

Tax Consequences

Participation in the payroll deduction option reduces your taxable income. Because you will not have paid federal income taxes on the payroll deduction contribution, this type of payment will be taxed after your retirement.

If you are also participating in a supplemental retirement plan, such as a 403(b) tax-sheltered annuity or a 457 deferred compensation plan, the payroll deduction method may decrease the amount you are allowed to contribute to these other plans because your taxable income will be reduced.

You should contact the administrator of your supplemental retirement plan to determine the impact of reducing your taxable income by participating in the payroll deduction plan.

The information contained in this brochure is provided as a source of information to our members and does not constitute legal, tax, or other professional advice. If you need additional legal or tax assistance, please consult a professional advisor.

How to Enroll

Call SURS toll free at 800-275-7877 or dial direct 217-378-8800. We will send you a letter summarizing the various payment options from which you may choose. The options will be based on the following:

- The length of the contract
- The total amount of service you may purchase

Once you decide on your specific payroll options, you will complete and return the summary letter. Your choice must allow your contract to be completed prior to retirement.

Upon receipt of the summary letter, SURS will send you the contract based on your selection.

Both you and the authorized employer representative must sign and return the contract to the SURS office by the deadline stated in the document.

Upon receipt of the signed contract, SURS will notify your employer to begin payroll deductions. SURS will send you a letter confirming receipt of your valid contract.



Purchasing service credit with pre-tax payroll deductions

under the Self-Managed Benefit Plan





The State Universities Retirement System (SURS) statutes allow for the purchase of eligible service credit. In the past, our members were limited to using after-tax dollars or a rollover from a qualified plan to purchase this credit. Eligible members now have an additional method of payment for purchasing eligible service credit.

This method is an irrevocable payroll deduction plan. It allows your SURS-covered employer to withhold contributions from your salary on a before-tax basis.

In addition to the tax benefits, this will give you the option of budgeting for smaller monthly payments in lieu of making one large lump sum payment.

Who Is Eligible

Your employer's board must have adopted a resolution that allows for the employer pick-up of contributions to purchase service credit. You must be currently employed by a SURS-covered employer and have received at least 9 months of earnings in the previous 12 months.

Your monthly salary must accommodate a minimum monthly deduction of at least \$50. (See "Highlights of the Plan" section below for more information.)

Your eligible service credit must be verified. SURS will not issue the Irrevocable Payroll Deduction Authorization Form (commonly referred to as the "contract") prior to verification. See SURS SMP Member Guide at www.surs.org for eligibility requirements to purchase service credit.

Highlights of the Plan

- You may choose a contract length of 12, 24, 36 or 48 months.
- Your deduction schedule may only start at the beginning of the calendar year, January 1.
- The Self-Managed Plan (SMP) is a defined contribution plan and contributions to the plan are limited by IRS law.

- The amount of your calendar-year earnings during the length of the contract must be consistent.
- Although you cannot specify a specific dollar amount, you can select a deduction appropriate for your budget.
- The contract terms may not be altered.
- You may elect multiple contracts that will run concurrently.
- The payroll deductions will continue until the terms of the contract have been fulfilled.
- You may not make payments directly to SURS in order to reduce the length of the contract.
- SURS will issue an annual statement summarizing activity on your contract.
- Death, disability or termination of employment are the only permissible reasons for the termination of a contract.
- Should death occur, partial credit¹ will be granted. Any excess contributions not applied to service will be refunded to your estate.
- Should disability or termination occur, you will be given the option to pay the remainder of the contract with after-tax funds or a rollover. If you choose not to pay the remainder, partial credit¹ will be granted. Any excess contributions not applied to service will be refunded.

¹Partial credit is granted for those service types that allow purchase in increments of one year.