



Reviewing Tier 2 Plans and Benefits

Report to the Retirement and Independent Entities
Interim Committee
May 18, 2026

Trust • Commitment • Value • Innovation • Excellence



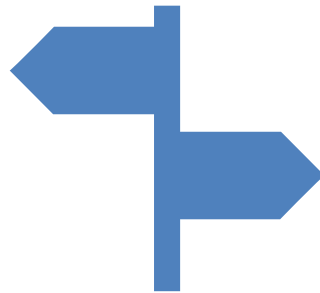
Tier 2 Reforms

The Legislature created a different retirement benefit structure called Tier 2 for public employees hired on or after July 1, 2011.

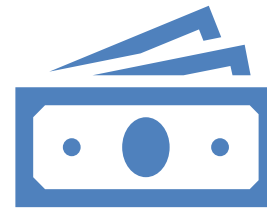
» Stated Legislative policy objectives included:



Limit Employer
Liability and
Cost



Give Choice to
Employees



Provide More
to Pay

Tier 2 Plans

Hybrid
Option

10%

401(k)
Option



Pension



401(k)



401(k)

Pension

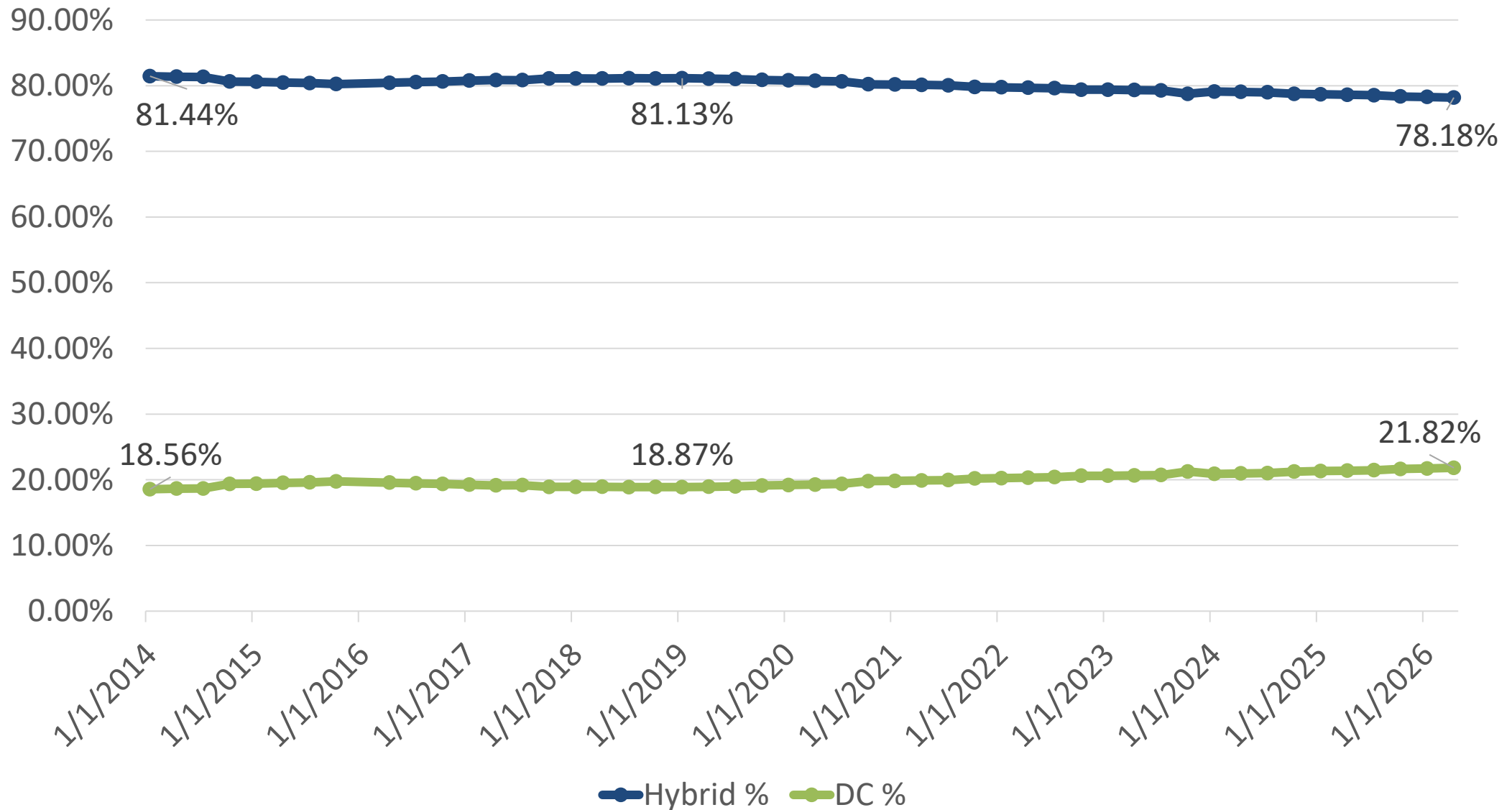
Lifetime guaranteed
income stream

401(k)

Retirement
savings plan



Tier 2 Elections by Percentage





Approved Interim Study Items

7

**Review of Tier 2
Retirement Systems
and Benefits**

Review the current benefits available to Tier 2 URS members under the Hybrid and 401(k)- only retirement options, and explore potential changes. These may include closing an option, changing the default option, or adding flexibility to the plans, such as cash-outs, annuity options, and the ability to switch plan participation mid-career. Policy, financial, actuarial, and legal issues related to potential plan-change legislation will also be considered.

Approved for the Retirement and Independent Entities Interim Committee
on April 16, 2026, by the Legislative Management Committee

Statutes & Legislative Role



Plan, Design, Benefit
Specifications Established by
Legislature



Utah Code Title 49 = URS
“Plan Document”



Retirement “Rules” and
Changes Are Policy and
Financial Decisions by
Legislature



Administrator

Per Title 49, Administrator of the systems, plans, and programs established under Utah Code Title 49.



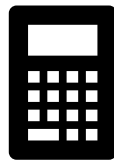
Stakeholders

URS informs stakeholders, including about the impacts of changes to retirement rules on contribution rates.



Retirement Board

Retirement Board members serve as the trustees of the Retirement Investment Fund.



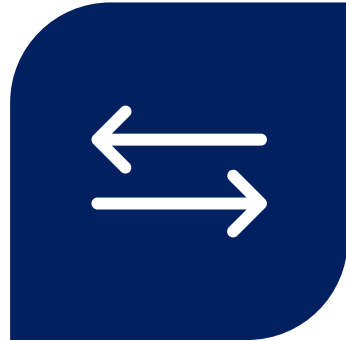
Consulting Actuary

URS' consulting actuary performs cost analysis for legislation making benefit changes, which are the basis for the fiscal notes on retirement bills.

Tier 2 Study Options



REMOVE
HYBRID
OPTION



CHANGE
TIER 2
DEFAULT



MAINTAIN
STATUS
QUO



PROVIDE
FLEXIBLE
OPTIONS



ENHANCE
BENEFITS

URS has heard many of these (except status quo) being called by some as a “Tier 3”



REMOVE HYBRID
OPTION



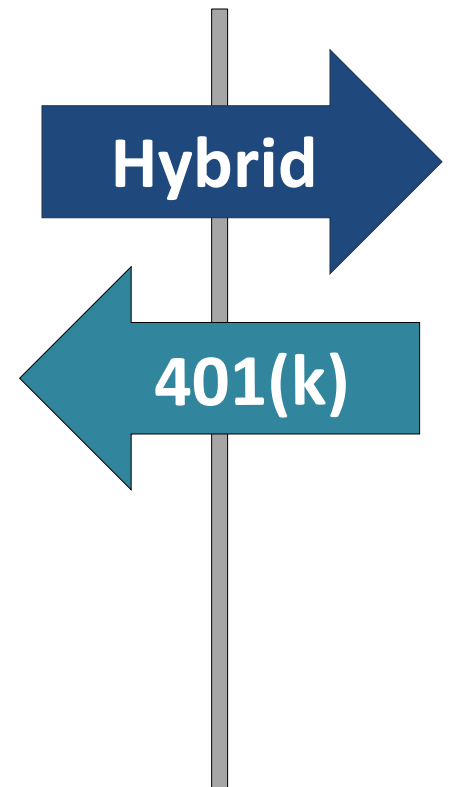
ENHANCE BENEFITS

Both options are significant policy decisions and changes and likely very expensive

Change Tier 2 Default

Change default from Hybrid to Defined Contribution (401k) Plan. Requires careful analysis of:

- › Behavioral factors, risk factors, turnover and other considerations.
- › How will DB Investments be impacted?
- › Pay off of Hybrid unfunded accrued liability?
- › Cost for Hybrid members?



Keep Status Quo

Maintain the current system.

- › Could include minor changes (e.g. employer pick-up)
- › No operational changes
- › No change to what has been projected for costs and pay off of unfunded accrued liability



Create Flexible Options

Create options that would give additional opportunities to members, which may include:

- › Annuity Option for DC Plan
- › Second Election Window
- › Partial Lump-Sum Option for Hybrid Plan
- › Cash-out Option for Hybrid Plan

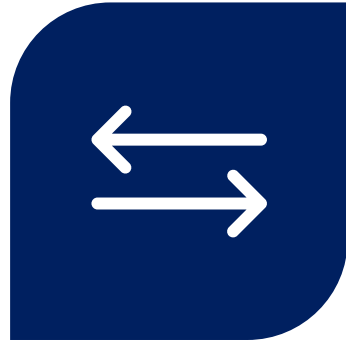
Could be designed to be cost neutral to the Systems.



Tier 2 Study Options



REMOVE
HYBRID
OPTION



CHANGE
TIER 2
DEFAULT



MAINTAIN
STATUS
QUO



PROVIDE
FLEXIBLE
OPTIONS



ENHANCE
BENEFITS

Questions?

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

Please contact:

- Dee Larsen, General Counsel

Email: Dee.Larsen@urs.org; Mobile/text: 801-643-5257

- Kory Cox, Director of Legislative and Government Affairs

Email: Kory.Cox@urs.org; Mobile/text: 801-530-9687

- Dan Andersen, Executive Director

Email: Dan.Andersen@urs.org; Mobile/text: 801-558-3297



Utah Retirement Systems

Trust • Commitment
Value • Innovation • Excellence