



# Utah Retirement Systems Basics

Retirement and Independent Entities Committee

February 29, 2019



Trust • Commitment • Value • Innovation • Excellence

- » Governance
- » Benefit Structure
- » Plan Status



## **Governance**

- » Independent State Agency
  - › Created as a trust pursuant to federal law
  - › Fiduciary Duty to members of the system
  - › No duty to all citizens of Utah

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## Governance

- » History
  - › Early 1900s – local police, fire, teacher plans began. In 1963 all public plans consolidated and the “Utah Retirement Systems” created, giving us a unified system.



## **Governance**

- » **Unified System**
  - › Economies of scale
  - › Ease of administration
  - › Portability of benefits
  - › Consistency of benefits



## Governance

- » Legislature
  - › Enacts Title 49
  - › Sets benefits for all public employers
  - › 3 hats



# Governance

» Executive Branch

› Employer of State Employees

› DHRM

› GOMB



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## Governance

- » Retirement Board
  - › 7 members
  - › Professional Board
  - › Primarily sets investment policy

# Governance

## » Retirement Office

- › Administer the systems
- › Receive information from employers on service credit accruals
- › Receive contributions
- › Invest Contributions
- › Pay benefits
- › Consultant to the Legislature and Executive Branch



## **Governance**

- » **Employers**
  - › **Over 480 individual employers**
  - › **Employer Associations**



## Governance

- » Employees
  - › 103,184 Active
  - › 55,604 Inactive
  - › 65,428 Retired
- › Employee Associations

## Benefit Structure

- » Defined Benefit Plan = DB Plan = Pension
- » Defined Contribution Plan = DC Plan = Savings Plans = (401(k), 457, IRA (Individual Retirement Account), and Roth IRA)
- » Hybrid Plan has elements of both



## **Benefit Structure**

- » Purpose of Retirement Benefits
  - › Recruitment
  - › Retention (Engagement)
  - › Orderly Transition
  - › Retirement security



## **Benefit Structure**

- » Risk / Security
  - › Longevity Risk
  - › Investment Risk



# Benefit Structure

- » Time Horizon
  - › Decades, not months or years



## **Benefit Structure**

» Not all public pension plans are created equally

## Benefit Structure

- » Benefit Calculation
  - › (years of service x multiplier) x final average salary = benefit
  - › (35 x 1.5%) = 52.5% x \$50,000 = \$26,250 (T2 public)
  - › (25 x 1.5%) = 37.5% x \$50,000 = \$18,750 (T2 PS)



## **Benefit Structure**

- » **Benefit Funding**
  - › Expressed as a percentage of salary
  - › Two Components
    - » Normal Cost
    - » Amortization Rate

# Benefit Structure

- » Normal Cost is calculated based on:
  - › Current benefit structure;
  - › Current payroll; AND certain assumptions including
    - › Retirement rate;
    - › Mortality rate
    - › Payroll growth
  - › Assumed rate of return on investments



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## **Benefit Structure**

» Amortization Rate is the amount needed to pay off the unfunded liability over a period of time.

» Normal Cost + Amortization Rate = Calculated Rate



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## Benefit Structure

- » Utah Rate Policy: The Board may maintain the “certified rate” until the systems are 110% funded.
- » Difference between the Calculated Rate and the Certified Rate
- » Policy : Fiscally conservative, reduces volatility in the contribution rate

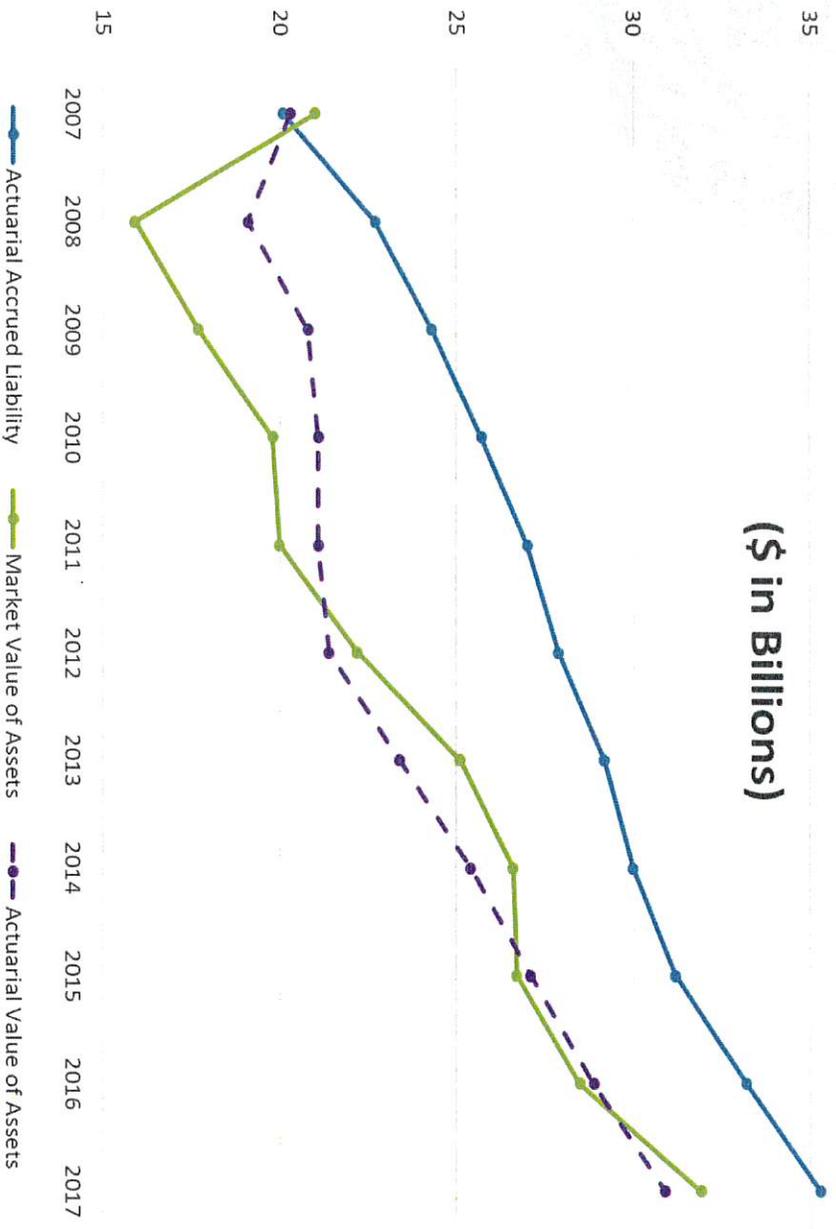


## Plan Status

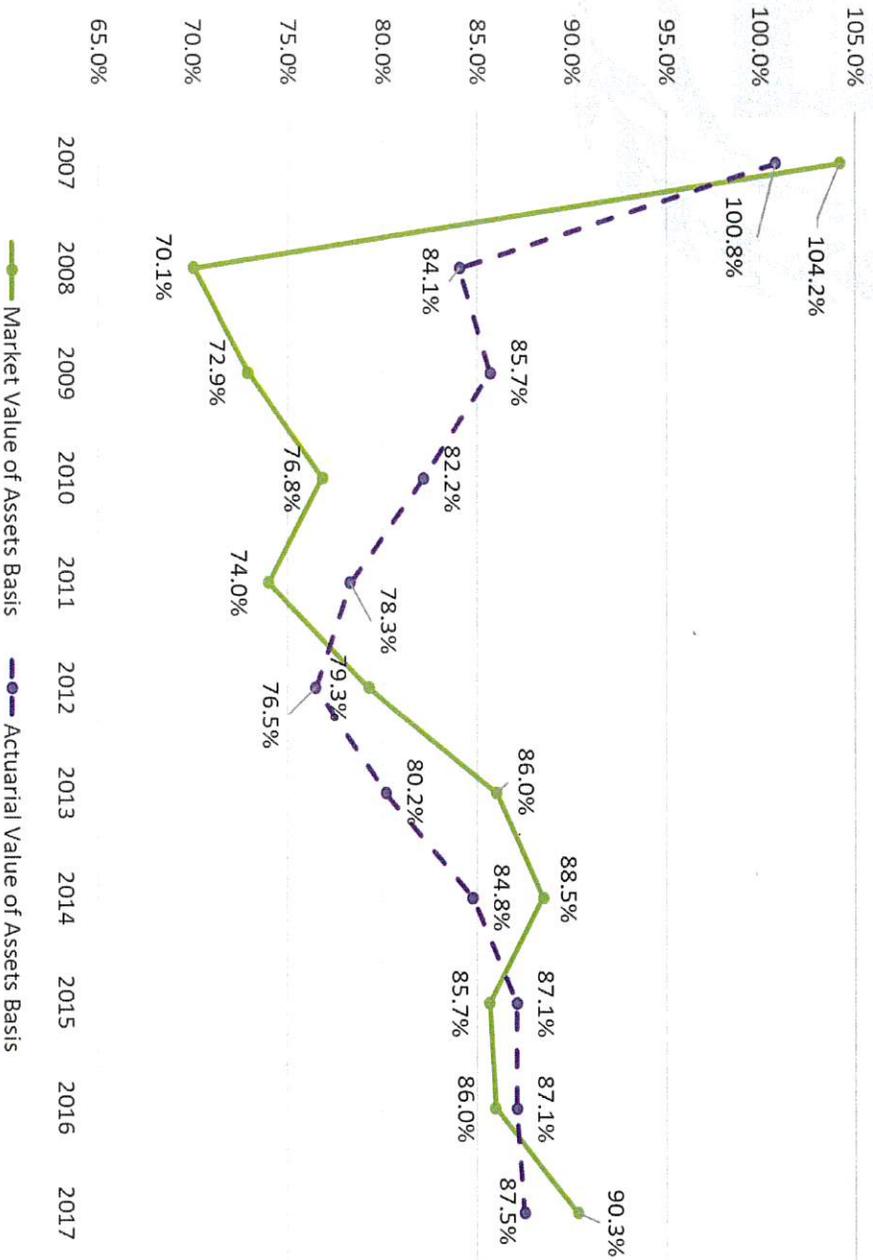
- » Funded Status: current ratios of asset to liabilities.  
Can be calculated on market or actuarial basis

# Plan Assets & Liability

(\$ in Billions)



# URS DB Plan Funded Ratios

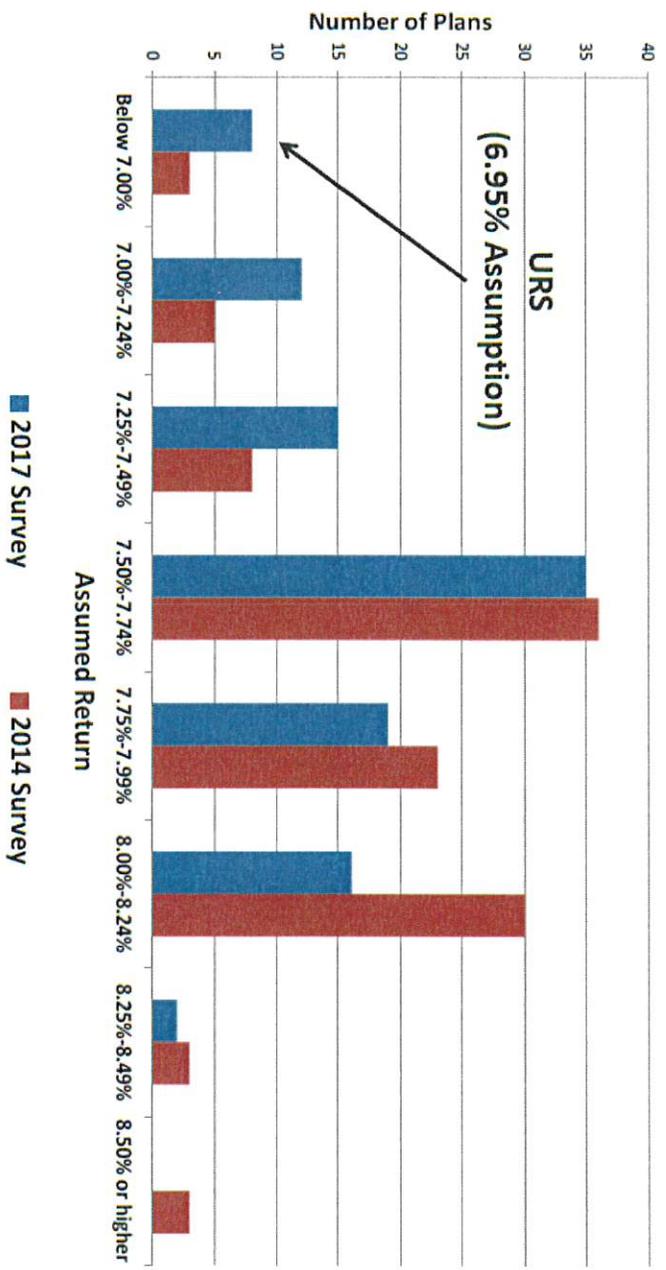


# URS Actuarial Assumed Investment Rate of Return

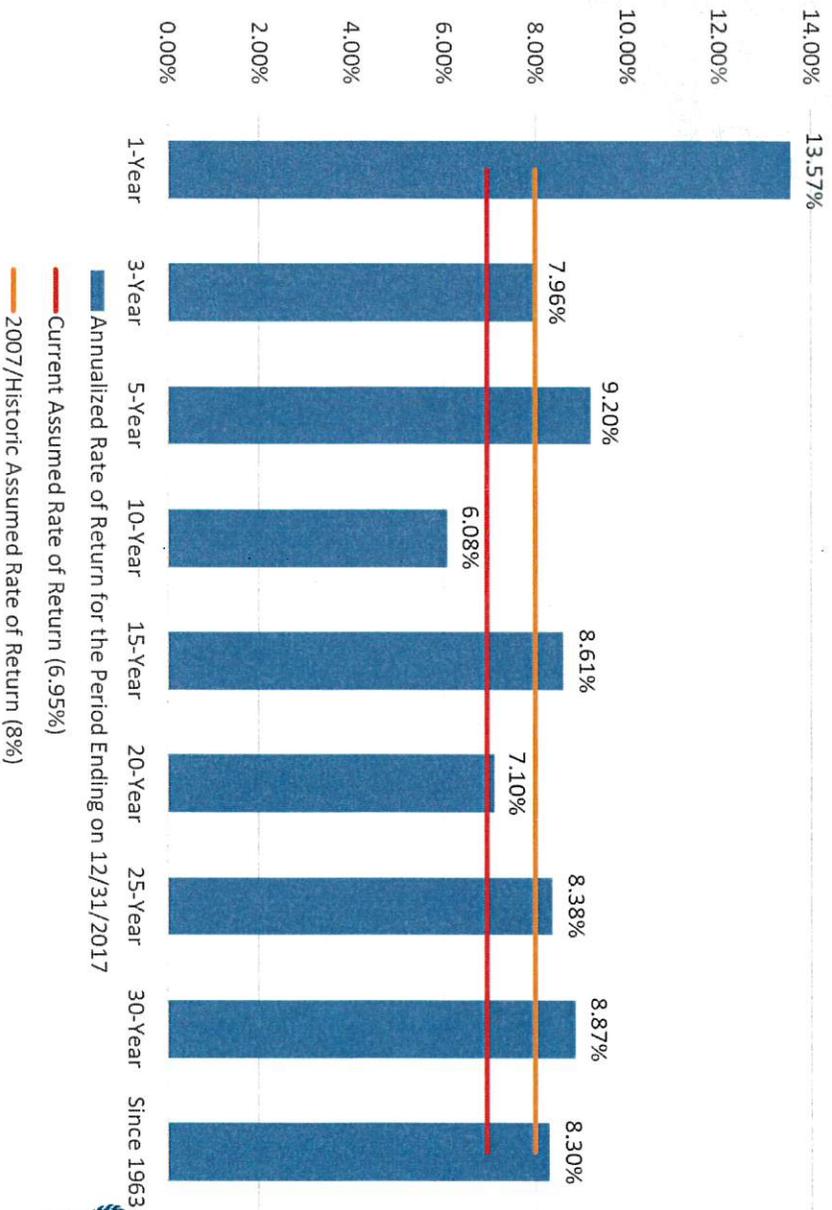


# Assumed Rate of Return National

Public Fund Survey - Investment Return Assumption

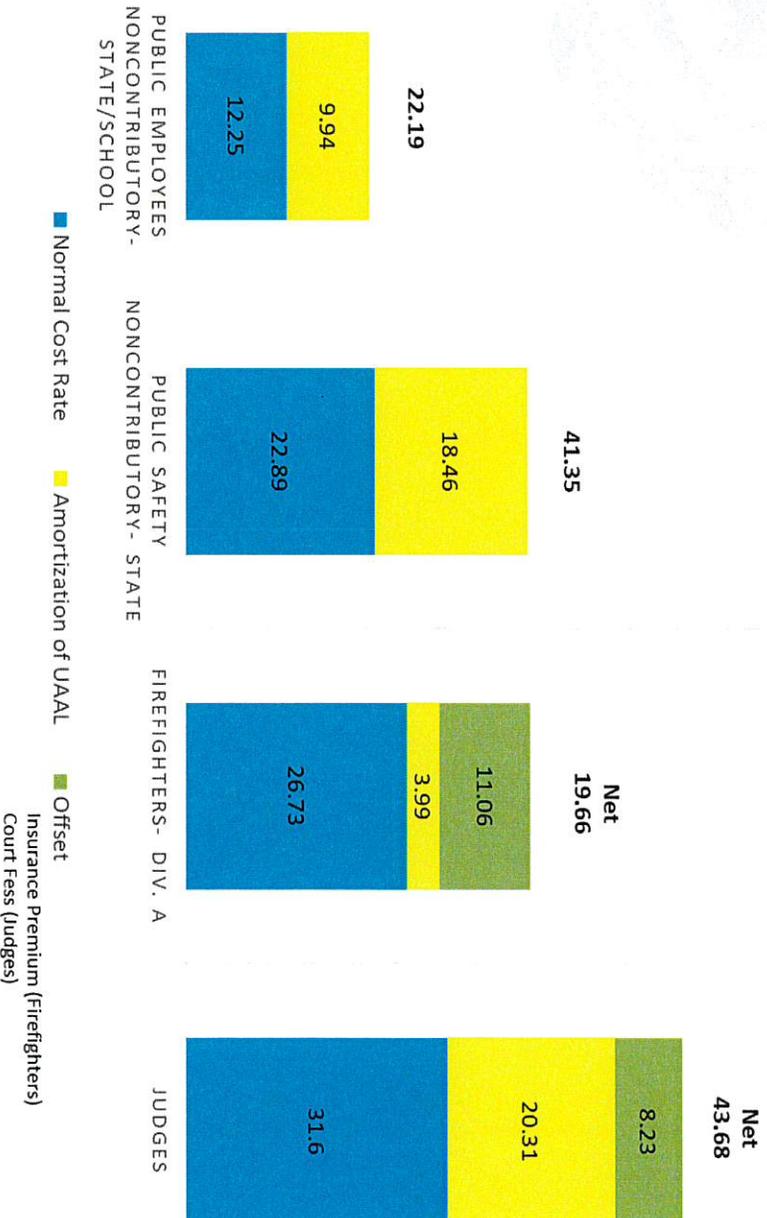


# URS DB Plan Actual Rates of Return vs. Assumed Investment Rate of Return



# Selected Tier I Contribution Rates

FY 2018-19 as a Percentage of Salary and Wages



# Selected Tier II Contribution Rates

FY 2018-19 as a Percentage of Salary and Wages

