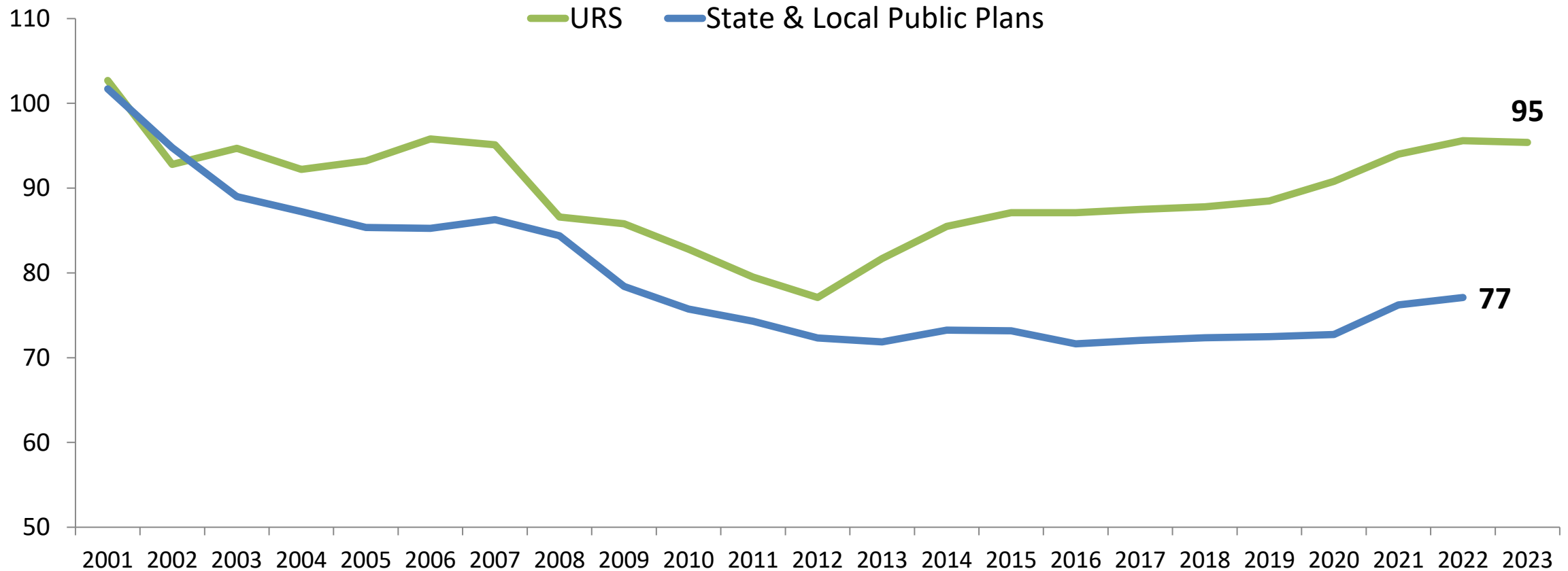
- » The State Retirement Board and consulting actuary designed a prudent method for managing the reduction of the contribution rate in accordance with the 110% funding rule adopted by the legislature.
- » Smooths rate decreases to mitigate impact of large decreases in the future and prevent contribution rate increases after they are decreased.
- » Amortization rate decreases occur when certain factors are met, including:

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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DB Plan Funded Ratio (on Dec 31)



Actuarial Funded Ratio Smoothed (on Dec. 31)



Aggregate funded ratio of state and local public plans – *Public Plans Database*
National data averages are weighted by plan size (Apr 2024)





FY 2025-26 Reductions

- » As of Dec. 31, 2023, URS was 95% funded on an actuarial basis, which smooths the investment earnings over a five-year period.
- » URS uses the actuarial value to determine contribution rates.
- » Because of increasing funding levels, many Tier 1 amortization rates will decrease again on July 1, 2025.
- » Tier 1 amortization rates are applied to all payroll, so the reductions for most employers are larger than the increase to the Tier 2 contribution rates, which only affect Tier 2 employees and payroll.

Amortization Rate Decreases

Beginning July 1

Risk Pool	2022	2023	2024	2025	Cumulative
Firefighters	-1.00%	-	-2.00%	-2.00% (Div. B)	5.00%
Local Government	-0.50%	-	-1.00%	-1.00%	2.50%
State and School	-	-	-0.50%	-0.50%	1.00%

Amortization rates for several Tier I Public Safety risk pools decrease 0.50% to 1.00% of pay in 2025

FY 2025-26 Final Contribution Rates

Public Employees

Contributory Retirement System

11- Local Government

Public Employees

Noncontributory Retirement System

15- Local Government

16- State and School

18- Higher Education

Public Safety

Contributory Retirement System

23- Other Division A (2.5% COLA)

Public Safety

Noncontributory Retirement System

42- State

43- Other Division A (2.5% COLA)

75- Other Division A (4% COLA)

44- Salt Lake City

45- Ogden

46- Provo

47- Logan

48- Bountiful

49- Other Division B (2.5% COLA)

76- Other Division B (4% COLA)

Firefighters

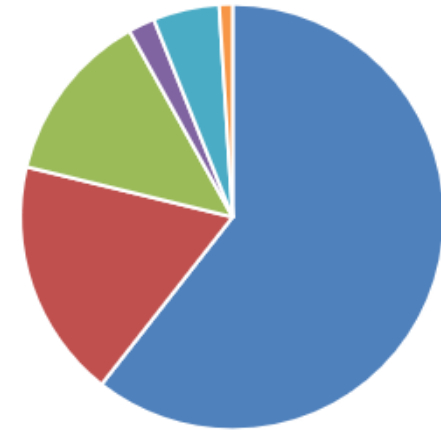
31- Division A*

32- Division B*

	Tier 1 Total Contribution Rate	Tier 2 Total Contribution Rate	Amortization Rate Decrease From Prior Year
11- Local Government	17.96%	16.76%	-1.00%
15- Local Government	15.97%	15.00%	-1.00%
16- State and School	21.19%	19.83%	-0.50%
18- Higher Education	22.19%	20.83%	0.00%
23- Other Division A (2.5% COLA)	34.58%	30.08%	0.00%
42- State	40.35%	36.27%	-0.50%
43- Other Division A (2.5% COLA)	33.04%	29.56%	-0.50%
75- Other Division A (4% COLA)	34.71%	30.72%	-0.50%
44- Salt Lake City	46.71%	43.01%	0.00%
45- Ogden	48.72%	45.11%	0.00%
46- Provo	42.23%	38.42%	0.00%
47- Logan	40.97%	37.18%	-0.50%
48- Bountiful	50.38%	45.70%	0.00%
49- Other Division B (2.5% COLA)	32.57%	28.76%	0.00%
76- Other Division B (4% COLA)	35.97%	31.75%	-1.00%
31- Division A*	16.66%	18.81%	0.00%
32- Division B*	19.05%	18.81%	-2.00%

Total Compensation

- » Increasing focus on how pay and benefits fit within a competitive overall compensation and benefits package.
- » Elements may include:
 - › Base pay
 - › Required employer retirement contributions
 - › Health, dental, LTD, life, and other insurance
 - › Employer supplemental savings (e.g. additional 401(k) contributions and matches)
 - › Employer supplemental pay (e.g. State Tier 2 employee salary enhancements)
 - › Leave
 - › FICA and Medicare tax
 - › Other benefits



Total Compensation

Impacts and costs should be evaluated by stakeholders, including:

- › Policy objectives and cost-benefit analysis;
- › Employer needs, recruiting and retention considerations, and ability to pay;
- › Labor market comparisons; and
- › Employee needs, considerations, and morale.

What's Next: Tier 2

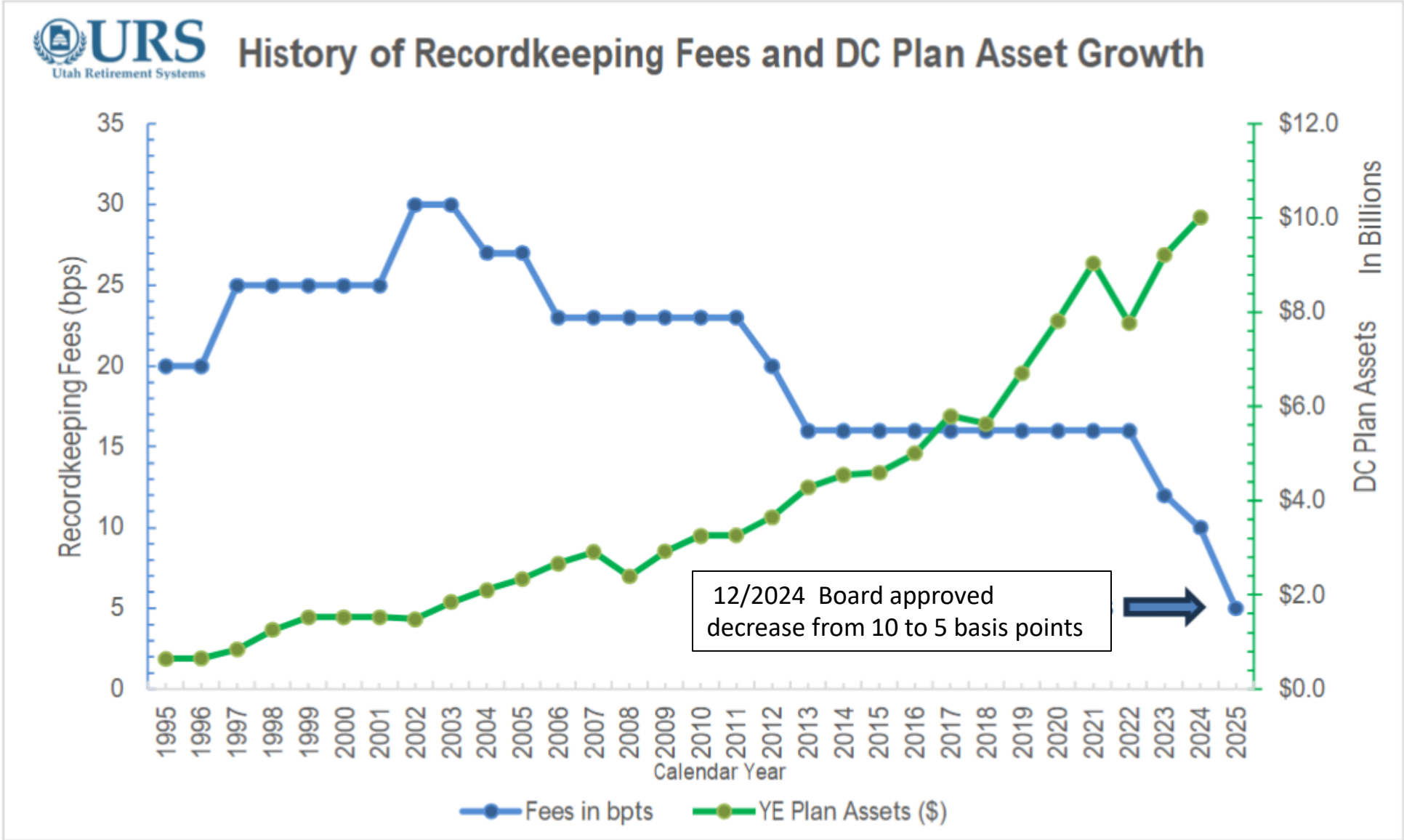
- » Under state and federal law, a member's irrevocable Tier 2 participation election cannot be changed (even if employee contributions are required).
- » For Public Employee members, 0.81% will be deducted from paycheck – after tax.
- » Employer pick-up elections are still permitted for permitted for PS/FF employees but prohibited for Tier 2 Public Employees.
- » Laws and contributions could change in the future.
- » Employers should make plans for their savings from amortization rate reductions.
- » The statutory Tier 2 employer contribution caps (currently 14% of pay for PS/FF employees and 10% for other Public Employees) do not prohibit or restrict other employer elective compensation supplement options.



2. Overview of Contribution Rate Changes

c. URS' Saving Plans Fee Decrease

Savings Plans Fee Decreases



URS' Savings Plans Fees

*For up-to-date investment and administrative fees, see Rates of Return and Fees at www.urs.org.

Information about fees can be found in the **Summary Plan Descriptions**.

Fund	Annual Investment Fees*	Annual Administrative Fees*	Total Annual Fees*
Income Fund	0.20%	0.05%	0.25%
Bond Fund	0.10%	0.05%	0.15%
Balanced Fund	0.24%	0.05%	0.29%
Large Cap Value Fund	0.41%	0.05%	0.46%
Large Cap Index Fund	0.02%	0.05%	0.07%
Large Cap Growth Fund	0.24%	0.05%	0.29%
International Fund	0.05%	0.05%	0.10%
Small Cap Stock Fund	0.27%	0.05%	0.32%
Target Date 2065	0.10%	0.05%	0.15%
Target Date 2060	0.10%	0.05%	0.15%
Target Date 2055	0.10%	0.05%	0.15%
Target Date 2050	0.10%	0.05%	0.15%
Target Date 2045	0.11%	0.05%	0.16%
Target Date 2040	0.12%	0.05%	0.17%
Target Date 2035	0.13%	0.05%	0.18%
Target Date 2030	0.14%	0.05%	0.19%
Target Date 2025	0.14%	0.05%	0.19%
Target Date 2020	0.13%	0.05%	0.18%
Target Date 2015	0.12%	0.05%	0.17%
Target Date Retired	0.12%	0.05%	0.17%
Tier 2 Nonvested	0.13%	0.05%	0.18%

3. Post-Retirement Reemployment Rules and Changes

Key Term: “Working Retiree”

A retiree who returns to work for a participating employer, earning salary while continuing to receive a monthly retirement allowance URS.

This may be called:

- » Post-retirement reemployment
- » Return to work
- » Double dipping
- » Working retiree



Working Retirees

If retirees are permitted to commence their monthly retirement benefit earlier and continue to participate in the workforce:

- » Members can increase personal income
- » Employers can recruit and utilize recent retirees
- » Costs are paid from the Retirement Funds resulting in increased contribution rates for members and all employers



Working Retiree Restrictions

General Rule

- » Current Utah statutes require URS to suspend the retirement allowance for members who become reemployed with a participating employer within one year of their initial date of retirement unless the member's postretirement reemployment qualifies for one of the exceptions provided in the statutes.

Other Key Conditions

- » Bona fide termination of employment at retirement, including no pre-arrangement for future reemployment (fee-for-service relationship of any kind or character) with a participating employer
- » Don't earn additional service credit during reemployment
- » Can't receive any retirement related contribution from a participating employer during reemployment

Why a Cost?

- » The financial impact of changes to provisions is based on changes in retirement behavior.
- » More expensive to permit or encourage members to begin retirement benefits at an earlier age and continue working.
- » Monthly pension payments are paid out earlier and for a longer period.
- » Currently URS receives only a portion of the contributions on rehired retirees.
- » Contributions have less time to generate investment returns.
- » In financial terms, worse cash flow and higher present value of anticipated benefit payments

2023 Interim/2024 General Session

Legislative Objectives Relating to Working Retirees

- » Working retiree rules should uniformly apply to all government employees
- » Do not want to incentivize early retirement
- » Allow for more flexibility
- » Help hire and potentially retain employees
- » Must be cost-neutral (no general contribution rate increases)

2025 S.B. 25

Postretirement Reemployment for Emergency Services Workers

(Sen. Harper)

- » One current statutory exception allows URS retirees to keep receiving their monthly retirement allowance if they return to work as affiliated emergency services workers, which are primarily volunteer firefighters, subject to an earnings limit of \$500 per month.
- » This bill increases that earnings limit to \$20,000 per year (indexed on a yearly basis).
- » No material fiscal impact-- The limit of \$20,000 per year is not enough pay, in the opinion of URS' actuary, to encourage individuals to seek out retirement at an earlier age.

2024 H.B. 251

Postretirement Reemployment Restrictions Amendments

(Rep. Gwynn)

- » Creates a new option for a retiree to return to work with a URS participating employer beginning on **July 1, 2025**.
- » A retiree may return to work after a bona fide termination and 90-day separation.
- » Employers would be required to pay full contribution rate for rehired retirees (currently only paying amortization rate).
- » Rehired retirees would receive a reduction in their allowance while reemployed (15% for Public Safety and Firefighters; 20% for Public Employees).
- » Rehired retirees would not receive annual COLA while reemployed.

Retiree Return to Work Options



Cancel retirement allowance	One-year separation	Limited earnings exception	Other Narrow Exceptions	Private sector or another state	2024 H.B. 251
Earn more service credit; Enhanced benefit when re-retire if work 2 or more years	General exception; Keep monthly retirement allowance & may return to work	60-day separation; No employer provided benefits; Annual pay limit (\$20,000 for 2025)*	See statutes and URS publications *	Not restricted	New “user fee” option that takes effect on July 1, 2025*

*The one-year separation period begins to run after this reemployment ends

4. Upcoming Education and Communications

Responsibilities

- » Plan design, policy, and benefit specifications for the defined benefit (DB) retirement systems are established in statute by the Legislature.
- » Retirement “rules” are policy and financial decisions for the Legislature, employers, and members.
- » As the administrator, generally URS is neither for nor against current benefit provisions or proposed legislative changes in bills.
- » URS is the retirement administrator and has the responsibility to inform stakeholders about the impacts of changes to retirement rules.

Communications- Employers

- » Online resources: <https://www.urs.org/Employers/index>
- » Employer training sessions
- » Inside Story – newsletter for URS Participating Employers
- » URS Employer Line: 801-366-7318 or 800-753-7318
- » Webinars

Communications- Members

- » Online resources: <https://www.urs.org/Members/index>
- » Publications
- » Viewpoint – magazine for active members
- » Cycles – magazine for retired members
- » Webinars and video resources
- » Presentations
- » Individual Retirement Planning Sessions

Tier 2 employees within first year: Help make sure that they learn about their retirement plan choice!

URS
Utah Retirement Systems

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 employer-paid 401(k).

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

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 for more details about your benefits.



WEBINAR

Post-Retirement Reemployment

**Understanding your options for
returning to work — including
a new one effective July 2025**

Thursday, May 29, 12:00 – 12:30 PM



Questions?

URS is willing to discuss questions or provide additional information, whether related to this presentation or about other retirement-related issues.

Please contact:

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Disclaimer

This presentation is intended for general information purposes only and does not and is not intended to constitute legal or tax advice.

Employers should consult with their own legal, tax, and financial advisors to determine how laws or decisions discussed herein apply to their specific circumstances.



Utah Retirement Systems

Trust • Commitment
Value • Innovation • Excellence