

University of Illinois
Urbana-Champaign Senate
(Final; Information)

SUR.14.02 Report on SURSMAC* Meeting January 13, 2014

SURSMAC met at the SURS headquarters in Champaign from 10:30 a.m. to 2:00 p.m. for a special meeting on the implications of the Pensions Law Changes resulting from Public Act 98-599. We attended the meeting representing the Senate along with Laura Czys from University Office for Human Resources.

SURSMAC chair John Shuler (UIC) chaired the meeting and welcomed the participants who introduced themselves. He also noted that this special meeting is part of the efforts of SURSMAC to help the SURS staff communicate more effectively with the members.

This was followed by a presentation on “Public Act 98-599: Pensions Reform in a Nutshell” by General Counsel Michael B. Weinstein, Associate Counsel Albert J. Lee and Legislative Liaison Jeff Houch. (This PowerPoint presentation is available at the “Pension Reform” link on the SURS web site home page: www.surs.com). They noted that it will be unclear as to how the provisions of this Act will be implemented until later this spring. SURS staff will be working with the legislature on possible trailer legislation a part of this process. These efforts will help clarify certain aspects of the legislation such as the fact that the effective dates are different for various provisions of the act. For example, the effective date of the new earnings cap is June 1, 2014; the provisions regarding the change in the Effective Rate of Interest start on July 1, 2014; and the new rules for calculating the Automatic Annual Increase (AAI) start January 1, 2015. The new defined contribution plan for at most five percent of the Tier 1 members is scheduled to go into effect July 1, 2015. The presenters noted that it may not be possible to meet that deadline given the need to obtain IRS approval.

The presenters noted that there are three legal challenges already in the courts and others are likely to follow. With regard to these challenges, they pointed out that a number of items will be treated as an inseverable block including the new AAI rules and the AAI skipping (younger Tier 1 members will not get an AAI for one or more alternating years after they retire). This means that if any one of these inseverable items is struck down in a suit, they are all struck down.

The effect of changing the Effective Rate of Interest (ERI) was also discussed. The new rule starting July 1, 2014 will be that the ERI will be the U.S. Treasury Bond rate plus 0.75% rather than a rate determined by the SURS Board of Trustees. Currently, this would mean the ERI would be lower. As an example, they noted that as of January 8, 2014, the ERI under the new rule would have been 4.65% (the bond rate was 3.90%) in contrast to the ERI currently in effect of 7.00%. One result of this change is that for those eligible to use the Money Purchase Formula to estimate their retirement annuity, a lower ERI means smaller annuity payments over the same lifespan.

It seems clear that the SURS staff will have a number of major tasks facing them this spring with regard to such issues as counseling annuitants about the effect of this law on their retirement plans and working with the campuses on the implementation of the decrease in Tier 1 employee contributions from 8.0% to 7.0%.

The meeting concluded with a discussion led by Chair Shuler and SURS Executive Director William Mabe about the future role of SURSMAC. This will include reviewing the way in which SURSMAC was established, the Bylaws that guide its actions, procedures for improving attendance, and methods for improving communication from SURSMAC (and SURS) to the groups the organization represents. These will be the important agenda items for the next regular SURSMAC meeting in April.

H.F. (Bill) Williamson
John Kindt
UIUC Senate Representatives

*SURSMAC is the State University Retirement System Members Advisory Committee to the SURS Board of Trustees. Members are faculty and staff representing the various institutions and agencies affected by SURS: public universities, 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.