

University of Illinois
Urbana-Champaign Senate
Final;Information

SUR.10.03 Report on SURSMAC* Meeting April 6, 2010

SURSMAC met at the SURS headquarters in Champaign from 10:30 a.m. to 1:35 p.m. The focus was informational presentations by SURS staff followed by a brief business meeting. In the report that follows, the provisions for change in the pension system for new employees are of particular interest to those seeking to recruit new faculty and staff. For current employees it is the means to apply for credit in the retirement system for furlough days should the employee wish to purchase credit for those days.

SURSMAC chair, Jake Baggott, SIUS, welcomed the participants with the members introducing themselves followed by approval of the minutes of the meetings of October 13, 2009 and January 28, 2010.

Judy Parker, Interim Executive Director of SURS, reported on the status of the search for a permanent director. Following the departure of the former director, Dan Slack, in 2008 a search was begun and then suspended as legislation provided that a new Board of Trustees be constituted through an election process. The new Board resumed the search and extended an offer but the negotiations failed. A new search was instituted and candidates are now being interviewed with the hope that a new executive director will be named by June.

Director Parker reported General Counsel Kelly Jenkins ended his association with SURS on March 12 and the search for a replacement will wait for the identification of a new executive director. Meanwhile other attorneys both in and outside SURS will provide legal advice. She also Parker reported that due to the sale of bonds the full 2010 state contribution to SURS (\$552M) has been made. Unlike the 2004 bond issue, SURS is not responsible for covering the interest payments on the bonds.

The major focus of the meeting was the passage of SB 1946 to be effective January 1, 2011, which established new rules for state funded pensions. It is unclear when or if the governor will sign the bill. (If he does not sign but does not veto the bill, it will become law after a stipulated period of time.) There is talk of an additional bill to alter or add to the current legislation. Numerous uncertainties about how the bill will apply to SURS exist as the bill amended Article I dealing with 13 pension systems and not Article XV specific to SURS.

The legislation makes changes effective for new employees hired after January 1, 2011, for all retirement systems (state and local) under the Illinois Pension Code except the Chicago Police and Fire, Downstate Police and Firefighters Pension Funds and IMRF SLEP. Separate legislation in HB 6368 has passed the House but is pending in the Senate to reform the Judges and General Assembly Retirement Systems. (The Chicago Transit System was excluded because the provisions would have meant a benefit increase for CTA participants.)

The new legislative establishes a retirement age of 67 with 10 years of service for normal benefits and limits the maximum pensionable salary to \$106,800. The cost of living adjustment is the lesser of ½ of CPI-U or 3% and simple interest on the base and not compounded. One improvement is that survivor annuities will be set at 66.7% rather than the current 50%. The pension these new enrollees receive from one system will be suspended if they receive a salary in another system and be reinstated once that employment ends.

Director Parker explained that many items would have to be clarified before the final impact on SURS could be determined. These included the time of vesting for self-managed plans, the impact on portable plans, the

survivor benefits if the member passed away while still actively employed, how the \$106,800 limit affects final average salary calculation, and the impact on automatic annual increases. She will be meeting with Directors of other systems to help clear up some of the uncertainties. She then hopes it will be possible to provide information for those affected by these changes (i.e., those hired after January 1, 2011) as soon as possible.

She then discussed a SURS staff report comparing 17 selected public retirement systems not under social security with SURS currently and SURS under the changes in SB 1946. Currently, SURS is similar to most of the systems in terms of the measures used. Under the new legislation, SURS will have the latest normal and early retirement ages (67 and 62 respectively); the longest period for determining final average salary (8 years); one of the longest vesting periods (10 years); and the lowest estimated employer cost contribution (under 2%).

Director Parker concluded her presentation by discussing estimates that staff had generated about what would have occurred if the state had funded the pension system at appropriate levels. One estimate is that if the state had met its normal funding obligations, SURS would currently be at 95% of full funding rather than less than 50%.

Dan Allen, SURS Chief Investment Officer, reported on the investment program. As of the end of February SURS is at 46.8% of full funding and the year to date return on assets has been 17%. Estimated liabilities are \$27B and assets at \$12.5B. Assets are sold every month to meet the payouts to retirees. As of December 2009 there were 73,699 active participants in the defined benefit program.

Angela Lieb, Director of Member Services, made the final presentation covering furloughs. Following the January 28 SURSMAC meeting, the U of I agreed that UIUC furlough days could be reported to SURS as "leaves of absence." This means that employees can "purchase" credit for the days on furlough so that their retirement will not be affected. SURS requires the employee to initiate the process. The employee (once the University provides a file of the days missed to SURS) may go to the SURS website (www.surs.org) and complete a form there based on a formula provided by SURS of the amount of money due to SURS to cover the days of the furlough. SURS will then check the calculation and either provide a check for any overage or a bill for any underpayment. Of note, failure to make the additional payment will permanently reduce the amount of the pension for those in the last 4 years of employment if these constitute the 4 highest consecutive earning years or for those on the money purchase formula. Also, payments after July 1 will not earn interest for the 2009-10 year.

Although scheduled, the legislative and benefits committees did not meet due to time constraints. It was agreed that a special meeting attended in person or by telephone could be called if issues arose requiring it. Such a meeting had been held in January and had been successful. The next regular meeting of SURSMAC is scheduled for October 12, 2010.

Ken Andersen
H.F. (Bill) Williamson
UIUC Senate Representatives

*SURSMAC is the State University Retirement System members Advisory Committee to the SURS Board of Trustees. Its members are faculty and staff representing the various institutions and agencies affected by SURS such as public universities and community colleges, state surveys, and retiree organizations. It normally meets twice a year in October and April at SURS headquarters at 1901 Fox Drive in Champaign.