



MINUTES

**Quarterly Meeting of the Legal & Legislative Committee
of the Board of Trustees of the
State Universities Retirement System
Thursday, June 1, 2023, 2:30 p.m.
Northern Trust - 333 S. Wabash Ave., 44th Floor - Chicago, IL
*Optional Remote Connection for Members of the Public***

The meetings on June 1-2, 2023, were conducted in person at Northern Trust – Chicago, IL. Because an in-person quorum was present, a motion was made at the beginning of the meeting that allowed trustees Lyons and Vasquez to participate in the meetings by electronic means.

The following trustees were present: Mr. John Atkinson, Dr. Andriy Bodnaruk, Ms. Jamie-Clare Flaherty, Dr. Fred Giertz, Mr. John Lyons (via zoom); Dr. Steven Rock, Mr. Scott Hendrie, Mr. Collin Van Meter, Mr. Antonio Vasquez (via zoom), and Mr. Mitchell Vogel.

Others present: Ms. Suzanne Mayer, Executive Director; Mr. Douglas Wesley, Chief Investment Officer (CIO); Ms. Ellen Hung, Deputy CIO; Ms. Jackie Hohn, Chief Internal Auditor; Ms. Tara Myers, Chief Financial Officer; Ms. Nichole Hemming, Chief Human Resources Officer; Mr. Jefferey Saiger, Chief Technology Officer; Ms. Bianca Green, General Counsel; Ms. Kristen Houch, Director of Legislative and Stakeholder Relations; Ms. Alicia Route, Legislative Analyst; Mr. Albert Lee, Associate General Counsel; Ms. Heather Kimmons, Associate General Counsel; Ms. Anna Dempsey, Investment Counsel; Ms. Kelly Carson, Ms. Chelsea McCarty and Ms. Annette Ackerman, Executive Assistants; Mr. Michael Calabrese of Foley, Mr. Brian Murphy, Ms. Kristen Brundirks, and Ms. Amy Williams of GRS; and Ms. Shalena Shafer of Ice Miller.

Legal & Legislative Committee roll call attendance was taken. Trustee Atkinson, present; Trustee Bodnaruk, absent; Trustee Giertz, present; Trustee Lyons, present; and Trustee Rock, present.

Trustee Bodnaruk physically joined the meeting at 2:40 p.m.

Prior to any business brought before the committee and after an in-person quorum was established, Trustee Atkinson moved to allow remaining trustees to participate via video or conference call for the Legal & Legislative Committee meeting on June 1, 2023, pursuant to Section 7(a) of the Open Meetings Act. The motion was seconded by Trustee Giertz, and it passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	absent
Trustee Giertz	-	aye
Trustee Rock	-	aye

APPROVAL OF MINUTES

Trustee Rock presented the minutes from the Legal & Legislative Committee meetings of March 3, 2023, and March 9, 2023.

Trustee Atkinson made the following motion:

- That the minutes from the March 3, 2023 and March 9, 2023 Legal & Legislative Committee meetings be approved as presented.

Trustee Giertz seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	absent
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

APPROVAL OF CLOSED MINUTES

Trustee Rock presented the closed minutes from the Legal & Legislative Committee meeting of March 9, 2023.

Trustee Giertz made the following motion:

- That the minutes from the March 9, 2023 Legal & Legislative Committee meeting be approved as presented and remain closed.

Trustee Atkinson seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	absent
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

CHAIRPERSON'S REPORT

Trustee Rock did not have a formal chairperson's report.

LEGISLATIVE UPDATE

Ms. Houch and Ms. Route provided the legislative update and explained the FY 2024 budget and other legislation impacting SURS.

A copy of the report titled “Board and Website Summaries” is incorporated as part of these minutes as [Exhibit 1](#).

SAFE HARBOR ANALYSIS

Mr. Albert Lee introduced the Safe Harbor Tier II Legislation and Social Security Cost Analysis and then Mr. Brian Murphy, Ms. Kristen Brundirks, Ms. Amy Williams of GRS and Ms. Shalena Shafer of the law firm of Ice Miller were asked to provide projected cost estimates for potential legislative solutions.

Trustee Atkinson made the following motion:

- That SURS staff be permitted to distribute the results of the Safe Harbor Analysis and Cost Study to interested parties and stakeholders.

Trustee Bodnaruk seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

A copy of the memo titled “Tier II Legislation & Social Security Cost Analysis” and the GRS presentation “Financial Impact of Options Related to SURS Tier II Benefits Qualifying as a Social Security Replacement Plan” is incorporated as part of these minutes as [Exhibit 2](#).

DEFERRED COMPENSATION PLAN DOCUMENT UPDATES

Mr. Lee presented additional information concerning proposed Amendment Number 3 to the SURS Deferred Compensation Plan (DCP). This amendment will update the DCP plan document by including changes concerning (1) required minimum distributions (RMDs) and (2) new hire auto-enrollments.

Trustee Atkinson made the following motion:

- That Amendment Number 3 to the SURS Deferred Compensation Plan be adopted substantially in the form presented.

Trustee Bodnaruk seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

A copy of the memo titled “Amendment Number 3 to the SURS Deferred Compensation Plan” is incorporated as part of these minutes as [Exhibit 3](#).

PROPOSED RULEMAKING CHANGES AND COMPLIANCE

Status of Pending Rules

Mr. Lee and Ms. Green presented draft changes to the Candidate Informational Communication administrative rule. The proposed rule change would allow SURS to provide one email communication per election cycle for each board election candidate. The proposed email communication would include the candidate’s SURS approved campaign materials and it would be sent to eligible voters in their specific election.

Trustee Atkinson made the following motion:

- That the proposed amendment to Title 80, Section 1600.745 of the Illinois Administrative Code be approved, and that staff file the same with the Secretary of State for First Notice publication substantially in the form presented.

Trustee Giertz seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

A copy of the memo titled “Rulemaking Proposal and Update” is incorporated as part of these minutes as [Exhibit 4](#).

Compliance Stop Light Report

Ms. Green reviewed and discussed the current compliance stoplight report which generally reflects SURS’ compliance with its reporting requirements. She provided additional information concerning the one item from the last report that was out of compliance due to incomplete reporting to the Treasurer’s office relating to unclaimed property.

A copy of the report titled “May 2023 Spotlight Report” is incorporated as part of these minutes as [Exhibit 5](#).

PROPOSED JULY 2023 REGULATORY AGENDA

Ms. Bianca Green presented the proposed July 2023 Regulatory Agenda. She noted that twice each year, in January and July, a regulatory agenda must be filed with the Illinois Secretary of State’s Office in Springfield, IL. Ms. Green explained the proposed changes and answered questions raised by the trustees.

Trustee Atkinson made the following motion:

- That the proposed July 2023 Regulatory Agenda be approved as presented and be filed substantially in the form presented.

Trustee Giertz seconded the motion which passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	ate
Trustee Rock	-	aye

A copy of the report titled “July 2023 – Proposed SURS Regulatory Agenda” is incorporated as part of these minutes as [Exhibit 6](#).

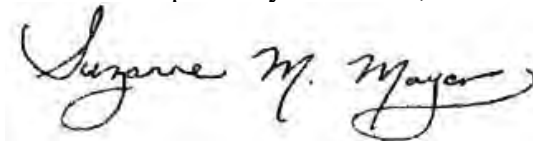
PUBLIC COMMENT

There were no public comments presented to the Legal & Legislative Committee.

There was no further business brought before the committee and Trustee Giertz moved that the meeting be adjourned. The motion was seconded by Trustee Bodnaruk and the motion passed via the following roll call vote:

Trustee Atkinson	-	aye
Trustee Bodnaruk	-	aye
Trustee Giertz	-	aye
Trustee Lyons	-	aye
Trustee Rock	-	aye

Respectfully submitted,



Ms. Suzanne M. Mayer
Executive Director and Secretary, Board of Trustees

SMM:aa

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
HB 2089 (ENRL)	Rep. Jones (Sen. Harris)	Pension Code - Department of Insurance References	Amends the General Provisions, GARS, Downstate Police, Downstate Firefighters, Judges and Miscellaneous Collateral Provisions Articles of the Illinois Pension Code to change outdated references from the "Public Pension Division of the Illinois Department of Financial and Professional Regulation" to the "Public Pension Division of the Illinois Department of Insurance." Makes other changes.		Passed Both Houses on 5/24/23 (House: 68-34-0; Senate: 56-0-0)
HB 2224 (ENRL)	Rep. Burke (Sen. Feigenholtz)	RUUPA - Age 73 and State Agency Unclaimed Property	Amends the Revised Uniform Unclaimed Property Act to provide that property held in a tax-exempt or tax-deferred pension account or retirement account is presumed abandoned if it is unclaimed by the later of: (1) 3 years after that date a communication sent by the holder by first-class mail is returned undeliverable or the date the second communication was returned undeliverable; or (2) the earlier of 3 years after the owner reaches age 73 (currently age 72) or one year after the date of mandatory distribution following death when the holder confirms the death. Allows property presumed abandoned by a State agency to escheat to the State and be deposited into the General Revenue Fund if the State agency does not take action to reclaim the property within 3 years of initial notification by the Treasurer's Office. Makes other changes.	Identical to SB 1637 (Sen. Feigenholtz)	Passed Both Houses on 5/11/23 (House: 103-3-0; Senate: 53-2-0)
HB 2782 (ENRL)	Rep. A. Williams (Sen. Villivalam)	Illinois Sustainable Investing Act - Investment Manager Annual Disclosures	Amends the Illinois Sustainable Investing Act to require investment managers, beginning January 1, 2024, to disclose the following information prior to the award of a contract: a description of any process through which the manager prudently integrates the sustainability factors into their investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership in order to maximize anticipated risk-adjusted financial returns, identify projected risk, and execute the manager's fiduciary duties. Requires investment managers to provide this disclosure to each public agency, pension fund, retirement system, or governmental unit for whom the investment manager is seeking selection as a fiduciary before acting in this official capacity. Defines an "investment manager" as: (1) a fiduciary selected by a public agency, pension fund, retirement system or governmental unit who has the power to manage, acquire, or dispose of any asset of a public agency, pension fund, retirement system or governmental unit; (2) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund, retirement system or pension fund; and (3) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940; (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in Illinois.	Identical to SA #2 to SB 2429 (Sen. Villivalam)	Passed Both Houses on 5/25/23 (House: 79-26-1; Senate: 35-19-0)

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
HB 3817 (ENRL)	Rep. Gordon-Booth (Sen. Sims)	FY 2024 Budget Implementation Bill	Creates the FY 2024 Budget Implementation Act to make changes in State programs that are necessary to implement the State budget for Fiscal Year 2024. Amends the State Employees Group Insurance Act of 1971 to require the Illinois Department of Central Management Services (CMS) to present the rate-setting methodology for the College Insurance Program (CIP) insurance rates and premiums to SURS by April 15 of each calendar year. Creates a Community College Insurance Program Committee of 7 members appointed by the Governor: 2 members who represent organized labor and are members of different unions; 1 member who represents community college retirees; 1 member who represents community college trustees; 1 member who represents community college presidents; 1 member who represents the Illinois Community College Board; and 1 ex officio member who represents SURS. Requires the Committee to convene at least 4 times each year and review and make recommendations on program contribution rates once CIP is forecasted to have satisfied the outstanding program debt existing on June 30, 2023 and is operating on a no-hold payment cycle. Establishes the CIP contribution rates for FY 2024 as 0.75% of salary. Allows CMS to increase CIP contribution rates by 0.1% annually for FY 2025 and FY 2026. Allows CMS to establish CIP contribution rates of up to 105% from the previous fiscal year, beginning in FY 2027. Requires SURS to recalculate and recertify the FY 2024 State contribution to CIP by June 30, 2023. Amends the State Finance Act to: authorize up to \$50 million in interfund borrowing from the Health Insurance Reserve Fund to the Community College Health Insurance Security Fund; authorize the use of money in the State Pensions Fund as part of the FY 2024 State contribution to SURS; and authorize the transfer of \$200 million from the General Revenue Fund to the Pension Stabilization Fund by June 30, 2023. Makes other changes.		Passed Both Houses on 5/27/23 (House: 73-38-0; Senate: 36-20-0)
HB 4065	Rep. Slaughter	Police Officers - Tier I	Amends the SURS article of the Illinois Pension Code to establish that all police officers and firefighters in SURS must participate in Tier I. Makes other changes.		House Referred to Rules Committee on 5/4/23

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
HB 4098	Rep. Kifowit	Tier II Omnibus	Amends the General Provisions, GARS, SERS, SURS, TRS, and JRS articles of the Illinois Pension Code. Gradually increases the Tier II pensionable earnings limitation to the Social Security Wage Base between January 1, 2025 and January 1, 2032. Increases Tier II automatic annual increases on retirement and survivor annuities by the rolling average for the preceding 3 years of the greater of: (1) 3% or (2) 1/2 of CPI-U, non-compounded. Creates Deferred Retirement Option Plans under each system for members: in active service, with an age that is within 5 years of the age requirement for receiving a retirement annuity, with at least 20 years of service credit in the system, and who are not participants in the RSP. Requires an election to participate in the DROP plan to be made within 3 years after becoming eligible. Requires participation in the DROP plan to end on the earliest of: (1) termination of service; (2) death of member; (3) disability of member; or (4) 3 years from the date of participation in the DROP plan. Provides that the participant's account in the DROP plan is credited with: (1) the amount of the monthly retirement annuity, including any automatic annual increases; (2) employee contributions made by the participant while in the DROP plan; and (3) interest on the balance in the account at 7% annually, paid and compounded monthly. Amends the General Obligation Bond Act to transfer \$500 million from the GRF to the Pension Unfunded Liability Reduction Fund each fiscal year, once the bonds authorized by Public Act 93-2 are retired. Amends the State Finance Act to create the Pension Unfunded Liability Reduction Fund to make additional contributions to GARS, SERS, SURS, TRS, JRS, and the CTPF. Changes the funding target from 90% by FY 2045 to 100% by FY 2050. Makes additional State contributions beginning in FY 2025 equal to the difference between the annual required State contribution and the actuarially determined contribution. Entitles a Tier II member to a retirement annuity at age 62 with at least 35 years of service credit, age 64 with at least 20 years of service credit, or age 67 with at least 10 years of service credit. Repeals Tier III (Optional Hybrid Plan) Pension Reform. Makes other changes.		House Referred to Rules Committee on 5/18/23
HJR 7	Rep. Marron (Sen. Faraci)	College Insurance Program Task Force	Creates the College Insurance Program Task Force to study the College Insurance Program and present policy and legislative recommendations to the General Assembly. Establishes the composition of the Task Force and requires the Department of Central Management Services to provide administrative support for the Task Force. Requires the Task Force to conduct a minimum of two public hearings in at least two different counties. Requires the Task Force to convene a wide array of stakeholders to examine the current state of the College Insurance Program and present a recommendation to the General Assembly to ensure the program remains a viable and healthy benefit. Requires the Task Force to submit its final report to the General Assembly no later than January 1, 2025.	Identical to SJR 16 (Sen. Rose)	Senate Referred to Assignments Committee on 4/26/23 (House Adopted on 4/25/23)

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
HR 24	Rep. McCombie	No Taxation of Retirement Income	States the belief of the Illinois House of Representatives of the 103rd General Assembly that the Illinois Income Tax Act should not be amended to permit taxing retirement income.		House Assigned to Revenue and Finance Committee on 2/28/23
SB 250 (ENRL)	Sen. Sims (Rep. Gordon-Booth)	FY 2023 Supplemental Budget and FY 2024 Budget	Appropriates \$2,133,335,000 to SURS for the annual required State contribution for FY 2024. (Of this amount, \$1,918,335,000 comes from the General Revenue Fund and \$215,000,000 comes from the State Pensions Fund.) Appropriates \$7,712,026 from the Education Assistance Fund to SURS for deposit into the Community College Health Insurance Security Fund for the State contribution to the College Insurance Program (CIP) for FY 2024. (CIP is used to provide retiree health insurance benefits for certain retired community college employees and their dependent beneficiaries.) Increases the supplemental appropriations to reduce the unfunded liabilities of the State-funded retirement systems from \$200 million to \$400 million in FY 2023 as follows: \$453,600 to \$907,200 for GARS; \$2,380,700 to \$4,761,400 for JRS; \$43,190,900 to \$86,381,800 for SERS; \$115,215,500 to \$230,431,000 for TRS; and \$38,759,300 to \$77,518,600 to SURS. Appropriates \$217,100 for the Governor's salary for FY 2024. (The Illinois Pension Code requires SURS employers to pay the employer normal cost on the portion of a participant's earnings that exceeds the Governor's salary.) Makes other changes.		Passed Both Houses on 5/27/23 (Senate: 34-22-0; House: 73-38-0)
SB 1115 (ENRL)	Sen. Rose (Rep. Stuart)	Police Line of Duty Disability Benefit	Amends the SURS Article of the Illinois Pension Code to create a line of duty disability benefit for police officers injured in the line of duty. Establishes the amount of the benefit as the greater of: (1) 65% of the basic compensation that would have been paid had the participant continued in employment for the entire period during which disability benefits are payable, excluding wage or salary increases subsequent to the date of disability; or (2) 65% of the participant's average earnings during the 24 months immediately preceding the month in which disability occurs. Applies to participants whose line of duty disability occurred on or after January 1, 2022. Increases the amount of the disability retirement annuity for police officers injured in the line of duty to 65% of the basic compensation that was payable to the participant at the time that disability began. Makes other changes.		Passed Both Houses on 5/8/23 (Senate: 57-0-0; House: 104-0-0)

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
SB 1235 (ENRL)	Sen. Martwick (Rep. Kifowit)	Part-Time and Adjunct Faculty Bill	Amends the SURS Article of the Illinois Pension Code to allow a SURS participant to receive one month of service credit for a calendar month during which the participant: (1) qualifies as an employee and contributes to the System; and (2) receives any earnings as an employee. Applies the changes to all service periods of a member who is a participant on or after September 1, 2024 (with the exception of service credit purchases, repayments, and transfers commenced before September 1, 2024). Eliminates the part-time adjustment for members who are participants on or after September 1, 2024. (The part-time adjustment provides that if a participant has been employed at 50% time or less for 3 or more years, service is granted for such employment in excess of 3 years, in the proportion that the percentage of time employed for such year of employment bears to the average annual percentage of time employed during the period on which the final rate of earnings is based.) Clarifies that an employee who has been employed at 50% time or less for 3 or more years is subject to the 20% limitation on pensionable salary increases during the FRE period. Makes the changes under the legislation inseverable.		Passed Both Houses on 5/19/23 (Senate: 55-0-0; House: 85-28-2)
SB 1646 (ENRL)	Sen. Martwick (Rep. Kifowit)	Pensions Omnibus	Amends several provisions of the Illinois Pension Code to combine several legislative proposals into a single bill. Amends the SURS Article of the Illinois Pension Code to provide that, in administering the deferred compensation plan, SURS must require the recordkeeper to agree that, in performing services with respect to the deferred compensation plan, the recordkeeper: (1) will not use information received as a result of providing services with respect to the deferred compensation plan or the participants in the deferred compensation plan to solicit the participants in the deferred compensation plan for the purpose of cross-selling nonplan products and services, unless in response to a request by a participant in the deferred compensation plan; and (2) will not promote, recommend, endorse, or solicit participants in the deferred compensation plan to purchase any financial products or services outside of the deferred compensation plan, except for links to parts of the recordkeeper's website that are generally available to the public, are about commercial products, and may be encountered by a participant in the regular course of navigating the recordkeeper's website. Amends the General Provisions Article of the Illinois Pension Code to allow certain information prohibited from disclosure under the Illinois Pension Code to be disclosed to the Municipal Employees Society of Chicago. Makes other changes.		Passed Both Houses on 5/19/23 (Senate: 57-0-0; House 78-32-1)
SB 1824 (ENRL)	Sen. Villa (Rep. Yang Rohr)	Prudent Person Rule Technical Correction	Amends the General Provisions Article of the Illinois Pension Code to change a reference from a "prudent man" to a "prudent person" under the duties of fiduciaries. Makes other changes.		Passed Both Houses on 5/9/23 (Senate: 57-0-0; House: 107-0-1)

Contact: Office of Legislative Affairs

Last Updated: 5/30/23



Please note: SURS does not endorse specific pension reform legislation. Our goal is to update and educate SURS members concerning legislation that may affect their retirement benefits.

103RD GENERAL ASSEMBLY - 2023

Bill Number	Sponsor(s)	Short Title	Short Summary	Notes	Status
HA #2 to SB 1956	Rep. Moylan	Police and Fire Funds Under Reciprocal Act	Amends the Downstate Police, Downstate Firefighters, Chicago Police, and Chicago Firefighters Articles of the Illinois Pension Code to adopt the Retirement Systems Reciprocal Act and incorporate its provisions under the Articles. Applies to persons who, on or after the effective date of the legislation, are entitled to begin receiving a retirement annuity or survivor's annuity and elect to proceed under the Retirement Systems Reciprocal Act. Makes other changes.		House Adopted HA #2 on 5/18/23
SB 2152 (ENRL)	Sen. Cunningham (Rep. Kifowit)	Treasurer Vote Proxies and Illinois Sustainable Investing Report	Amends the SURS, TRS, and ISBI Articles of the Illinois Pension Code to provide that the State Treasurer, upon request of the applicable Board, will manage the domestic and international proxy voting activity for shares held directly by the system and execute required ballots on behalf of the system and provide the Board with comprehensive proxy voting reports on a quarterly basis and as requested by the Board. Repeals the provision on January 1, 2027. Requires the Board of each system to produce an annual report beginning September 1, 2023 that includes its guidelines for voting proxy ballots and a detailed report on its website describing how the Board is considering sustainability factors as defined in the Illinois Sustainable Investing Act. Requires the report to: (1) describe the Board's strategy as it relates to the consideration of sustainable investment factors; (2) outline the process for regular assessment across the total portfolio of potential effects from systemic and regulatory risks and opportunities, including, but not limited to, environmental factors on the assets of the plan; (3) disclose how each investment manager serving as a fiduciary to the Board integrates sustainability factors into the investment manager's investment decision-making process; (4) provide a comprehensive proxy voting report; (5) provide an overview of all corporate engagement and stewardship activities; and (6) include any other information the Board deems necessary.		Passed Both Houses on 5/11/23 (Senate: 50-5-0; House: 73-38-1)
SR 7	Sen. Fine	Urge Repeal of GPO/WEP	Urges Congress to enact legislation to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) from the Social Security Act and for President Biden to sign that legislation into law. (These provisions of federal law reduce Social Security benefits for certain SURS benefit recipients.)		Resolution Adopted in the Senate on 5/19/23



To: Legal & Legislative Committee

From: Albert J. Lee, SURS Associate General Counsel

Date: May 25, 2023

Re: Tier II Legislation and Social Security Cost Analysis

SURS' retirement programs are required to comply with the Social Security Safe Harbor rules if its participants are to continue to be excluded from Social Security coverage. At the quarterly Board meeting on February 2, 2023, the staff with Ice Miller and GRS presented legal and actuarial findings that all SURS employers covered by the Tier II defined benefit plan were compliant with the Social Security Safe Harbor rules for Fiscal Year 2022. However, using projected salary information, at least one employer was at imminent risk of failure in FY2024. Further, the sole Tier II employee at that employer would likely require participation in Social Security some time in FY2025. Other employers were projected to be at risk of failure by FY2032, although some could fail at an earlier date.

A straightforward fix to prevent Tier II benefits from falling below the level of Social Security benefits would involve amending the SURS Tier II earnings limit to be equal to at least 90.5% of the Social Security Taxable Wage Base (SSTWB). An alternative solution under discussion among legislators and other interested parties is to increase the Tier II earnings limit to 100% of the SSTWB.

Staff tasked the plan actuary, GRS, with providing projected cost estimates for these potential legislative solutions to present to the Board. In a letter dated May 24, 2023, and in the enclosed presentation (collectively, the "GRS Cost Study"), GRS projected the costs for enrolling SURS Tier II employees in Social Security as failures occurred over time (Option 1), amending the SURS code to limit Tier II earnings to 90.5% of the SSTWB (Option 2), and amending the SURS code to limit Tier II earnings to 100% of the SSTWB (Option 3). Staff recommends releasing the results of this actuarial study to interested parties and stakeholders to aid in efforts to find a legislative solution to this issue.

Staff Recommendation:

That the Legal & Legislative Committee permit the disclosure of the results of the GRS Cost Study to interested parties and stakeholders.



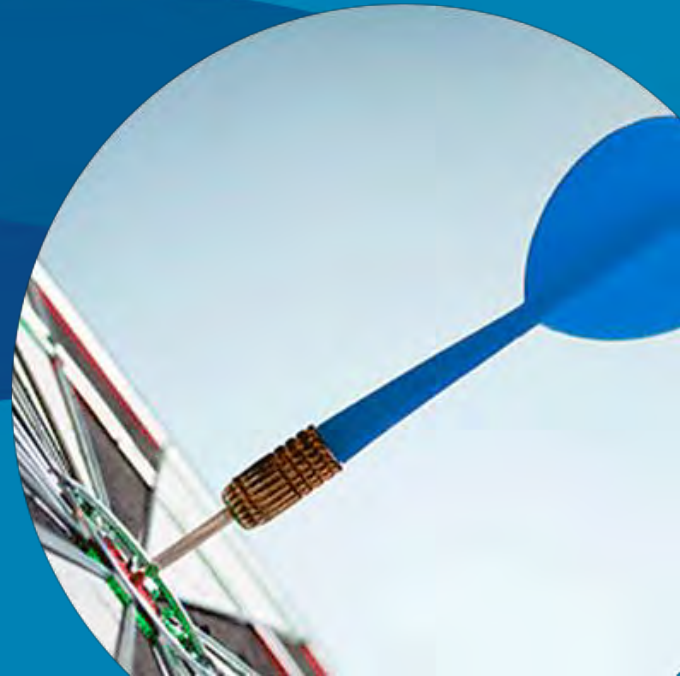
State Universities Retirement System of Illinois

Financial Impact of Options Related to SURS Tier 2 Benefits Qualifying as a Social Security Replacement Plan

June 2023

Amy Williams, ASA, FCA, MAAA

Brian B. Murphy, FSA, EA, FCA, MAAA, PhD



Agenda

- Background
- Options Considered
- Option 1 – Enroll in Social Security as needed
 - Limitations
- Option 2 and Option 3 – Amend Tier 2 pay cap
 - Assumptions and Methods
 - Cost Impact

Background

- Members of SURS don't participate in Social Security based on their SURS employment
- IRS regulations outline safe harbor parameters on aspects of the benefit provisions of retirement plans that will permit plans to qualify as a Social Security replacement plan
- SURS Tier 2 benefit provisions have satisfied these parameters through fiscal year 2022
 - Because the fiscal year 2022 Tier 2 pay cap is about 20% lower than the Social Security Taxable Wage Base (SSTWB) and the gap will increase over time, the Tier 2 benefit provisions are not projected to satisfy the safe harbor provisions in the near future (for certain employers)

Background

- Following is a history of the Tier 2 pay cap and Social Security Taxable Wage Base

Fiscal Year	CPI-U	½ CPI-U	Increase	Tier 2 Pensionable Pay Cap	Calendar Year	Increase	Social Security Taxable Wage Base (SSTWB)	SSTWB/ Tier 2 Pay Cap
2012				\$106,800.00	2011		\$106,800.00	100.00%
2013	3.90%	1.95%	1.95%	\$108,882.60	2012	3.09%	\$110,100.00	101.12%
2014	2.00%	1.00%	1.00%	\$109,971.43	2013	3.27%	\$113,700.00	103.39%
2015	1.20%	0.60%	0.60%	\$110,631.26	2014	2.90%	\$117,000.00	105.76%
2016	1.70%	0.85%	0.85%	\$111,571.63	2015	1.28%	\$118,500.00	106.21%
2017	0.00%	0.00%	0.00%	\$111,571.63	2016	0.00%	\$118,500.00	106.21%
2018	1.50%	0.75%	0.75%	\$112,408.42	2017	7.34%	\$127,200.00	113.16%
2019	2.20%	1.10%	1.10%	\$113,644.91	2018	0.94%	\$128,400.00	112.98%
2020	2.30%	1.15%	1.15%	\$114,951.83	2019	3.50%	\$132,900.00	115.61%
2021	1.70%	0.85%	0.85%	\$115,928.92	2020	3.61%	\$137,700.00	118.78%
2022	1.40%	0.70%	0.70%	\$116,740.42	2021	3.70%	\$142,800.00	122.32%
2023	5.40%	2.70%	2.70%	\$119,892.41	2022	2.94%	\$147,000.00	122.61%
2024	8.20%	4.10%	3.00%	\$123,489.18	2023	8.98%	\$160,200.00	129.73%

Background

- Annual testing must be performed at the employer level to determine whether the “compensation ratio” exceeds 110.63%

$$\text{Compensation ratio} = \frac{\text{Total payroll capped at SSTWB for each employee}}{\text{Total payroll capped at Tier 2 pay cap for each employee}}$$

- Employers with a high percentage of employees with pay at or above the Tier 2 pay cap are expected to fail this test earlier
 - A certain employer with only one Tier 2 employee is projected to fail this test based on fiscal year 2023 compensation

Background

- Once an employer fails employer-level testing, individual member testing must be completed for each Tier 2 employee of the employer
 - Failure occurs at the individual level if the accrued benefit based on the Tier 2 provisions is lower than the accrued benefit for the employee calculated based on the safe harbor provisions
- Failure first at the employer level and then at the individual member level would trigger required Social Security coverage for the employee
 - The employee and employer would then each contribute 6.2% of pay to Social Security in addition to the required SURS contributions

Options Considered

- Options to address the issue of SURS Tier 2 qualifying as a Social Security replacement plan include
 - Option 1 – Enroll individual affected Tier 2 members in Social Security once safe harbor requirements are no longer met
 - Option 2 and Option 3 – Amend the SURS Tier 2 benefit provisions to automatically meet the safe harbor parameters
 - Option 2 – Setting the Tier 2 pay cap to at least 90.5% of the SSTWB and Option 3 – Setting the Tier 2 pay cap to at least 100% of the SSTWB will allow safe harbor provisions to be met in each future year (assuming no other changes to SURS Tier 2 provisions and no changes to the safe harbor parameters)

Options Considered

- Following is a comparison of the current Tier 2 pay cap and the Option 2 and Option 3 Tier 2 pay caps compared to the Social Security Taxable Wage Base for fiscal years 2022 through 2024
- The current Tier 2 pay increases at the lesser of ½ the increase in CPI and 3% (and is assumed to increase by 1.125% after fiscal year 2024)
- The Option 2 and 3 pay caps increase by the same rate as the SSTWB (and are assumed to increase by 3% after fiscal year 2024)

Fiscal Year	Current Tier 2 Pensionable Pay Cap	Option 2: Cap at 90.5% of SSTWB	Option 3: Cap at 100% of SSTWB	Calendar Year	Social Security Taxable Wage Base (SSTWB)
2022	\$116,740.42	\$129,234.00	\$142,800.00	2021	\$142,800.00
2023	\$119,892.41	\$133,035.00	\$147,000.00	2022	\$147,000.00
2024	\$123,489.18	\$144,981.00	\$160,200.00	2023	\$160,200.00

Limitations of Option 1

- We have included an estimated cost impact of Option 1 to enroll affected members in Social Security (as requested)
 - Cost impact includes the 6.2% Social Security employer payroll cost only
 - Does not include costs due to increased administrative expenses
 - Employer cost impact (through 2045) of enrolling all Tier 2 members in Social Security beginning in fiscal year 2030 is \$4.2 billion (\$1.6 billion on a present value basis)
 - The same cost would apply to employees (6.2% of pay contribution)
 - Plan elections (between SURS Tier 2 and RSP) for future new hires may change over time
 - As the gap between the Tier 2 pay cap and the SSTWB increases, higher paid new hires may be more likely to elect RSP instead of SURS Tier 2

Limitations of Option 1

- Option 1 is not a practical long-term option
 - Significant complexities and costs associated with this option
 - Required annual employer-level testing on whether the Tier 2 provisions satisfy the safe harbor provisions (60+ employers);
 - Required annual individual member testing once there is a failure at the employer level (in later years, could be tens of thousands of employees);
 - Only certain employees of an employer would be enrolled in Social Security (if the SURS Tier 2 accrued benefit was lower than the Social Security safe harbor benefit) – a Section 218 referendum would be required to cover all employees;
 - Required administrative work related to enrolling certain employees in Social Security each year at the time of failure; and
 - Maintenance of records sufficient to ensure that FICA taxes are paid for the appropriate employees and only for the appropriate employees.
- The remainder of the presentation focuses on Options 2 and 3

Option 2 and Option 3 Assumptions and Methods

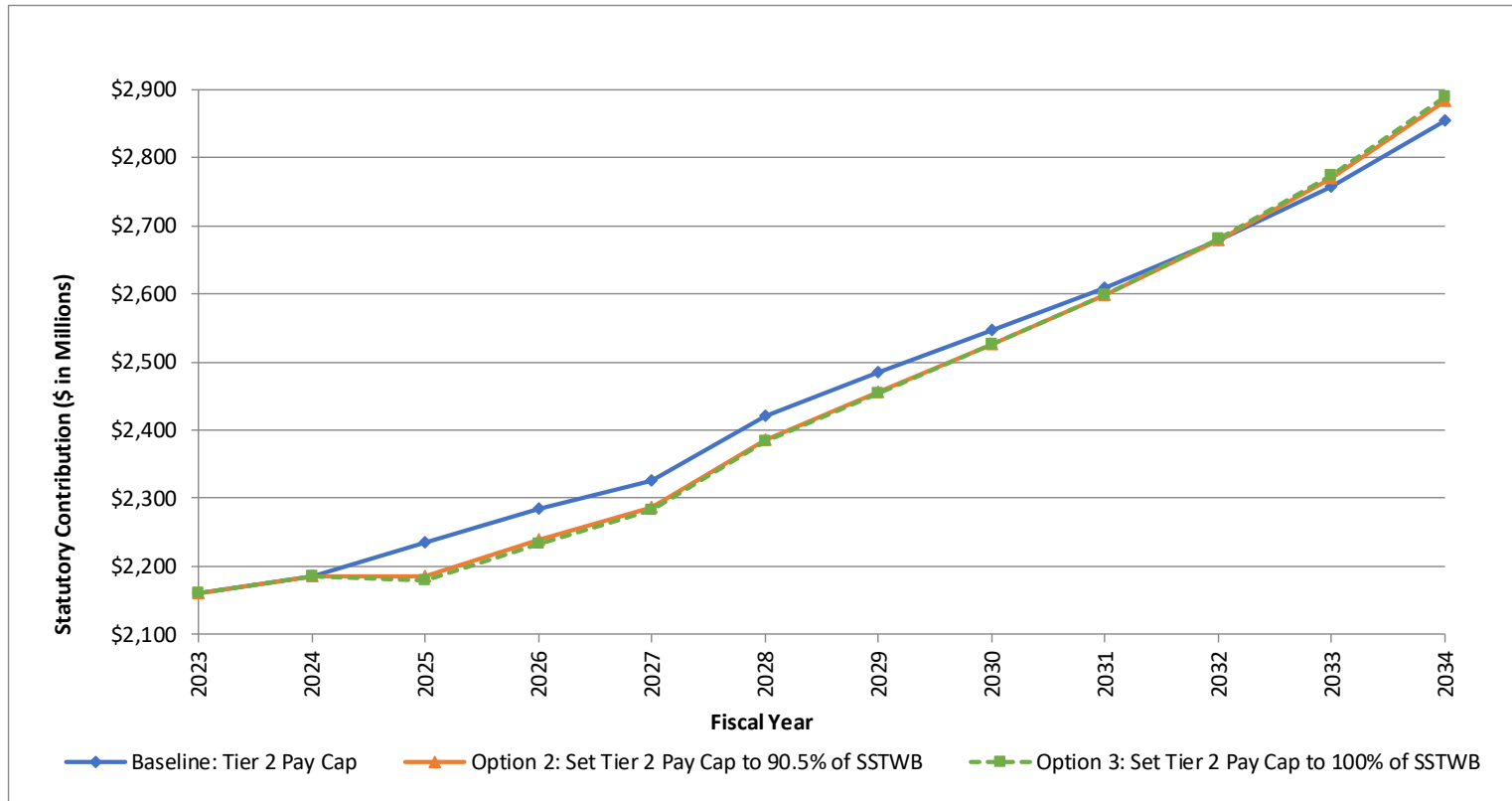
- Similar calculations as those performed for the actuarial valuation
- Uncapped pay is not available, so assumed participants with pay at the Tier 2 pay cap have uncapped pay of \$129,770 (midway between Tier 2 pay cap and SSTWB)
 - Future pay was projected based on the salary increase assumptions used in the actuarial valuation and
 - Capped at 90.5% of the SSTWB each year (assumed to increase by 3%) in Option 2
 - Capped at 100% of the SSTWB each year (assumed to increase by 3%) in Option 3
- Change was assumed to first affect the projected SURS June 30, 2023 valuation results (fiscal year 2025 statutory contribution)
 - Statutory funding policy was used to calculate projected contribution requirements through 2045 based on higher projected payroll and benefits
 - Level percentage of payroll contributions to attain a funded ratio of 90% in 2045

Option 2 and Option 3 Cost Impact

- Following is a summary of the impact to the statutory contributions of Option 2 (increase the Tier 2 pay cap to 90.5% of SSTWB in each future year) and Option 3 (increase the Tier 2 pay cap to 100% of SSTWB in each future year)
 - Although there is an increase in the sum of the total contributions (and the present value of contributions) from 2023 through 2045, there is a **decrease** in the annual statutory contribution until 2032 and an **increase** thereafter
 - The initial decrease is a counterintuitive result of the statutory level percent of payroll method. **We recommend that the enabling legislation include a maintenance of effort provision to prevent this decrease from occurring.**

Change in Statutory Contributions from Baseline \$ in Millions				
	Option 2		Option 3	
	Total Contributions	PV of Contributions	Total Contributions	PV of Contributions
Total 2023 Through 2045	\$1,478.542	\$358.022	\$1,615.798	\$394.150

Projected Statutory Contributions 2023 Through 2034



The contribution calculated under the Baseline scenario (current Tier 2 pay cap) is projected to initially be higher and then increase at a slower rate than the contribution calculated under Option 2 (Set Tier 2 Pay Cap to 90.5% of SSTWB) and Option 3 (Set Tier 2 Pay Cap to 100% of SSTWB). The rate of increase in the contributions is consistent with the rate of increase in the payroll under each scenario based on the level percentage of payroll statutory funding policy.

Under all three scenarios:

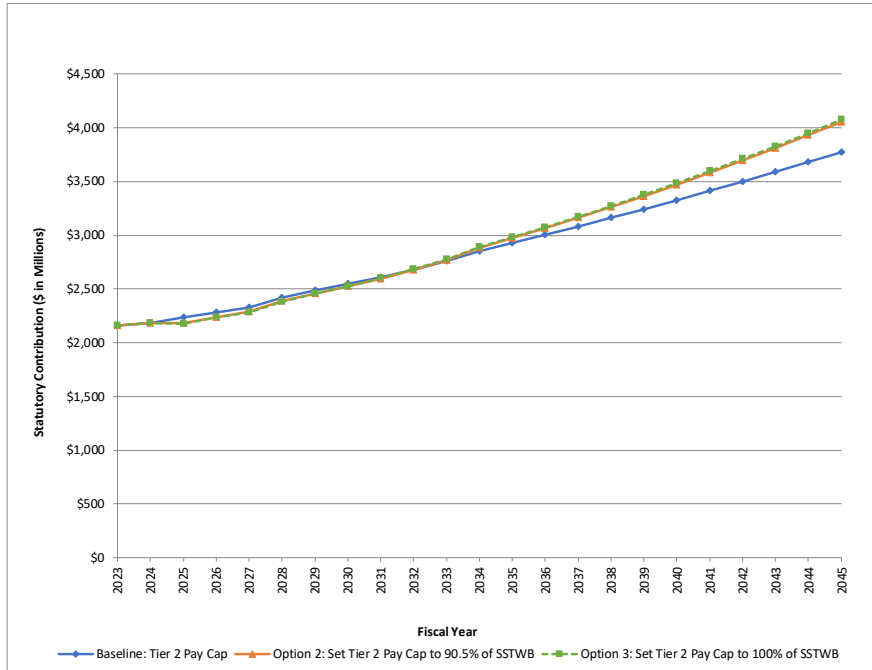
45% of Academic new hires are assumed to elect RSP and 55% are assumed to elect Tier 2.

25% of Non-Academic new hires are assumed to elect RSP and 75% are assumed to elect Tier 2.

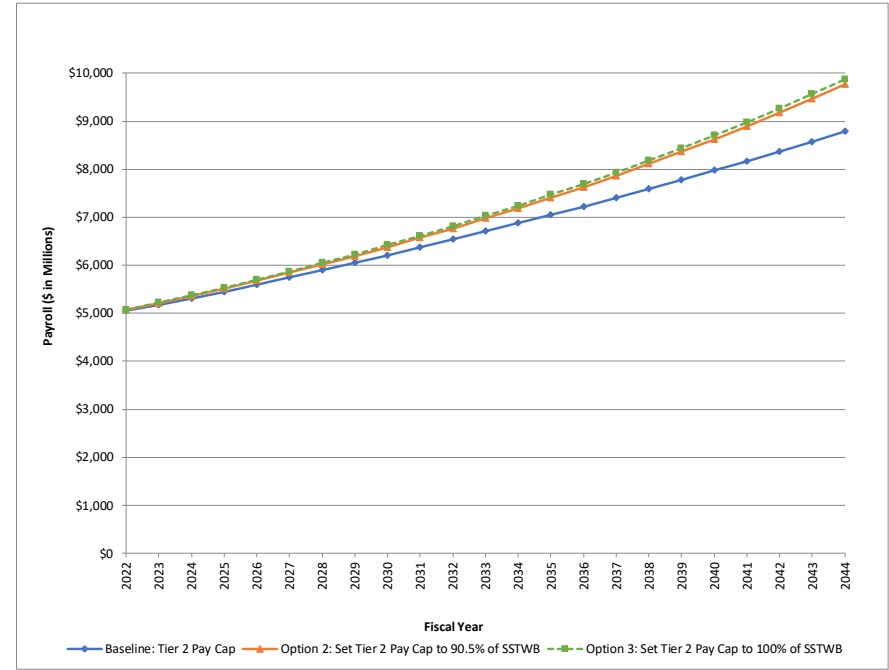
Projected Statutory Contributions and Payroll

Current Tier 2 Pay Cap, 90.5% and 100% of SSTWB

Contribution Requirement



Payroll



The contribution calculated under the Baseline scenario (current Tier 2 pay cap) is projected to initially be higher and then increase at a slower rate than the contribution calculated under Option 2 (Set Tier 2 Pay Cap to 90.5% of SSTWB) and Option 3 (Set Tier 2 Pay Cap to 100% of SSTWB). The rate of increase in the contributions is consistent with the rate of increase in the payroll under each scenario based on the level percentage of payroll statutory funding policy.

Under all three scenarios:

45% of Academic new hires are assumed to elect RSP and 55% are assumed to elect Tier 2.

25% of Non-Academic new hires are assumed to elect RSP and 75% are assumed to elect Tier 2.

Option 2 and Option 3 Cost Impact

\$ in Millions								
Fiscal Year	Total Projected Pensionable Pay (SURS DB/RSP)			Total Statutory Contributions (SURS DB/RSP/SS Contribs)			Change in Statutory Contributions from Baseline	
	Baseline	Option 2: Update	Option 3: Update	Baseline	Option 2: Update	Option 3: Update	Option 2: Update	Option 3: Update
		Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)		Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)	Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)
2023	\$5,051.508	\$5,071.011	\$5,079.583	\$2,160.874	\$2,160.874	\$2,160.874	\$0.000	\$0.000
2024	5,174.795	5,211.257	5,217.321	2,186.028	2,186.028	2,186.028	0.000	0.000
2025	5,309.313	5,357.785	5,368.156	2,235.370	2,186.309	2,178.745	(49.061)	(56.625)
2026	5,450.648	5,512.694	5,527.734	2,284.663	2,239.600	2,233.656	(45.063)	(51.007)
2027	5,598.054	5,675.927	5,695.464	2,325.999	2,286.108	2,281.712	(39.891)	(44.287)
2028	5,747.489	5,843.703	5,867.695	2,421.502	2,386.153	2,383.118	(35.349)	(38.384)
2029	5,898.284	6,015.538	6,043.971	2,484.794	2,456.314	2,454.756	(28.480)	(30.038)
2030	6,053.083	6,194.246	6,227.200	2,545.777	2,525.322	2,525.257	(20.455)	(20.520)
2031	6,210.016	6,378.142	6,415.563	2,608.826	2,597.655	2,599.049	(11.171)	(9.777)
2032	6,369.770	6,567.961	6,609.809	2,679.150	2,678.531	2,681.355	(0.619)	2.205
2033	6,534.404	6,765.977	6,812.133	2,757.429	2,768.695	2,772.880	11.266	15.451
2034	6,704.474	6,973.280	7,023.777	2,853.471	2,884.122	2,889.977	30.651	36.506
2035	6,876.602	7,186.363	7,241.180	2,929.279	2,974.060	2,981.176	44.781	51.897
2036	7,049.991	7,404.925	7,464.069	3,005.684	3,066.234	3,074.603	60.550	68.919
2037	7,225.721	7,630.541	7,694.077	3,083.203	3,161.342	3,170.975	78.139	87.772
2038	7,405.643	7,865.353	7,933.278	3,162.605	3,260.247	3,271.126	97.642	108.521
2039	7,589.758	8,109.334	8,181.696	3,243.815	3,362.862	3,374.987	119.047	131.172
2040	7,777.922	8,361.915	8,438.683	3,326.882	3,469.073	3,482.414	142.191	155.532
2041	7,971.764	8,625.076	8,706.264	3,412.331	3,579.523	3,594.066	167.192	181.735
2042	8,170.122	8,897.726	8,983.318	3,499.709	3,693.801	3,709.520	194.092	209.811
2043	8,372.398	9,179.256	9,269.190	3,588.773	3,811.665	3,828.518	222.892	239.745
2044	8,577.249	9,468.520	9,562.757	3,679.016	3,932.701	3,950.658	253.685	271.642
2045	8,784.839	9,765.769	9,864.258	3,770.517	4,057.020	4,076.045	286.503	305.528

Disclaimers

- Options 2 and 3 were assumed to first affect the projected SURS June 30, 2023 valuation results (fiscal year 2025 statutory contribution)
 - The actual timing of the effect on the statutory contribution will depend on the timing of legislative action
 - If there is a material delay in legislative action, an updated cost impact analysis should be performed based on the most recent actuarial valuation results, data and actuarial assumptions

Disclaimers

- The actuaries submitting this presentation (Amy Williams and Brian Murphy) are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.
- The purposes of this analysis is to illustrate the potential cost impact of scenarios related to SURS Tier 2 benefits qualifying as a Social Security replacement plan.
- Future actuarial measurements may differ significantly from the current and projected measurements presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Disclaimers

- This presentation is intended to be used in conjunction with the letter dated May 24, 2023. Additional details on the SURS plan provisions and assumptions can be found in the actuarial valuation report issued on October 6, 2022. This presentation should not be relied on for any purpose other than the purpose described.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.
- If you need additional information to make an informed decision about the contents of this presentation, or if anything appears to be missing or incomplete, please contact us before relying on this presentation.

Disclaimers

- This report reflects the impact of COVID-19 through June 30, 2022. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact on the System and the actuarial assumptions. Actual experience will be reflected in each subsequent annual valuation, as experience emerges.
- This report was prepared using our proprietary valuation model and related software and spreadsheet models used to calculate the statutory contributions in each future year through 2045 under the SURS statutory funding policy. In our professional judgment, the models used have the capability to provide results that are consistent with the purposes of the valuation and have no material limitations or known weaknesses. We performed tests to ensure that the models reasonably represent that which is intended to be modeled.



May 24, 2023

Board of Trustees
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, Illinois 61820

Re: Estimated Financial Impact of Changes Related to SURS Tier 2 Benefits Qualifying as a Social Security Replacement Plan Based on the Results of the Actuarial Valuation as of June 30, 2022

Dear Members of the Board:

At your request, we have performed an actuarial impact analysis of potential changes to the State Universities Retirement System of Illinois ("SURS") related to SURS Tier 2 benefits qualifying as a Social Security replacement plan. The financial impact is measured based on the results of the June 30, 2022 actuarial valuation. The changes are first reflected in the projected results as of June 30, 2023, which calculate the fiscal year 2025 Statutory contribution. The analysis was requested by SURS. We have illustrated the statutory contributions, funded ratio and other key actuarial metrics based on reflecting the potential changes. We have not assessed contribution risk, including the sponsor's ability to pay the contribution requirements, the risk of contributions not being made in accordance with the current funding policy or material changes in the anticipated number of employees, plan elections or covered payroll which affect future contributions. Failure to receive employer contributions on a timely basis could jeopardize the sustainability of the System.

There were three options considered in this letter: 1) enroll affected members in Social Security at the point at which SURS Tier 2 benefits no longer meet the requirements of a Social Security replacement plan for the individual members, 2) amend the Tier 2 pay cap to 90.5% of the Social Security Taxable Wage Base and 3) amend the Tier 2 pay cap to 100% of the Social Security Taxable Wage Base. Amending the plan in such a manner would ensure that the SURS Tier 2 benefit provisions would satisfy the safe harbor provisions for qualifying as a Social Security replacement plan in future years.

Following is additional background on the issue and a summary of the results of the financial impact of the changes.

Background

Currently, members of SURS do not participate in Social Security based on their SURS employment. Under the Internal Revenue Service (IRS) regulations, in order for service in the employ of a state or local government entity to qualify for the exception (related to mandatory Social Security coverage under 26 CFR § 31.3121(b)(7)) the employee must be a member of a retirement system that provides certain minimum retirement benefits to that employee, a so-called "Social Security Replacement Plan". To meet

Board of Trustees
State Universities Retirement System of Illinois
May 24, 2023
Page 2

this minimum retirement benefit requirement with respect to an employee, Section 31.3121(b)(7)-2(e)(2)(i) of the regulations generally requires that a retirement system provide benefits to the employee that are comparable to those provided in the Old-Age portion of the Old-Age, Survivor, Disability Insurance program under Social Security (OASDI). The comparability requirement, as we understand it, is an employer by employer requirement. Tier 2 benefits could be comparable to Social Security for some employers but not for others.

Proving comparability with OASDI would, in most cases, be an extraordinarily difficult exercise, and probably somewhat subjective. Consequently, Treasury developed a “safe harbor” and, in Rev. Proc. 91-40, has outlined basic parameters that will permit plans to qualify as Social Security replacement plans. Historically, the SURS defined benefit plan (SURS) and the SURS defined contribution plan (Retirement Savings Plan or RSP) have satisfied these parameters. However, certain aspects of the SURS plan provisions for Tier 2 members (hired on or after January 1, 2011) are not projected to satisfy the safe harbor parameters for qualifying as a Social Security replacement plan beginning in the near future. This could occur as soon as in the plan year ending June 30, 2025 for one very small SURS employer.

When an employer cannot demonstrate that the benefits provided to its employees (on a combined basis) satisfy the safe harbor requirements for qualifying as a Social Security replacement plan (and assuming that it cannot prove by some other means that its benefits are comparable to Old-Age portion of Social Security benefits), it can then test the benefits of each individual employee against the safe harbor. Each employee whose benefits fail the test would then have to be enrolled in Social Security. Affected employees would then participate in both Social Security and the employer sponsored plan (SURS). Such employees would be required to contribute to both Social Security and SURS and the employer (the State) would be required to contribute to both Social Security and SURS on their behalf.

There are two options available to SURS employers whose benefits do not satisfy the safe harbor requirements for a Social Security replacement plan (and assuming that the employer cannot prove by some other means that its benefits are comparable to the Old-Age portion of Social Security benefits):

1. Test the benefits of each employee against the safe harbor benefit formula. Enroll those employees whose benefits fail the test in Social Security. This would have to be done annually resulting in an increasing number of employees covered by Social Security.
2. Amend the Tier 2 benefit provisions (which cannot actually be done by an individual employer) in order to make the benefits automatically satisfy the safe harbor provisions.

Option 1 could result in certain employers having some (higher paid) employees covered by Social Security while others are not, which might result in administrative concerns. Another potential option – move all employees of failing employers into Social Security – would greatly reduce long-term administrative complexity at the expense of greater cost (and greater short-term complexity).



Unfortunately, moving all employees of an employer into Social Security is not possible without a Section 218 referendum¹, so such an option is most likely not practical.

SURS has requested that GRS provide a cost impact based on both options (enrolling affected members in Social Security and amending the Tier 2 benefit provisions). We have included the cost impact of two variations of amending the Tier 2 benefit provisions – Option 2 and Option 3. Following is a description of the approach and related assumptions for each option. Because the pay provided for the actuarial valuation is capped at the Tier 2 pay cap (and uncapped pay is not currently available), an assumption is made on what total uncapped pay is (for members with fiscal year 2022 pay at the Tier 2 pay cap). A more refined analysis could be completed at a future date if actual total pay can be provided by the SURS employers and included in the annual actuarial valuation data.

Option 1: Cost Impact of Enrolling Affected Members in Social Security

Members would be required to be enrolled in Social Security when both of the following occur:

1. Based on employer-level testing, the employer failed the safe harbor requirements.
 - a. Based on the SURS Tier 2 plan provisions and the safe harbor requirements, this would occur when the total compensation for the employer's Tier 2 employees (capped at the Social Security Taxable Wage Base or SSTWB) divided by the total compensation for the employer's Tier 2 employees (capped at the Tier 2 pay cap) is higher than 110.63% (see the GRS letter dated November 18, 2022 and presentation materials from Ice Miller for additional background).
2. Based on individual member testing (if there was first a failure at the employer-level), the employee failed the safe harbor requirements.
 - a. Based on the SURS Tier 2 plan provisions and the safe harbor requirements, this would occur when the accrued benefit for a member under the SURS Tier 2 plan provisions is lower than the accrued benefit for a member under the Social Security safe harbor provisions (see the GRS letter dated January 27, 2023 and presentation materials from Ice Miller for additional background).
 - i. The SURS Tier 2 accrued benefit is based on a benefit accrual rate of 2.2% of final average earnings (based on an 8-year average of pay capped at the Tier 2 pay cap) for each year of service.
 - ii. The Social Security safe harbor accrued benefit is based on a benefit accrual rate of 1.5% of final average earnings (based on a 3-year average of pay capped at the SSTWB) for each year of service.

¹ A public retirement system may be covered under a Section 218 Agreement only after a referendum is held. All States are authorized to use the majority vote referendum process. If a majority of all the eligible members vote in favor of coverage, all current and future employees in positions under the retirement system will be covered. https://www.ssa.gov/slge/sect_218_agree.htm?tl=0%2C1%2C2



Board of Trustees
 State Universities Retirement System of Illinois
 May 24, 2023
 Page 4

Because of the significant complexities associated with projecting when members would be required to be enrolled in Social Security (and the fact that those projections would be based on a significant number of assumptions for both current members and the assumed demographics of new Tier 2 employees of each employer), we are using the following simplified approach to measuring the cost impact of this option.

1. For Tier 2 members with fiscal year 2022 pensionable pay at the Tier 2 pay cap (1,535 employees), we assumed uncapped pay was \$129,770 (midway between Tier 2 pay cap of \$116,740 and 2021 calendar year SSTWB of \$142,800).
2. We projected the assumed uncapped pay based on the salary increase assumptions used in the actuarial valuation as of June 30, 2022 and capped the pay each year at the projected SSTWB (assumed to increase by 3% each year after 2023).
3. For the five employers that had more than 1,000 Tier 2 SURS employees as of June 30, 2022 (based on the analysis included in the November 18, 2022 letter), we assumed Social Security coverage for their portion of the 1,535 employees in item 1 would be required starting in the plan year ending June 30, 2030. For all other employers, we assumed that Social Security coverage for employees in item 1 would be required starting in the plan year ending June 30, 2025. This assumes that small employers would fail the employer-level testing earlier than large employers and that the member-level accrued benefits test would also fail at this time.
4. The additional employer cost is 6.2% times the projected payroll capped at the SSTWB beginning in the year indicated (2025 or 2030) for the group of 1,535 employees from item 1.

Option 2: Cost Impact of Amending the Tier 2 Benefit Provisions (Increasing the Tier 2 Pay Cap)

If the SURS Tier 2 benefit provisions are amended to provide that the Tier 2 pay cap will always be at least 90.5% of the SSTWB, then the SURS Tier 2 benefit provisions will satisfy the current safe harbor provisions for qualifying as a Social Security replacement plan in all future years. This assumes no changes to the safe harbor provisions and no additional changes to the Tier 2 benefit provisions.

The cost impact of this option is measured in a manner consistent with the projections and calculations performed for the actuarial valuation, with the following changes:

1. For Tier 2 members with fiscal year 2022 pay at the Tier 2 pay cap (1,535 employees), we assumed uncapped pay was \$129,770 (midway between Tier 2 pay cap of \$116,740 and 2021 calendar year SSTWB of \$142,800). For all other Tier 2 members, uncapped pay is the same as capped pay.
2. Pay is capped at 90.5% of the SSTWB in each future year and the SSTWB is assumed to increase by 3% each year after the calendar year 2023 SSTWB of \$160,200.
3. The change is assumed to first affect the fiscal year 2025 statutory contribution based on projected 2023 valuation results under the current statutory funding policy of level percentage of payroll contributions such that the funded ratio is projected to be 90% by June 30, 2045.



Option 3: Cost Impact of Amending the Tier 2 Benefit Provisions (Increasing the Tier 2 Pay Cap)

If the SURS Tier 2 benefit provisions are amended to provide that the Tier 2 pay cap will always be at least 100% of the SSTWB, then the SURS Tier 2 benefit provisions will satisfy the current safe harbor provisions for qualifying as a Social Security replacement plan in all future years. This assumes no changes to the safe harbor provisions and no additional changes to the Tier 2 benefit provisions.

The cost impact of this option is measured in a manner consistent with the projections and calculations performed for the actuarial valuation, with the following changes (and is the same as Option 2, except caps pay at 100% of the SSTWB compared to 90.5% under Option 2):

1. For Tier 2 members with fiscal year 2022 pay at the Tier 2 pay cap (1,535 employees), we assumed uncapped pay was \$129,770 (midway between Tier 2 pay cap of \$116,740 and 2021 calendar year SSTWB of \$142,800). For all other Tier 2 members, uncapped pay is the same as capped pay.
2. Pay is capped at 100% of the SSTWB in each future year and the SSTWB is assumed to increase by 3% each year after the calendar year 2023 SSTWB of \$160,200.
3. The change is assumed to first affect the fiscal year 2025 statutory contribution based on projected 2023 valuation results under the current statutory funding policy of level percentage of payroll contributions such that the funded ratio is projected to be 90% by June 30, 2045.

Following is a history of the Tier 2 pay cap through fiscal year 2024 and the SSTWB through calendar year 2023.

Fiscal Year	CPI-U	½ CPI-U	Increase	Tier 2 Pensionable Pay Cap	Calendar Year	Increase	Social Security Taxable Wage Base (SSTWB)	SSTWB/Tier 2 Pay Cap
2012				\$106,800.00	2011		\$106,800.00	100.00%
2013	3.90%	1.95%	1.95%	\$108,882.60	2012	3.09%	\$110,100.00	101.12%
2014	2.00%	1.00%	1.00%	\$109,971.43	2013	3.27%	\$113,700.00	103.39%
2015	1.20%	0.60%	0.60%	\$110,631.26	2014	2.90%	\$117,000.00	105.76%
2016	1.70%	0.85%	0.85%	\$111,571.63	2015	1.28%	\$118,500.00	106.21%
2017	0.00%	0.00%	0.00%	\$111,571.63	2016	0.00%	\$118,500.00	106.21%
2018	1.50%	0.75%	0.75%	\$112,408.42	2017	7.34%	\$127,200.00	113.16%
2019	2.20%	1.10%	1.10%	\$113,644.91	2018	0.94%	\$128,400.00	112.98%
2020	2.30%	1.15%	1.15%	\$114,951.83	2019	3.50%	\$132,900.00	115.61%
2021	1.70%	0.85%	0.85%	\$115,928.92	2020	3.61%	\$137,700.00	118.78%
2022	1.40%	0.70%	0.70%	\$116,740.42	2021	3.70%	\$142,800.00	122.32%
2023	5.40%	2.70%	2.70%	\$119,892.41	2022	2.94%	\$147,000.00	122.61%
2024	8.20%	4.10%	3.00%	\$123,489.18 *	2023	8.98%	\$160,200.00	129.73%

*Actual Tier 2 pensionable pay cap for FY 2024 is consistent with the assumed cap used in the June 30, 2022 valuation.



Results

As shown in Exhibit I and summarized in the following table, Option 1 is projected to increase contributions each year beginning in fiscal year 2025, Option 2 is projected to decrease contributions from fiscal years 2025 through 2032 and increase contributions from fiscal years 2033 through 2045, and Option 3 is projected to decrease contributions from fiscal years 2025 through 2031 and increase contributions from fiscal years 2032 through 2045.

	Total Statutory Contributions (SURS DB/RSP/SS Contribs) \$ in Millions				Change in Statutory Contributions from Baseline \$ in Millions		
	Baseline	Option 1	Option 2	Option 3	Option 1	Option 2	Option 3
Total Cont. 2023 Through 2045	\$66,245.697	\$66,383.566	\$67,724.239	\$67,861.495	\$137.869	\$1,478.542	\$1,615.798
Present Value of Total Cont. (6.50%)	32,574.025	32,635.343	32,932.047	32,968.175	61.318	358.022	394.150
Total Cont. 2023 Through 2034	29,543.883	29,600.261	29,355.711	29,347.407	56.378	(188.172)	(196.476)
Present Value of Total Cont. (6.50%)	20,334.459	20,367.444	20,183.471	20,173.075	32.985	(150.988)	(161.384)

Includes RSP contributions of \$3,566.972 million in total through 2045 (\$1,678.723 million on a present value basis) for all scenarios.

The projected short-term decrease in statutory contributions associated with Option 2 and Option 3 is an unexpected result (but is a function of the level percentage of payroll funding policy) and is not indicative of long-term savings. Essentially the higher pay cap in Option 2 and Option 3 and the higher rate of increase in the pay cap (full CPI instead of ½ CPI capped at 3%) leads to higher future covered payroll (and a higher rate of increase in covered payroll) which defers funding into the future. The “savings” will be paid back in later years with interest and there is both an increase in the total statutory contributions and the present value of contributions paid through 2045. Mathematically, the statutory contribution will drop initially as a percentage of payroll causing the short-term reduction in contribution dollar amount. (The initial increase in covered payroll is dampened because many people are not affected by the current pay cap). But as the payroll to which the statutory rate is applied increases (at a faster rate than previously) a lesser percentage applied to a much higher payroll eventually results in a higher dollar contribution.

Exhibit II illustrates the projected payroll, projected statutory contributions (as a dollar and as a percentage pay) for the baseline, Option 2 and Option 3. The present value of future contributions and the present value of future payroll are higher under Options 2 and 3 than under the baseline. However, the average contribution rate under Options 2 and 3 (41.23% and 41.03%) are lower than under the baseline (42.37%).

We recommend that the enabling legislation for a change to the Tier 2 pay cap include a maintenance of effort provision to prevent the contributions from decreasing from the amounts projected under the current Tier 2 benefit provisions.



Board of Trustees
 State Universities Retirement System of Illinois
 May 24, 2023
 Page 7

Following is a summary of the fiscal year 2025 statutory contribution (\$ Millions) based on the current provisions (baseline), Option 1: Enroll affected members in Social Security, Option 2: Set the Tier 2 pay cap to 90.5% of the SSTWB and Option 3: Set the Tier 2 pay cap to 100% of the SSTWB.

\$ in Millions				
Scenario	Baseline	Option 1: Enroll Affected Members in SS*	Option 2: Update Tier 2 Pay Cap (90.5% of SSTWB)	Option 3: Update Tier 2 Pay Cap (100% of SSTWB)
Projected Actuarial Valuation Date:	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2023
Fiscal Year Ending:	June 30, 2025	June 30, 2025	June 30, 2025	June 30, 2025
Estimated Statutory Contribution:				
· Defined Benefit Plan Contribution Amount	\$ 2,134.957	\$ 2,134.957	\$ 2,085.896	\$ 2,078.332
· Retirement Savings Plan Contribution Amount	100.413	100.413	100.413	100.413
· Total Qualified Plan Contribution Amount	<u>\$ 2,235.370</u>	<u>\$ 2,235.370</u>	<u>\$ 2,186.309</u>	<u>\$ 2,178.745</u>
Social Security Contributions for Affected Members	-	1.813	-	-
Total Contributions (Excluding EBA Contributions)	<u>\$ 2,235.370</u>	<u>\$ 2,237.184</u>	<u>\$ 2,186.309</u>	<u>\$ 2,178.745</u>
Change in Total Contributions		\$ 1.813	\$ (49.061)	\$ (56.625)
· Projected Capped Payroll for Fiscal Year (Total)	5,309.313	5,309.313	5,357.785	5,368.156

*Results only include impact on 1,535 Tier 2 members at the Tier 2 pay cap as of June 30, 2022.

As discussed on the previous page, the projected short-term decrease in statutory contributions associated with Option 2 and Option 3 is an unexpected result (but is a function of the level percentage of payroll funding policy) and is not indicative of long-term savings.

Exhibit I includes a summary of the total projected pensionable payroll, statutory contributions and change in statutory contributions for each year through 2045 under the baseline, Option 1, Option 2 and Option 3 scenarios.

Exhibit II includes a summary of the total projected pensionable payroll, statutory contributions and the statutory contribution as a percent of pay for each year through 2045 under the baseline, Option 2 and Option 3 scenarios.

Exhibit III includes the detailed projection of the baseline actuarial valuation results as of June 30, 2022.

Exhibit IV includes the projected State/employer Social Security contributions under Option 1 that would be contributed in addition to the projected amounts shown in the baseline projection in Exhibit II.

Exhibit V includes the detailed projection of the Option 2 results based on increasing the Tier 2 pay cap to 90.5% of the SSTWB beginning with the year ending June 30, 2023 and a measurement date of June 30, 2022.



Board of Trustees
 State Universities Retirement System of Illinois
 May 24, 2023
 Page 8

Exhibit VI includes the detailed projection of the Option 3 results based on increasing the Tier 2 pay cap to 100% of the SSTWB beginning with the year ending June 30, 2023 and a measurement date of June 30, 2022.

Graph I illustrates the statutory contributions for each year through 2045 under the baseline, Option 2 and Option 3 scenarios.

Although we have included an estimated cost impact of Option 1 to enroll affected members in Social Security (as requested), we do not view this as a practical long-term option. There would be significant complexities and costs associated with this option, including:

1. Required annual employer-level testing on whether the Tier 2 provisions satisfy the safe harbor provisions (60+ employers);
2. Required annual individual member testing once there is a failure at the employer level (in later years, could be tens of thousands of employees); and
3. Required administrative work related to enrolling certain employees in Social Security each year at the time of failure.

In addition, the cost impact provided for Option 1 only considers the potential cost associated with Tier 2 employees as of June 30, 2022 who have pay at the Tier 2 pay cap during fiscal year 2022. Therefore, the estimated costs for Option 1 do not include potential additional members who may also be required to be enrolled in Social Security (and estimated Social Security costs would likely be higher after the first 10-15 years than the estimates included in this letter). Therefore, the table on the following page includes the estimated cost if 10%, 20% or 30% of projected Tier 2 payroll beginning in fiscal year 2030 is assumed to be associated with Tier 2 employees who would be required to be enrolled in Social Security. This additional information is provided for comparison purposes only. GRS has not performed an analysis on the estimated percentage of projected future Tier 2 employees (or estimated Tier 2 payroll) who may be required to be enrolled in Social Security in future years.

	Total Statutory Contributions (SURS DB/RSP/SS Contribs)							
	\$ in Millions							
	Baseline	Option 1	Option 1a	Option 1b	Option 1c	Option 1d	Option 2	Option 3
Assumed Tier 2 Members in Social Security	NA	1,535 Current Members	10% of Tier 2 in 2030+	20% of Tier 2 in 2030+	30% of Tier 2 in 2030+	100% of Tier 2 in 2030+	NA - Tier 2 Pay Cap 90.5% SSTWB	NA - Tier 2 Pay Cap 100% SSTWB
Total Cont. 2023 Through 2034	\$29,543.883	\$29,600.261	\$29,656.486	\$29,760.438	\$29,864.391	\$30,592.061	\$29,355.711	\$29,347.407
Present Value of Total Cont. (6.50%)	20,334.459	20,367.444	20,398.020	20,455.020	20,512.020	20,911.020	20,183.471	20,173.075
Change in Present Value		32.985	63.561	120.561	177.561	576.561	(150.988)	(161.384)
Total Cont. 2035 Through 2045	\$36,701.814	\$36,783.305	\$37,019.635	\$37,337.456	\$37,655.277	\$39,880.024	\$38,368.528	\$38,514.088
Present Value of Total Cont. (6.50%)	12,239.566	12,267.899	12,345.054	12,450.542	12,556.030	13,294.445	12,748.576	12,795.100
Change in Present Value		28.333	105.488	210.976	316.464	1,054.879	509.010	555.534
Total Cont. 2023 Through 2045	\$66,245.697	\$66,383.566	\$66,676.121	\$67,097.895	\$67,519.668	\$70,472.085	\$67,724.239	\$67,861.495
Present Value of Total Cont. (6.50%)	32,574.025	32,635.343	32,743.074	32,905.562	33,068.050	34,205.466	32,932.047	32,968.175
Change in Present Value		61.318	169.049	331.537	494.025	1,631.441	358.022	394.150

Includes RSP contributions of \$3,566.972 million in total through 2045 (\$1,678.723 million on a present value basis) for all scenarios.



Implications on Future Plan Elections

The changes related to the SURS Tier 2 plan qualifying as a Social Security replacement plan are likely to affect future plan elections. SURS new hires may elect to participate in the Retirement Savings Plan (RSP), to which the Tier 2 pay cap does not apply, or to participate in the SURS defined benefit plan (Traditional Plan or Portable Plan), to which the Tier 2 pay cap does apply. Based on experience through June 30, 2020, we currently assume that 45% of new hires in Academic positions and 25% of new hires in non-Academic positions will elect RSP and 55% of new hires in Academic positions and 75% of new hires in non-Academic positions will elect the SURS DB plan. The members electing RSP have higher pay, on average, than the members electing the SURS DB plan. If no changes are made to the SURS Tier 2 pay cap, fewer new hires may elect the SURS DB plan (and more may elect the RSP) as the gap between the Tier 2 pay cap and the SSTWB continues to grow. Similarly, if the Tier 2 pay cap is amended to 90.5% or 100% of the SSTWB, more new hires may elect the SURS DB plan (and fewer may elect the RSP) since the revised Tier 2 pay cap would increase at the same rate as the SSTWB.

The SURS Tier 2 employer normal cost rate is about 4% of pay and is projected to increase to about 6% of pay by 2045 based on the projected results in the actuarial valuation as of June 30, 2022. The SURS Tier 2 employer normal cost rate is estimated to increase by about 0.5% of pay based on increasing the Tier 2 pay cap to 90.5% of the SSTWB. Because the State's contribution to the RSP is 7.6% of pay, the cost of amending the SURS Tier 2 pay cap is estimated to be lower than the cost of higher paid new hires electing the RSP instead of the SURS DB plan based on the current assumptions (including the discount rate of 6.50%).

Risks Associated with Measuring the Accrued Liability and Statutory Contribution

The determination of the accrued liability and statutory contribution requires the use of assumptions regarding future economic and demographic experience. The actuarial assumptions used to determine the contribution requirements and accrued liability are summarized in the June 30, 2022 actuarial valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Please refer to the June 30, 2022 Actuarial Valuation Report dated October 28, 2022 for additional discussions regarding the risks associated with measuring the accrued liability and the statutory contribution.



Board of Trustees
State Universities Retirement System of Illinois
May 24, 2023
Page 10

The scope of this Actuarial Impact Statement does not include an analysis of the potential range of future measurements or a quantitative measurement of the future risks of not achieving the actuarial assumptions. Additional risk assessments are generally outside the scope of an Actuarial Impact Statement. Additional assessments may include stress tests, scenario tests, sensitivity tests, stochastic modeling and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Disclosures

Options 2 and 3 were assumed to first affect the projected SURS June 30, 2023 valuation results (fiscal year 2025 statutory contribution). The actual timing of the effect on the statutory contribution will depend on the timing of legislative action. If there is a material delay in legislative action, an updated cost impact analysis should be performed based on the most recent actuarial valuation results, data and actuarial assumptions.

This report was prepared at the request of SURS and is intended for use by SURS and those designated or approved by SURS. This report may be provided to parties other than SURS only in its entirety and only with the permission of SURS and the Board.

This report is intended to describe the financial effect of the proposed plan changes on the pension plan. Except as otherwise noted, potential effects on other benefit plans were not considered. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them. This report should not be relied on for any purpose other than the purpose described above. GRS is not responsible for unauthorized use of this report.

The actuarial assumptions and methods, financial data and participant census data utilized in this analysis are the same actuarial assumptions and methods, financial data and participant census data used in the Actuarial Valuation as of June 30, 2022 as presented in our report dated October 28, 2022. Because the data we received for the actuarial valuation reflects pay capped at the fiscal year 2022 Tier 2 pay cap of \$116,740, we made assumptions about uncapped pay, as described in this letter. Additional information regarding actuarial assumptions, methods, plan provisions and other disclosures are provided in the June 30, 2022 actuarial valuation report.

To the best of our knowledge, this actuarial statement is complete and accurate, fairly presents the actuarial position of SURS as of June 30, 2022 under the impact scenarios, and has been prepared in accordance with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

The date of the most recent actuarial valuation was June 30, 2022. This means that the projected results of this impact analysis are based on the results and census data as of June 30, 2022.



Board of Trustees
State Universities Retirement System of Illinois
May 24, 2023
Page 11

If you have reason to believe that the actuarial assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described or that conditions have changed since the calculations were made, you should contact the authors of the report prior to relying on information in the report.

Although prior year statutory contribution requirements were met, the statutory funding method generates a contribution requirement that is less than a reasonable actuarially determined contribution.

Meeting the statutory requirement does not mean that the undersigned agree that adequate actuarial funding has been achieved; we recommend the development of and adherence to a funding policy that funds the normal cost of the plan as well as an amortization payment that would seek to pay off the total unfunded accrued liability by 2045 or sooner if possible.

This report was prepared using our proprietary valuation model and related software and spreadsheet models used to calculate the statutory contributions in each future year through 2045 under the SURS statutory funding policy. In our professional judgment, the models used have the capability to provide results that are consistent with the purposes of the valuation, and have no material limitations or known weaknesses. We performed tests to ensure that the models reasonably represent that which is intended to be modeled.

This report reflects the impact of COVID-19 through June 30, 2022. However, this report does not reflect the longer term and still developing future impact of COVID-19, which is likely to further influence demographic experience and economic expectations. We will continue to monitor these developments and their impact on the System and the actuarial assumptions. Actual experience will be reflected in each subsequent annual valuation, as experience emerges.

The signing actuaries are independent of the plan sponsor.

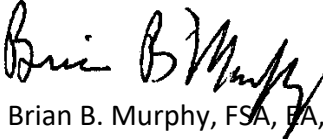
Amy Williams and Brian B. Murphy are Members of the American Academy of Actuaries ("MAAA") and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Amy Williams, ASA, FCA, MAAA
Senior Consultant



Brian B. Murphy, FSA, EA, FCA, MAAA, PhD
Senior Consultant

AW/BBM:rl:dj



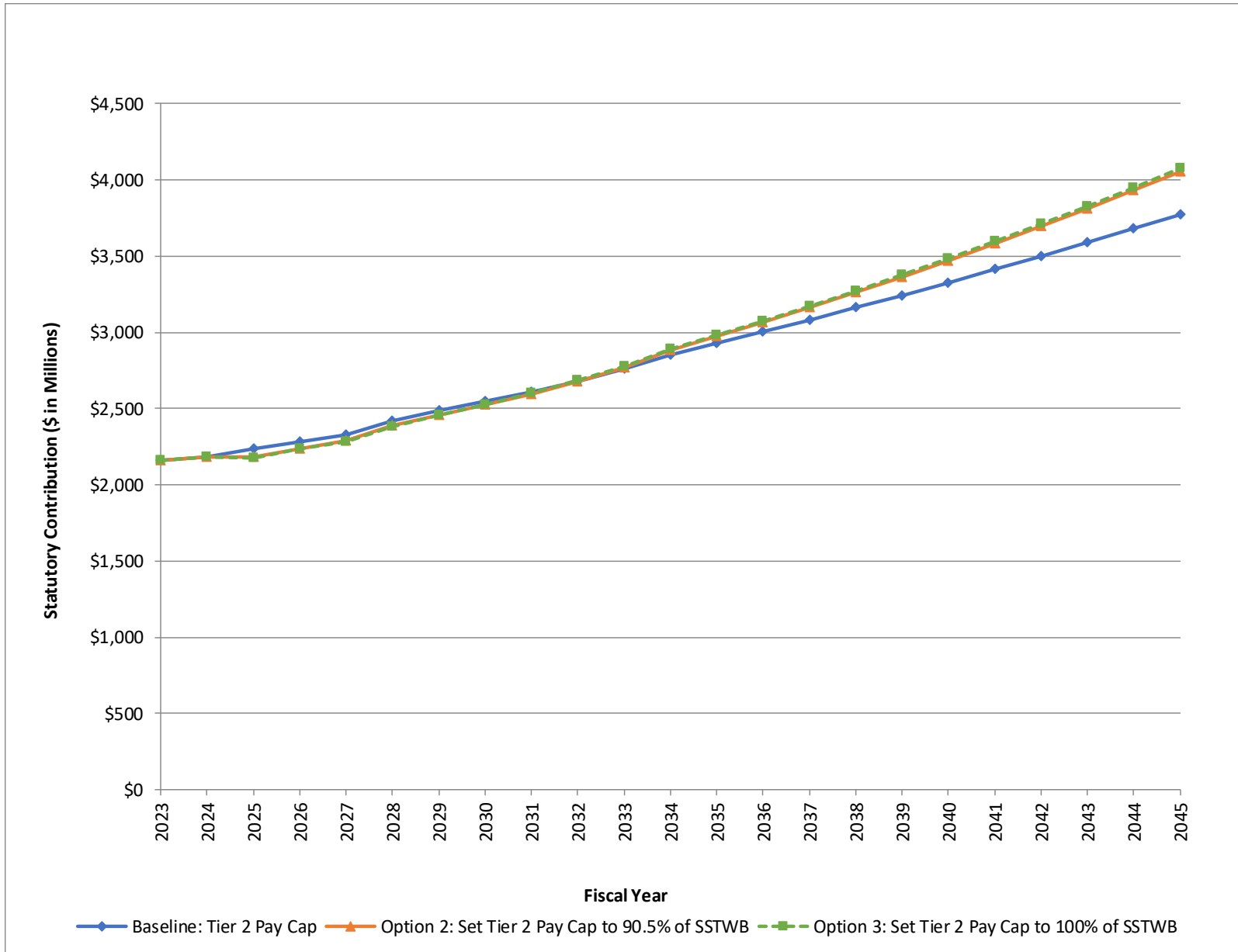
Board of Trustees
State Universities Retirement System of Illinois
May 24, 2023
Page 12

cc: Suzanne Mayer, SURS
Bianca Green, SURS
Albert Lee, SURS
Tara Myers, SURS
Kristen Houch, SURS
Kristen Brundirks, GRS
Kevin Noelke, GRS



Graph I

Projected Statutory Contributions Based on the Actuarial Valuation as of June 30, 2022



Summary of Projected Pensionable Pay and Combined State/Employer Contributions \$ in Millions

Fiscal Year	Total Projected Pensionable Pay (SURS DB/RSP)				Total Statutory Contributions (SURS DB/RSP/SS Contribs)				Change in Statutory Contributions from Baseline		
	Baseline	Option 1: Enroll	Option 2: Update	Option 3: Update	Baseline	Option 1: Enroll	Option 2: Update	Option 3: Update	Option 1: Enroll	Option 2: Update	Option 3: Update
		Affected Members in Social Security	Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)		Affected Members in Social Security	Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)	Affected Members in Social Security	Tier 2 Pay Cap (90.5% of SSTWB)	Tier 2 Pay Cap (100% of SSTWB)
2023	\$5,051.508	\$5,051.508	\$5,071.011	\$5,079.583	\$2,160.874	\$2,160.874	\$2,160.874	\$2,160.874	\$0.000	\$0.000	\$0.000
2024	5,174.795	5,174.795	5,211.257	5,217.321	2,186.028	2,186.028	2,186.028	2,186.028	0.000	0.000	0.000
2025	5,309.313	5,309.313	5,357.785	5,368.156	2,235.370	2,237.183	2,186.309	2,178.745	1.813	(49.061)	(56.625)
2026	5,450.648	5,450.648	5,512.694	5,527.734	2,284.663	2,286.433	2,239.600	2,233.656	1.770	(45.063)	(51.007)
2027	5,598.054	5,598.054	5,675.927	5,695.464	2,325.999	2,327.727	2,286.108	2,281.712	1.728	(39.891)	(44.287)
2028	5,747.489	5,747.489	5,843.703	5,867.695	2,421.502	2,423.189	2,386.153	2,383.118	1.687	(35.349)	(38.384)
2029	5,898.284	5,898.284	6,015.538	6,043.971	2,484.794	2,486.445	2,456.314	2,454.756	1.651	(28.480)	(30.038)
2030	6,053.083	6,053.083	6,194.246	6,227.200	2,545.777	2,555.799	2,525.322	2,525.257	10.022	(20.455)	(20.520)
2031	6,210.016	6,210.016	6,378.142	6,415.563	2,608.826	2,618.601	2,597.655	2,599.049	9.775	(11.171)	(9.777)
2032	6,369.770	6,369.770	6,567.961	6,609.809	2,679.150	2,688.696	2,678.531	2,681.355	9.546	(0.619)	2.205
2033	6,534.404	6,534.404	6,765.977	6,812.133	2,757.429	2,766.728	2,768.695	2,772.880	9.299	11.266	15.451
2034	6,704.474	6,704.474	6,973.280	7,023.777	2,853.471	2,862.557	2,884.122	2,889.977	9.086	30.651	36.506
2035	6,876.602	6,876.602	7,186.363	7,241.180	2,929.279	2,938.127	2,974.060	2,981.176	8.848	44.781	51.897
2036	7,049.991	7,049.991	7,404.925	7,464.069	3,005.684	3,014.280	3,066.234	3,074.603	8.596	60.550	68.919
2037	7,225.721	7,225.721	7,630.541	7,694.077	3,083.203	3,091.548	3,161.342	3,170.975	8.345	78.139	87.772
2038	7,405.643	7,405.643	7,865.353	7,933.278	3,162.605	3,170.672	3,260.247	3,271.126	8.067	97.642	108.521
2039	7,589.758	7,589.758	8,109.334	8,181.696	3,243.815	3,251.616	3,362.862	3,374.987	7.801	119.047	131.172
2040	7,777.922	7,777.922	8,361.915	8,438.683	3,326.882	3,334.377	3,469.073	3,482.414	7.495	142.191	155.532
2041	7,971.764	7,971.764	8,625.076	8,706.264	3,412.331	3,419.525	3,579.523	3,594.066	7.194	167.192	181.735
2042	8,170.122	8,170.122	8,897.726	8,983.318	3,499.709	3,506.573	3,693.801	3,709.520	6.864	194.092	209.811
2043	8,372.398	8,372.398	9,179.256	9,269.190	3,588.773	3,595.278	3,811.665	3,828.518	6.505	222.892	239.745
2044	8,577.249	8,577.249	9,468.520	9,562.757	3,679.016	3,685.115	3,932.701	3,950.658	6.099	253.685	271.642
2045	8,784.839	8,784.839	9,765.769	9,864.258	3,770.517	3,776.194	4,057.020	4,076.045	5.677	286.503	305.528
			Total Cont. Through 2045		66,245.697	66,383.566	67,724.239	67,861.495	137.869	1,478.542	1,615.798
			Present Value of Total Cont. (PV calculated using 6.50%)		32,574.025	32,635.343	32,932.047	32,968.175	61.318	358.022	394.150
			Total Cont. 2023 Through 2034		29,543.883	29,600.261	29,355.711	29,347.407	56.378	(188.172)	(196.476)
			Present Value of Total Cont. (PV calculated using 6.50%)		20,334.459	20,367.444	20,183.471	20,173.075	32.986	(150.988)	(161.384)

Includes RSP contributions of \$3,566.972 million in total through 2045 (\$1,678.723 million on a present value basis) for all scenarios.

**Summary of Projected Pensionable Pay and Combined State/Employer Contributions (\$ and % of Pay)
\$ in Millions**

Fiscal Year Ending	Baseline			Option 2: Set Tier 2 Pay Cap to 90.5% of SSTWB			Option 3: Set Tier 2 Pay Cap to 100% of SSTWB		
	Total Payroll	Total Statutory Contribution \$	% of Payroll	Total Payroll	Total Statutory Contribution \$	% of Payroll	Total Payroll	Total Statutory Contribution \$	% of Payroll
2022	\$ 4,714.667			\$ 4,714.667			\$ 4,714.667		
2023	5,051.508	\$ 2,160.874	42.78 %	5,071.011	\$ 2,160.874	42.61 %	5,079.583	\$ 2,160.874	42.54 %
2024	5,174.795	2,186.028	42.24	5,211.257	2,186.028	41.95	5,217.321	2,186.028	41.90
2025	5,309.313	2,235.370	42.10	5,357.785	2,186.309	40.81	5,368.156	2,178.745	40.59
2026	5,450.648	2,284.663	41.92	5,512.694	2,239.600	40.63	5,527.734	2,233.656	40.41
2027	5,598.054	2,325.999	41.55	5,675.927	2,286.108	40.28	5,695.464	2,281.712	40.06
2028	5,747.489	2,421.502	42.13	5,843.703	2,386.153	40.83	5,867.695	2,383.118	40.61
2029	5,898.284	2,484.794	42.13	6,015.538	2,456.314	40.83	6,043.971	2,454.756	40.61
2030	6,053.083	2,545.777	42.06	6,194.246	2,525.322	40.77	6,227.200	2,525.257	40.55
2031	6,210.016	2,608.826	42.01	6,378.142	2,597.655	40.73	6,415.563	2,599.049	40.51
2032	6,369.770	2,679.150	42.06	6,567.961	2,678.531	40.78	6,609.809	2,681.355	40.57
2033	6,534.404	2,757.429	42.20	6,765.977	2,768.695	40.92	6,812.133	2,772.880	40.71
2034	6,704.474	2,853.471	42.56	6,973.280	2,884.122	41.36	7,023.777	2,889.977	41.15
2035	6,876.602	2,929.279	42.60	7,186.363	2,974.060	41.38	7,241.180	2,981.176	41.17
2036	7,049.991	3,005.684	42.63	7,404.925	3,066.234	41.41	7,464.069	3,074.603	41.19
2037	7,225.721	3,083.203	42.67	7,630.541	3,161.342	41.43	7,694.077	3,170.975	41.21
2038	7,405.643	3,162.605	42.71	7,865.353	3,260.247	41.45	7,933.278	3,271.126	41.23
2039	7,589.758	3,243.815	42.74	8,109.334	3,362.862	41.47	8,181.696	3,374.987	41.25
2040	7,777.922	3,326.882	42.77	8,361.915	3,469.073	41.49	8,438.683	3,482.414	41.27
2041	7,971.764	3,412.331	42.81	8,625.076	3,579.523	41.50	8,706.264	3,594.066	41.28
2042	8,170.122	3,499.709	42.84	8,897.726	3,693.801	41.51	8,983.318	3,709.520	41.29
2043	8,372.398	3,588.773	42.86	9,179.256	3,811.665	41.52	9,269.190	3,828.518	41.30
2044	8,577.249	3,679.016	42.89	9,468.520	3,932.701	41.53	9,562.757	3,950.658	41.31
2045	8,784.839	3,770.517	42.92	9,765.769	4,057.020	41.54	9,864.258	4,076.045	41.32
Total 2023-2045	155,903.849	66,245.697		164,062.297	67,724.239		165,227.177	67,861.495	
PV based on 6.50%	76,872.816	32,574.025	42.37	79,878.745	32,932.047	41.23	80,353.578	32,968.175	41.03

Includes RSP contributions of \$3,566.972 million in total through 2045 (\$1,678.723 million on a present value basis) for all scenarios.

Exhibit III

Projected Baseline Results of Actuarial Valuation as of June 30, 2022
\$ in Millions

Fiscal Year Ending	Total Payroll ¹	RSP Payroll	DB Payroll ¹	SURS Contributions ²	Member Contributions	Benefits	Expenses	Assets EOY	AAL	Funding Ratio	UAAL	Normal Cost
2022	\$ 4,714.667	\$ 1,147.187	\$ 3,567.480	\$ 2,136.059	\$ 289.071	\$ 2,962.103	\$ 22.584	\$ 22,554.752	\$ 49,869.932	45.23 %	\$ 27,315.180	
2023	5,051.508	1,260.995	3,790.513	2,071.091	303.620	3,139.190	28.118	23,266.611	50,634.943	45.95	27,368.332	\$ 760.521
2024	5,174.795	1,334.337	3,840.458	2,091.856	307.621	3,227.454	28.962	23,984.066	51,350.480	46.71	27,366.414	753.669
2025	5,309.313	1,412.674	3,896.639	2,134.957	312.121	3,334.248	29.830	24,833.426	51,994.349	47.76	27,160.923	747.648
2026	5,450.648	1,490.449	3,960.200	2,178.750	317.212	3,433.697	30.725	24,976.860	52,570.302	47.51	27,593.442	742.732
2027	5,598.054	1,567.866	4,030.188	2,214.609	322.818	3,529.092	31.647	25,544.310	53,079.222	48.12	27,534.912	739.311
2028	5,747.489	1,644.846	4,102.643	2,304.665	328.622	3,624.414	32.596	26,148.219	53,518.339	48.86	27,370.120	736.682
2029	5,898.284	1,722.401	4,175.883	2,362.469	334.488	3,717.561	33.574	26,759.953	53,886.150	49.66	27,126.197	734.458
2030	6,053.083	1,801.305	4,251.779	2,417.868	340.567	3,810.257	34.582	27,378.195	54,178.872	50.53	26,800.677	732.436
2031	6,210.016	1,882.214	4,327.801	2,475.191	346.657	3,901.287	35.619	28,007.051	54,393.523	51.49	26,386.472	730.816
2032	6,369.770	1,965.341	4,404.429	2,539.631	352.795	3,989.139	36.688	28,657.852	54,528.690	52.56	25,870.838	729.992
2033	6,534.404	2,051.234	4,483.171	2,611.831	359.102	4,062.400	37.788	29,355.235	54,595.051	53.77	25,239.816	730.265
2034	6,704.474	2,140.007	4,564.466	2,701.591	365.614	4,127.612	38.922	30,128.830	54,597.540	55.18	24,468.710	730.728
2035	6,876.602	2,231.114	4,645.488	2,770.951	372.104	4,189.512	40.090	30,965.899	54,535.582	56.78	23,569.683	731.183
2036	7,049.991	2,323.482	4,726.510	2,840.818	378.593	4,245.921	41.292	31,876.723	54,410.613	58.59	22,533.890	731.619
2037	7,225.721	2,418.256	4,807.466	2,911.629	385.078	4,295.374	42.531	32,874.206	54,225.657	60.62	21,351.451	732.472
2038	7,405.643	2,515.754	4,889.890	2,984.129	391.680	4,254.800	43.807	34,058.714	54,070.115	62.99	20,011.401	734.440
2039	7,589.758	2,614.931	4,974.827	3,058.319	398.484	4,285.029	45.121	35,371.246	53,873.943	65.66	18,502.697	737.792
2040	7,777.922	2,717.279	5,060.643	3,134.141	405.358	4,308.710	46.475	36,828.598	53,642.641	68.66	16,814.043	743.305
2041	7,971.764	2,820.944	5,150.821	3,212.250	412.581	4,320.411	47.869	38,455.225	53,388.480	72.03	14,933.255	751.458
2042	8,170.122	2,926.156	5,243.966	3,292.179	420.042	4,321.145	49.305	40,275.530	53,123.974	75.81	12,848.444	761.762
2043	8,372.398	3,032.854	5,339.544	3,373.687	427.697	4,312.605	50.784	42,313.457	52,860.196	80.05	10,546.739	773.764
2044	8,577.249	3,141.557	5,435.692	3,456.232	435.399	4,296.331	52.308	44,592.205	52,606.880	84.76	8,014.675	786.986
2045	8,784.839	3,252.428	5,532.411	3,539.881	443.146	4,272.699	53.877	47,136.160	52,373.511	90.00	5,237.351	801.277
Total 2023-2045				62,678.724	8,461.398	90,998.886	912.510					
Present Value at July 1, 2023 based on 6.50%				30,895.301	4,262.864	46,162.418	444.650					

Projections are based on 55% of academic and 75% of non-academic new hires electing Tier 2 and 45% of academic and 25% of non-academic new hires electing RSP and 73,307 total active members (70,043 full time and 3,264 part time) in each future year.

¹ Payroll shown is pensionable pay. It does not include amounts in excess of the pay caps applicable to members in Tier 2 participating in the Traditional and Portable plans.

² Excludes RSP contributions of \$3,566.972 million in total (\$1,678.723 million on a present value basis). Includes employer contributions.

Exhibit IV

Projected State/Employer Social Security Contributions Under Option 1
\$ in Millions

Fiscal Year Ending	Projected Baseline Payroll (Tier 2 & New Entrants)	Count of 1,535 Projected Still Active	Projected Baseline Payroll (1,535 EEs)			Projected Payroll Capped at SSTWB			Projected State/Employer SS Contributions		
			Small Employers	Large Employers	Total	Small Employers	Large Employers	Total	Small Employers ^{1,2}	Large Employers ^{1,2}	Total
2022	\$ 1,407.203	1,535	\$ 28.835	\$ 150.361	\$ 179.196	\$ 28.835	\$ 150.361	\$ 179.196	\$ 0.000	\$ 0.000	\$ 0.000
2023	1,746.922	1,395	27.115	140.140	167.255	30.981	160.820	191.801	0.000	0.000	0.000
2024	1,922.555	1,282	25.840	132.427	158.266	30.112	155.511	185.622	0.000	0.000	0.000
2025	2,100.505	1,188	24.229	124.153	148.382	29.245	151.270	180.515	1.813	0.000	1.813
2026	2,281.113	1,109	22.902	117.133	140.034	28.549	147.590	176.138	1.770	0.000	1.770
2027	2,462.632	1,040	21.724	111.139	132.863	27.877	144.314	172.191	1.728	0.000	1.728
2028	2,642.099	979	20.636	105.753	126.389	27.215	141.204	168.419	1.687	0.000	1.687
2029	2,821.193	924	19.673	101.007	120.680	26.631	138.405	165.036	1.651	0.000	1.651
2030	3,000.956	873	18.617	96.712	115.329	25.845	135.804	161.649	1.602	8.420	10.022
2031	3,179.555	823	17.572	92.310	109.882	24.989	132.667	157.656	1.549	8.225	9.775
2032	3,355.706	777	16.720	88.238	104.958	24.328	129.642	153.971	1.508	8.038	9.546
2033	3,529.071	733	15.832	84.279	100.110	23.542	126.442	149.984	1.460	7.839	9.299
2034	3,701.286	694	15.078	80.738	95.816	22.901	123.643	146.543	1.420	7.666	9.086
2035	3,871.498	655	14.156	77.268	91.423	21.956	120.750	142.706	1.361	7.486	8.848
2036	4,039.528	616	13.363	73.686	87.049	21.156	117.492	138.648	1.312	7.284	8.596
2037	4,205.398	580	12.605	70.214	82.819	20.368	114.235	134.603	1.263	7.083	8.345
2038	4,369.112	543	11.795	66.667	78.462	19.457	110.659	130.115	1.206	6.861	8.067
2039	4,529.341	509	10.960	63.403	74.363	18.452	107.365	125.817	1.144	6.657	7.801
2040	4,684.368	474	10.170	59.865	70.035	17.473	103.411	120.884	1.083	6.411	7.495
2041	4,833.827	441	9.403	56.501	65.904	16.482	99.543	116.026	1.022	6.172	7.194
2042	4,978.327	408	8.599	53.063	61.662	15.377	95.333	110.710	0.953	5.911	6.864
2043	5,117.783	375	7.870	49.444	57.314	14.357	90.570	104.927	0.890	5.615	6.505
2044	5,251.624	341	6.962	45.744	52.706	12.955	85.418	98.373	0.803	5.296	6.099
2045	5,380.653	308	6.361	41.770	48.131	12.070	79.494	91.563	0.748	4.929	5.677
Total 2023-2045									27.976	109.893	137.869
Present Value at July 1, 2023 based on 6.50%									14.875	46.443	61.318

¹Projected state/employer Social Security contributions of 6.2% of pay assumed for Tier 2 active members with pay at the Tier 2 pay cap of \$116,740 in fiscal year 2022. Assumed uncapped pay is \$129,770 in fiscal year 2022 and is capped in future years at the Social Security Taxable Wage Base.

²Social Security coverage is assumed to be first effective for the active members of the small employers in fiscal year 2025 and large employers in fiscal year 2030. The five employers that had more than 1,000 Tier 2 SURS employees as of June 30, 2022 (based on the analysis included in the November 18, 2022 letter) are considered large employers and the rest are considered small employers.

**Projected Results of Option 2: Increasing the Tier 2 Pay Cap to 90.5% of the Social Security Taxable Wage Base
Based on the Results of the Actuarial Valuation as of June 30, 2022
\$ in Millions**

Fiscal Year Ending	Total Payroll ¹	RSP Payroll	DB Payroll ¹	SURS Contributions ²	Member Contributions	Benefits	Expenses	Assets EOY	AAL	Funding Ratio	UAAL	Normal Cost
2022	\$ 4,714.667	\$ 1,147.187	\$ 3,567.480	\$ 2,136.059	\$ 289.071	\$ 2,962.103	\$ 22.584	\$ 22,554.752	\$ 49,869.932	45.23 %	\$ 27,315.180	
2023	5,071.011	1,260.995	3,810.016	2,071.091	303.620	3,139.190	28.118	23,266.611	50,702.804	45.89	27,436.193	\$ 773.444
2024	5,211.257	1,334.337	3,876.920	2,091.856	310.541	3,227.715	28.962	23,986.810	51,435.820	46.63	27,449.010	769.519
2025	5,357.785	1,412.674	3,945.111	2,085.896	316.003	3,334.778	29.830	24,789.179	52,101.047	47.58	27,311.868	766.648
2026	5,512.694	1,490.449	4,022.245	2,133.687	322.182	3,434.543	30.725	24,887.487	52,702.672	47.22	27,815.185	765.143
2027	5,675.927	1,567.866	4,108.061	2,174.718	329.056	3,530.285	31.647	25,413.166	53,242.092	47.73	27,828.926	765.427
2028	5,843.703	1,644.846	4,198.856	2,269.316	336.328	3,625.972	32.596	25,978.417	53,717.141	48.36	27,738.724	766.829
2029	6,015.538	1,722.401	4,293.137	2,333.989	343.880	3,719.585	33.574	26,557.327	54,126.897	49.06	27,569.570	768.992
2030	6,194.246	1,801.305	4,392.941	2,397.413	351.875	3,812.849	34.582	27,150.283	54,468.234	49.85	27,317.951	771.727
2031	6,378.142	1,882.214	4,495.928	2,464.020	360.124	3,904.583	35.619	27,763.292	54,738.840	50.72	26,975.548	775.275
2032	6,567.961	1,965.341	4,602.620	2,539.012	368.670	3,993.338	36.688	28,409.660	54,938.000	51.71	26,528.340	780.017
2033	6,765.977	2,051.234	4,714.743	2,623.097	377.651	4,067.410	37.788	29,116.508	55,077.423	52.86	25,960.915	786.299
2034	6,973.280	2,140.007	4,833.272	2,732.242	387.145	4,133.582	38.922	29,922.277	55,162.934	54.24	25,240.657	793.212
2035	7,186.363	2,231.114	4,955.249	2,815.732	396.915	4,196.698	40.090	30,810.324	55,194.797	55.82	24,384.473	800.605
2036	7,404.925	2,323.482	5,081.444	2,901.368	407.024	4,254.598	41.292	31,793.908	55,175.368	57.62	23,381.460	808.520
2037	7,630.541	2,418.256	5,212.286	2,989.768	417.504	4,305.820	42.531	32,889.330	55,108.708	59.68	22,219.378	817.440
2038	7,865.353	2,515.754	5,349.599	3,081.771	428.503	4,267.305	43.807	34,200.681	55,085.350	62.09	20,884.669	828.083
2039	8,109.334	2,614.931	5,494.403	3,177.366	440.102	4,299.981	45.121	35,672.815	55,036.381	64.82	19,363.566	840.690
2040	8,361.915	2,717.279	5,644.636	3,276.332	452.135	4,326.606	46.475	37,326.314	54,968.367	67.91	17,642.053	856.057
2041	8,625.076	2,820.944	5,804.132	3,379.442	464.911	4,341.787	47.869	39,189.778	54,894.687	71.39	15,704.909	874.682
2042	8,897.726	2,926.156	5,971.569	3,486.271	478.323	4,346.526	49.305	41,292.082	54,829.068	75.31	13,536.986	896.066
2043	9,179.256	3,032.854	6,146.402	3,596.579	492.327	4,342.703	50.784	43,661.743	54,783.673	79.70	11,121.930	919.777
2044	9,468.520	3,141.557	6,326.963	3,709.917	506.790	4,331.926	52.308	46,326.870	54,769.349	84.59	8,442.479	945.354
2045	9,765.769	3,252.428	6,513.341	3,826.384	521.719	4,314.721	53.877	49,316.966	54,796.628	90.00	5,479.662	972.679
Total 2023-2045				64,157.266	9,113.327	91,252.499	912.510					
Present Value at July 1, 2023 based on 6.50%				31,253.323	4,502.125	46,247.339	444.650					

Projections are based on 55% of academic and 75% of non-academic new hires electing Tier 2 and 45% of academic and 25% of non-academic new hires electing RSP and 73,307 total active members (70,043 full time and 3,264 part time) in each future year.

¹ Payroll shown is pensionable pay. It does not include amounts in excess of the pay caps applicable to members in Tier 2 participating in the Traditional and Portable plans.

² Excludes RSP contributions of \$3,566.972 million in total (\$1,678.723 million on a present value basis). Includes employer contributions.

Exhibit VI

**Projected Results of Option 3: Increasing the Tier 2 Pay Cap to 100% of the Social Security Taxable Wage Base
Based on the Results of the Actuarial Valuation as of June 30, 2022
\$ in Millions**

Fiscal Year Ending	Total Payroll ¹	RSP Payroll	DB Payroll ¹	SURS Contributions ²	Member Contributions	Benefits	Expenses	Assets EOY	AAL	Funding Ratio	UAAL	Normal Cost
2022	\$ 4,714.667	\$ 1,147.187	\$ 3,567.480	\$ 2,136.059	\$ 289.071	\$ 2,962.103	\$ 22.584	\$ 22,554.752	\$ 49,869.932	45.23 %	\$ 27,315.180	
2023	5,079.583	1,260.995	3,818.588	2,071.091	303.620	3,139.190	28.118	23,266.611	50,710.232	45.88	27,443.621	\$ 775.182
2024	5,217.321	1,334.337	3,882.984	2,091.856	311.027	3,227.800	28.962	23,987.223	51,445.436	46.63	27,458.213	771.748
2025	5,368.156	1,412.674	3,955.482	2,078.332	316.834	3,334.930	29.830	24,782.512	52,113.431	47.55	27,330.919	769.387
2026	5,527.734	1,490.449	4,037.285	2,127.743	323.387	3,434.790	30.725	24,875.241	52,718.432	47.19	27,843.191	768.410
2027	5,695.464	1,567.866	4,127.598	2,170.322	330.621	3,530.635	31.647	25,396.842	53,261.887	47.68	27,865.045	769.244
2028	5,867.695	1,644.846	4,222.849	2,266.281	338.250	3,626.407	32.596	25,959.434	53,741.713	48.30	27,782.279	771.219
2029	6,043.971	1,722.401	4,321.571	2,332.431	346.158	3,720.112	33.574	26,537.308	54,157.053	49.00	27,619.745	773.979
2030	6,227.200	1,801.305	4,425.895	2,397.348	354.514	3,813.479	34.582	27,130.970	54,504.846	49.78	27,373.876	777.330
2031	6,415.563	1,882.214	4,533.348	2,465.414	363.121	3,905.337	35.619	27,746.478	54,782.837	50.65	27,036.359	781.517
2032	6,609.809	1,965.341	4,644.468	2,541.836	372.022	3,994.247	36.688	28,397.188	54,990.361	51.64	26,593.173	786.912
2033	6,812.133	2,051.234	4,760.899	2,627.282	381.348	4,068.419	37.788	29,110.318	55,139.263	52.79	26,028.945	793.859
2034	7,023.777	2,140.007	4,883.769	2,738.097	391.190	4,134.722	38.922	29,924.724	55,235.418	54.18	25,310.694	801.447
2035	7,241.180	2,231.114	5,010.066	2,822.848	401.306	4,197.995	40.090	30,823.467	55,279.153	55.76	24,455.686	809.523
2036	7,464.069	2,323.482	5,140.588	2,909.737	411.761	4,256.088	41.292	31,819.894	55,272.875	57.57	23,452.981	818.135
2037	7,694.077	2,418.256	5,275.821	2,999.401	422.593	4,307.541	42.531	32,930.422	55,220.698	59.63	22,290.276	827.764
2038	7,933.278	2,515.754	5,417.524	3,092.650	433.944	4,269.306	43.807	34,259.220	55,213.209	62.05	20,953.989	839.127
2039	8,181.696	2,614.931	5,566.766	3,189.491	445.898	4,302.303	45.121	35,751.258	55,181.553	64.79	19,430.295	852.465
2040	8,438.683	2,717.279	5,721.404	3,289.673	458.284	4,329.306	46.475	37,427.183	55,132.341	67.89	17,705.158	868.569
2041	8,706.264	2,820.944	5,885.321	3,393.985	471.414	4,344.935	47.869	39,315.674	55,078.984	71.38	15,763.310	887.938
2042	8,983.318	2,926.156	6,057.162	3,501.990	485.179	4,350.195	49.305	41,445.671	55,035.239	75.31	13,589.568	910.063
2043	9,269.190	3,032.854	6,236.336	3,613.432	499.531	4,346.989	50.784	43,845.718	55,013.268	79.70	11,167.550	934.513
2044	9,562.757	3,141.557	6,421.200	3,727.874	514.338	4,336.919	52.308	46,543.973	55,023.925	84.59	8,479.952	960.832
2045	9,864.258	3,252.428	6,611.830	3,845.409	529.608	4,320.527	53.877	49,569.963	55,077.736	90.00	5,507.773	988.896
Total 2023-2045				64,294.522	9,205.947	91,292.172	912.510					
Present Value at July 1, 2023 based on 6.50%				31,289.451	4,539.494	46,261.397	444.650					

Projections are based on 55% of academic and 75% of non-academic new hires electing Tier 2 and 45% of academic and 25% of non-academic new hires electing RSP and 73,307 total active members (70,043 full time and 3,264 part time) in each future year.

¹ Payroll shown is pensionable pay. It does not include amounts in excess of the pay caps applicable to members in Tier 2 participating in the Traditional and Portable plans.

² Excludes RSP contributions of \$3,566.972 million in total (\$1,678.723 million on a present value basis). Includes employer contributions.



MEMORANDUM

To: Legal & Legislative Committee

From: Albert J. Lee, Associate General Counsel

Date: May 22, 2023

Re: Amendment Number Three to the SURS Deferred Compensation Plan

The SURS Legal Department proposes an amendment to the SURS Deferred Compensation Plan (“DCP”) that complies with federal tax law changes under the Setting Every Community Up for Retirement Enhancement (“SECURE”) Act of 2019 and SECURE 2.0 Act of 2022. Specifically, the DCP plan document changes concern (1) required minimum distributions (“RMDs”) and (2) new hire auto-enrollments. The changes are effective January 1, 2022, unless indicated otherwise.

A. Required Minimum Distributions

The following amendments conform the DCP plan document to certain mandatory RMD changes under Section 401(a)(9) of the Internal Revenue Code as amended by the SECURE Act of 2019 and the SECURE 2.0 Act. We anticipate coming to the Legal & Legislative Committee in the future with further updates to the DCP plan document as the IRS promulgates rules and issues guidance concerning other mandatory SECURE 2.0 Act provisions that will become effective in the years to come.

- **New definition for “Eligible Designated Beneficiary” under Internal Revenue Code § 401(a)(9)(E)(ii) (DCP § 2.02(yy)).** The new term includes a spouse, minor child, an individual who is no more than 10 years younger than the member, and a disabled or chronically ill individual as those terms are defined under federal tax laws.
- **New RMD rules that treat “Designated Beneficiaries” and “Eligible Designated Beneficiaries” differently (DCP § 9.04(d)(2), (3)).** Effective January 1, 2022, Designated Beneficiaries must generally receive benefits by the end of the 10th year following the member’s death. Eligible Designated Beneficiaries have the additional option of having their benefits spread out over their lifetimes or their life expectancies under the Single Life Table.
- **New RMD rules for Surviving Spouses (DCP § 9.04(d)(3)).** Effective January 1, 2024, Surviving spouses have the option to delay RMD distributions until the date when the member would have reached the applicable RMD age (*e.g.*, age 73). This option also allows RMD payments to be spread under the Uniform Life

Table (which provides for a longer distribution period and smaller RMD payments than the default Single Life Table).

- **Exclude Roth Accounts from RMD Requirements During Member's Lifetime.** Effective January 1, 2024, RMDs will no longer be required to be paid from Roth accounts under the DCP during the member's lifetime.
- **Incorporate Internal Revenue Code and Regulation Changes.** The amendment generalizes the RMD provisions to automatically incorporate federal legislative and regulatory changes into the plan document. For example, the applicable RMD ages are no longer hard coded into the DCP's RMD provisions. Instead, the DCP references the applicable age under Section 401(a)(9) of the Internal Revenue Code, such as SECURE 2.0 Act's phase-in of higher applicable ages over the next 10 years from age 73 to age 75. Furthermore, some mandatory SECURE 2.0 Act provisions require the IRS to promulgate rules.
- **Include "reasonable good faith" compliance with Section 401(a)(9).** Governmental plans are permitted to comply with the RMD rules under a "reasonable good faith" interpretation of the statutory provisions of Section 401(a)(9) and the regulations promulgated thereunder. This addition makes this an explicit plan document requirement so that the DCP is afforded any IRS compliance benefits extended to government plans.

B. New Hire Auto-Enrollment Changes

Section 4.02 of the DCP plan document is changed effective January 1, 2023, to reflect current recordkeeper practices concerning new hire auto-enrollments. Under Section 15-202(b) of the Illinois Pension Code (40 ILCS 5/15-202(b)), all new employees of an eligible employer who first participate in SURS on or after July 1, 2023, are automatically enrolled in the SURS DCP at a pre-tax contribution rate of 3% of compensation. An employee who does not want to participate in the DCP can elect to receive a refund of the automatic pre-tax contributions within 90 days of the date of enrollment. The amendment changes the start of the 90-day refund window from the date when the contributions are first withheld from pay to the date when the contributions are first deposited in a DCP account. This brings the plan document in line with Voya's practice and also allows for a more lenient refund window given that there is usually an administrative delay between the withholding date and the contribution date.

Legal Staff Recommendation:

That the Legal & Legislative Committee approve the adoption of Amendment Number Three to the SURS Deferred Compensation Plan substantially in the form presented.

DRAFT

May 22, 2023

**AMENDMENT NUMBER THREE TO THE
STATE UNIVERSITIES RETIREMENT SYSTEM
DEFERRED COMPENSATION PLAN**

WHEREAS, the Board of Trustees ("Board") of the State Universities Retirement System Retirement ("SURS") established the State Universities Retirement System Deferred Compensation Plan ("Plan") effective September 1, 2020, and amended the Plan twice thereafter;

WHEREAS, SURS reserved the right to amend the Plan in Article XV; and

WHEREAS, SURS now desires to amend the Plan to make the following changes.

NOW THEREFORE, the Plan is hereby amended, effective January 1, 2022, except as otherwise stated below, as follows:

1. A new paragraph (yy) is hereby added to Section 2.02 to be and read as follows:

(yy) "Eligible Designated Beneficiary" means a Designated Beneficiary who meets the additional criteria under Code Section 401(a)(9)(e)(ii).

2. Effective January 1, 2023, paragraph (e)(4)(i) of Section 4.02 of the Plan is hereby amended to be and read as follows:

(i) No later than ninety (90) days after Automatic Pre-Tax Contributions are first made to the Covered Employee's Account, the Covered Employee may request a distribution of his or her Automatic Pre-Tax Contributions. No spousal consent is required for a withdrawal under this paragraph (4).

3. Section 9.04 of the Plan is hereby amended to be and read as follows:

Section 9.04. Required Distribution Rules.

(a) The provisions of this Section 9.04 take precedence over any inconsistent provisions of the Plan. All distributions under this Plan shall be made in accordance with a reasonable good faith interpretation of Code Section 401(a)(9) and the regulations promulgated thereunder, including the incidental death benefit rules under Code Section 401(a)(9)(G) and the changes under the Setting Every Community Up for Retirement Enhancement ("SECURE") Act of 2019, SECURE 2.0 of 2022, and Treasury Regulation Sections 1.401(a)(9)-1 through -9, as each may be amended from time to time.

(b) Distributions may only be made over one of the following periods (or a combination thereof):

- (1) The life of the Participant;
- (2) The life of the Participant and a Designated Beneficiary;

DRAFT**May 22, 2023**

(3) A period certain not extending beyond the life expectancy of the Participant; or

(4) A period certain not extending beyond the joint and last survivor life expectancy of the Participant and Designated Beneficiary.

(c) A Participant's Account(s) shall be distributed to the Participant beginning no later than April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains the applicable age within the meaning of Code Section 401(a)(9)(C)(v) or (ii) the calendar year in which the Participant has a Severance from Employment; provided, however, that effective for distributions required under Code Section 401(a)(9) for calendar years beginning in 2024, this paragraph (c) shall not apply to a Participant's Roth Contribution Account.

(d) Upon the death of the Participant before distribution of his or her entire Account(s), the following distribution provisions shall take effect, provided however, that such provisions shall be subject to any regulations or other guidance issued under Code Section 401(a)(9):

(1) The portion of the Participant's Account(s) that are payable to a Beneficiary that is not a Designated Beneficiary shall be distributed by December 31 of the calendar year containing the fifth anniversary of the Participant's death.

(2) The portion of the Participant's Account(s) payable to a Designated Beneficiary shall be distributed by December 31 of the calendar year containing the tenth anniversary of the Participant's death.

(3) Notwithstanding paragraph (2), if a portion of the Participant's Account(s) is payable to an Eligible Designated Beneficiary, the Eligible Designated Beneficiary may elect for the Participant's interest under the Plan to be distributed (i) by December 31 of the calendar year containing the tenth anniversary of the Participant's death or (ii) beginning no later than December 31 of the calendar year immediately following the calendar year in which the Participant died, over the life of the Eligible Designated Beneficiary or over a period not exceeding the life expectancy of the Eligible Designated Beneficiary. If the Eligible Designated Beneficiary is the surviving Spouse, the Eligible Designated Beneficiary may elect to delay payment under item (ii) until December 31 of the calendar year in which the Participant would have attained the applicable age within the meaning of Code Section 401(a)(9)(C)(v). If the Eligible Designated Beneficiary does not elect a method of distribution as provided above, the Participant's Account(s) shall be distributed in accordance with item (i).

DRAFT**May 22, 2023**

(4) Upon either (i) the death of an Eligible Designated Beneficiary before distribution of the Participant's entire Account(s) or (ii) the attainment of age twenty-one (21) for an Eligible Designated Beneficiary who is a minor child of the Participant, paragraph (3) shall no longer apply, and the remainder of the Participant's Account(s) shall be distributed under paragraph (2).

(e) Notwithstanding paragraph (d), if the Participant dies after distributions of his or her Account(s) begin under paragraph (c), any remaining portion of his or her Account(s) shall continue to be distributed at least as rapidly as under the method of distribution in effect at the time of the Participant's death and shall be subject to any regulations or other guidance issued under Code Section 401(a)(9).

(f) Any distribution required under the incidental death benefit requirements of Code Section 401(a) shall be treated as distributions required under this Section 9.04.

(g) The Fund Sponsors(s) shall be solely responsible for complying with the provisions of this Section 9.04. The Fund Sponsor(s) shall calculate the amounts required to be distributed to a Participant under this Section and notify such Participant of such distributions at least sixty (60) days prior to the date distributions must begin.

4. In all other respects, the Plan shall be and remain unchanged.

IN WITNESS WHEREOF, SURS has caused to be affixed the signature of its duly authorized representative.

**BOARD OF TRUSTEES OF THE STATE
UNIVERSITIES RETIREMENT SYSTEM**

By: _____

Print: _____

Title: _____

Date: _____



MEMORANDUM

To: Legal & Legislative Committee
From: Albert J. Lee, Associate General Counsel
Date: May 22, 2023
Re: Rulemaking Proposal and Update

I. Proposed Rulemaking – Candidate Informational Communication

Staff proposes amendments to Title 80, Section 1600.745 of the Illinois Administrative Code, entitled “Candidate Informational Communication,” to allow SURS to provide one email communication per election cycle for each board election candidate to be sent to eligible voters in their election. The current rule allows SURS to provide blind mailing lists and e-mail addresses to third-party service firms that are hired by the candidate or by an organization on behalf of the candidate for a one-time communication per election cycle. However, due to difficulties involved with securing a third-party email service provider, candidates encounter difficulties sending their email communication to prospective voters. The proposed rulemaking would allow SURS to use its own third-party email service firm to send one e-mail communication on behalf of any candidate who requests the same, thereby ensuring that each candidate has at least one email communication that will go out to the voters in their election. The cost of sending these emails is expected to be covered by the fee SURS already pays to its email service provider. In the unforeseen event that SURS has to pay extra for these communications, the cost to SURS would be approximately \$300.00-350.00 per candidate.

II. Status of Pending Rulemaking

The following proposed rulemakings were published for First Notice in Volume 47, Issue 10, page 3300 of the Illinois Register on March 10, 2023. The minimum 45-day period for public notice and comment has passed without any comments having been received from the public. Legal staff is currently working with the Secretary of State and the Joint Committee on Administrative (JCAR) Rules to file for Second Notice. If JCAR raises no objections to the proposed rulemakings, then we expect the rules to be finally adopted in the next few months.

1. Technical changes to the Group Trust Provisions that update the name of the Retirement Savings Plan (formerly the “Self-Managed Plan”) and specifically include the SURS disability benefit fund as a participant trust (80 Ill. Adm. Code § 1600.150).
2. Technical changes to the Excess Benefit Arrangement Rule to enhance compliance with IRS Regulations (80 Ill. Adm. Code § 1600.430).

3. Updates and changes to Overpayment Recovery Rules to conform to public Act 102-746 (permitting recovery from estates) and provide more specific recovery methods involving the State Comptroller and/or State Treasurer (80 Ill. Adm. Code § 1600.450).
4. Changes to the Administrative Staff Determination and Rules for Appeal – Nature and Requirements of Formal Hearings and Employer-Related Determinations and Rules for Appeal to update references, clarify various processes, clarify grounds for disqualification, provide *ex parte* communication exceptions for inquiries concerning bias or conflict of interest, and consolidate the employer appeals process under the Claims Panel process (80 Ill. Adm. Code §§ 1600.500, 1600.510).

All throughout the rulemaking process, the Board and staff must comply with the *ex parte* communication rules under Section 5-165 of the Illinois Administrative Procedure Act and Section 5-50 of the State Officials and Employees Ethics Act. All communications from the public and responses thereto pertaining to the substance of the rulemakings are to be forwarded to the SURS Ethics Officer (Bianca Green) so that they are made part of the record and reported to the Executive Ethics Commission. Any trustees or SURS staff who need an *Ex Parte* Communication Report form should contact the SURS Legal Department.

Legal Staff Recommendation:

That the proposed amendment to Title 80, Section 1600.745 of the Illinois Administrative Code be approved and that staff file the same with the Secretary of State for First Notice publication substantially in the form presented.

Section 1600.745 Candidate Informational Communication

During any election period commencing the January 1 immediately preceding the Election Date and ending the day after the Election Date, the System will make available a blind mailing list containing address files or e-mail lists of eligible voters for election candidates or other organizations to send additional informational material about the candidate.

- a) The System may assist an organization in sending out one e-mail or hardcopy communication per candidate per election cycle by providing a blind mailing list to a third-party service firm hired by the organization. Organizations must validly exist pursuant to law and must provide a mailing address and contact information to the System at the same time that a request is made for blind mailing list.
- b) The System may assist each candidate with sending out one communication per election cycle:
 - 1) by providing a blind mailing list to a third-party service firm for an email or hardcopy communication; or
 - 2) by assisting the candidate with sending an e-mail communication through a third-party service firm hired by the System.
- c) All third-party service firms must limit the use of the blind mailing list to ensure that there is only one communication distributed per candidate, per organization. The third-party service firm must guarantee security and only use the member contact information for communication of candidate informational materials.
- d) The System will not incur any of the costs to produce, mail or e-mail the additional candidate information, except for the one e-mail communication referenced in subsection (b)(2).
- e) Regardless of the source of distribution, the contents of the informational materials must be approved by the SURS Board Secretary and must comply with the SURS Blind Mailing Policy prior to the mailing or e-mailing.

Section 1600.745 Candidate Informational Communication

a) — During any election period commencing the January 1 immediately preceding the Election Date and ending the day after the Election Date, the System will make available a blind mailing list containing address files or e-mail lists of eligible voters for election candidates or other organizations to send additional informational material about the candidate.

- a) The System may assist an organization in sending out one e-mail or hardcopy communication per candidate per election cycle by providing a blind mailing list to a third-party service firm hired by the organization. Organizations must validly exist pursuant to law and must provide a mailing address and contact information to the System at the same time that a request is made for ~~address files or e-mail lists~~blind mailing list.
- b) ~~The address files or e-mail lists will be sent by the System to a third-party service firm hired by the candidate, or other organization, for mailing. The System may assist each candidate with sending out one communication per election cycle:~~
 - 1) by providing a blind mailing list to a third-party service firm for an email or hardcopy communication; or
 - 2) by assisting the candidate with sending an e-mail communication through a third-party service firm hired by the System.
- c) All third-party service firms must limit the use of the blind mailing list to ensure that there is only one communication distributed per candidate, per organization. The third-party service firm must guarantee security and only use the member contact information for communication of candidate informational materials.
- e) — ~~The third-party service firm will limit the use of the address files or e-mail lists to ensure there is only one communication per candidate, per organization.~~
- d) The System will not incur any of the costs to produce, mail or ~~send e-mail~~ the additional candidate information, except for the one e-mail communication referenced in subsection (b)(2).
- e) Regardless of the source of distribution, The-the contents of the informational materials must be approved by the SURS Board Secretary and must comply with the SURS Blind Mailing Policy prior to the mailing or e-mailing.

MAY COMPLIANCE REPORT (2023)

Report Owner: Compliance Officer		* indicates new requirement/change in requirement			Due < 30 days	Past Due/Missed		
Department	Report	Filed With	Frequency	Statute/Rule	Last Filed	Next Due	Status	Notes
Administration	Travel Exception Report	IHETCB	Quarterly - due the 15th of the month after the quarter ends	80 IL 2900.105	4/3/2023	7/15/2023		This is due by the 15th of the month after the Q ends.
Administration	Drivers License & Insurance Certification	U of I	Annual	625 ILCS 5/7-203 & JCAR 44 Sec 5040.500	6/30/2022	6/30/2023		
Administration	Certification of Board Training Requirement	DFPR-Public Pension/Insurance Div	Annual	40 ILCS 5/1/113.18	7/7/2022	6/30/2023		
Administration	Notice of Regularly Scheduled Board Meetings	SURS Lobby and SURS website	Annual	5 ILCS 120.202	Jun-22	Dec-23		
Administration	Oath of Office	Internal	Ad Hoc	40 ILCS 5/15-159(h)	As needed	As needed		
Administration	Disclosure of Appointee Interest in State Contracts	SOS	Ad Hoc	5 ILCS 420/3A.30	As needed	As needed		
Administration	Trustee Indemnification Agreements	Internal & Fiduciary Council	Ad Hoc	40 ILCS 5/1-107 & Board Governance Bylaws 1.1	As needed	As needed		
Administration	iPad User Agreements	Internal	Ad Hoc	Internal Requirement	As needed	As needed		
Audit	Deceased Annuitant Reporting	Internal	Quarterly	30 ILCS 805/8.40	2/9/2023	6/30/2023		
Audit	Fiscal Year Audit Completion Report	Internal - Filed with the Executive Director	Annual	Fiscal Control & Internal Auditing Act; 30 ILCS 10/2003	8/31/2022	9/30/2023		
Audit	FCIAA Internal Control Certification	Auditor General	Annual (filed by 5/1)	Fiscal Control & Internal Auditing Act; 30 ILCS 10/3003	4/24/2023	5/1/2024		
Audit	Two Year Audit Plan	Internal/ ED approval/A & R Committee	Annual	30 ILCS 10/2003	6/27/2022	6/30/2023		
Audit	Submission of System Audit (due after FY end)	Governor - submitted by SURS and by the Auditor General	Annual	State Auditing Act and 30 ILCS 5/3-14 and 40 ILCS 5/15-174	FY22 - 2/9/2023	FY23		
Finance	GAAP	Comptroller	Annual (by 10/15)	PA 097-1055/ Financial Reporting Standards Board Act	Prelim filed 9/23/2022 - Final due when final numbers are done - final filed 10/24/2022	10/15/2023		
Finance	Public Accountability Report	Comptroller	Annual (by 11/15)	SAMS	12/14/2022	12/15/2023		
Finance	IRS Form 941-Employer Fed Tax Return Form	IRS	Quarterly	IRS CODE	4/20/2023	7/31/2023		
Finance	IRS Form 945 Annual Return of Withheld Federal Tax	IRS	Annual	IRS Code	1/31/2023	1/31/2024		
Finance	Cash Receipts and Disbursement Reports	Comptroller	Quarterly	SAMS	4/27/2023	7/31/2023		
Finance	Agency Fixed Asset Report	Comptroller	Quarterly	SAMS	4/29/2023	7/31/2023		
Finance	Accounts Receivable	Comptroller	Quarterly	SAMS	4/24/2023	7/31/2023		
Finance	Report on SMP Participation Rate	COGFA	Annual	40 ILCS 5/15-158.3	10/26/2022	11/15/2023		
Finance	Cert. of State Contribution and CIP	Governor, CMS, and Comptroller	Annual (final by 1/15)	40 ILCS 15/1.4 *	1/3/2023	1/15/2024		
Finance	Department of Insurance Report	Pension Division of Illinois Dept. of Ins.	Annual	40 ILCS 5/1A-109	12/28/2022	12/31/2023		
Finance	IRS Form 1099R (FIRE)	IRS	Annual	IRS CODE	3/28/2023	4/30/2024		
Finance	IRS 1042: Withholding US income of Foreign Persons	IRS	Annual	IRS CODE	3/9/2023	3/15/2024		
Human Resources	Report on State Employees Combined Appeal (SECA) Voluntary Deductions	Comptroller	Annual (by 3/1)	5 ILCS 340/8(c)	1/10/2023	3/1/2024		
Finance	Comptroller Agency Invoice	Comptroller	Annual	PA 98-0228 30 ILCS 105/9.08	9/21/2017	No longer required		By law, we file monthly Debt Transparency Reports instead. Statute was rewritten.
Finance	Fee Imposition Report	to Comptroller who sends to Gen. Assembly by 9/1	Annual - to Comptroller by 7/31; Comptroller to GA by 9/1	15 ILCS 405/16.2	7/21/2022	7/31/2023		
Finance	5 year review of 90% funding target	COGFA	5 years	40 ICLS 1-103.3	10/27/2021	12/31/2026		The ED sends a letter to COGFA on this issue.
Finance	Certification of Overpayments	Internal and Board of Trustees	Determined Internally	80 Ill Adm. Code Sec.1600.450	As needed	As needed		
Finance	IRS W-3	IRS	Annual	IRS Code	1/23/2023	1/31/2024		
Finance	Information to COGFA	COGFA	Ad Hoc/At will	40 ILCS 5/22-803	As needed	As needed		
Finance	Debt Transparency Report	Comptroller	Monthly (due on the 10th)	30 ILCS 105/9.08	5/1/2023	6/10/2023		

MAY COMPLIANCE REPORT (2023)

Finance/Mem Serv	Illinois Revised Unclaimed Property Act	Treasurer's Office	Annual report due 11/1 reporting period covers 7/1-6/30 of the preceding year	765 ILCS 1026/15-403	1/10/2022* partial report filed for 2022 filing period. FY22 RUUPA reports for RMD and death were filed on 5/9/2023. These are the only reports we can provide until the PAS project is done.	Report for FY23 due on 11/1/2023	The Treasurer's Office has confirmed that the reports we have provided at this point will comply with the statute until our PAS project is complete.
Finance/Mem Serv	Fin. Stmt to Participants/ Serv. Cred Stmt	Annuitants	As requested	40 ILCS 5/15-175	Ongoing	ongoing	
Finance/Mem Serv	Reports to Reciprocals	Recip Systems	As requested	40 ILCS 5/20-126	Ongoing	ongoing	
Human Resources	Separation Report	State Universities Civil Service System	Monthly (w/n 10 days EOM)	Civil Service Rule 250.30	5/5/2023	6/10/2023	
Human Resources	Monthly Wage Report	IDES taxnet Online	Monthly (EXCEPT 1/4/7/10)	IDES PA 97-0689	5/7/2023	6/30/2023	
Human Resources	Form UI-3	IDES taxnet Online	Quarterly (1/31, 4/30, 7/31/10/31)	IDES PA 97-0689	4/7/2023	7/31/2023	
Human Resources	Report of Employee Served	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.30	4/9/2023	7/10/2023	
Human Resources	Exempt Employees Report	State Universities Civil Service System	Quarterly	110 ILCS 70/36e	4/9/2023	7/31/2023	
Human Resources	Occupational Ethnic and Gender Report	State Universities Civil Service System	Quarterly (w/n 10 days EOQ)	Civil Service Rule 250.3.1	4/9/2023	7/10/2023	
Human Resources	Agency Workforce Report	Secretary of State; Office of Governor	Annual	5 ILCS 410/15 and 5 ILCS 410/20	12/21/2022	12/31/2023	
Human Resources	TA-2	Legislative Audit Commission	Bi-Annually	St. Fin. Act 30 ILCS 105/12-3	1/3/2023	7/31/2023	
Human Resources	I-9 Eligibility	Internal In File	Ad Hoc w/n 20 days of hire	Dept. Homeland Security	Time of Hire	As needed	
Information Technology	Data Breach Report - Personal Info Protection Act	Notice to resident "in the most expedient time possible and without unreasonable delay."	Ad Hoc	815 ILCS 530/10	Eff. 1/1/20	As needed	
Human Resources	SSA 1945	Internal In File	Ad Hoc w/n 20 days of hire	SSA	Time of Hire	As needed	
Investments	Investment Update Report	Online Surs.org	75 days after month end	Internal procedure - monthly	March. posted 5/26/2023	April due 6/15/2023	These reports are often delayed - waiting for private equity information
Investments	Investments Information Report - Monthly Report to Gov. on MWDB Firms/HR/Vendors	Online Surs.org Governor	Monthly (by the 15th) Annual by January 1	30 ILCS 237/10 PA 93-0499 40 ILCS 5/1-109.1(8)	5/15/2023 12/19/2022	6/15/2023 1/1/2024	
Investments	Consultant Report on MWDB searches*	SURS Board of Trustees	Annual by January 1	40 ILCS 5/1-113.22	Both - 12/16/22	1/1/2024	These are filed in the same document with the item below. Both statutes, as written, are impossible to meet. Auditors have accepted 1/31 as the due date.
Investments	Consultant Report on Economic Opportunities*	SURS Board of Trustees	Annual by January 1	40 ILCS 5/1-113.23	Both - 12/16/22	1/1/2024	
Investments	Quinquennial Rep. US Owned Foreign Securities**	Federal Reserve Bank	Only upon request 5 years	22 USC Sec 3101	2022 (no report required)	Not due until 2027	*req. threshold for reporting not met for 2017. Next reporting year = 2027 and only if we meet the reporting threshold.
Investments	Restricted Companies Divestiture Reporting*	Illinois Investment Policy Board	Annual by April 1	40 ILCS 5/1-110.16(g)	3/27/2023	4/1/2024	
Investments	Illinois Finance Entity/High Risk Home Loan Act Cert.	DFPR-Public Pension/Insurance Div	Annual	40 ILCS 5/1-110.10	8/8/2022	9/30/2023	
Investments	Invest in Illinois - Report of Economic Opportunity Investments in Illinois	Governor and General Assembly	Annual by September 1	40 ILCS 5/1A-108.5(c)	8/31/2022	9/1/2023	
Investments	Annual SEC ADV's from Financial managers	SEC	Annual-120 days from FY end	US Investment Advisors Act of 1940	Ongoing	Ongoing	*not all managers are required to file by 4/1
Investments	Investment Manager Fee Disclosure to the Board (DB and DC Fees) and description of investment adviser and consultant contracts posted to SURS website	SURS.org website	Quarterly	40 ILCS 5/1-113.14(e)(f)	5/18/2023	9/30/2023	This Q report is due by the end of the next Q

MAY COMPLIANCE REPORT (2023)

Investments	Written Investment Policies	Illinois Department of Insurance	Ad Hoc - within 30 days after policy is amended	40 ILCS 5/1-113.6	As needed	As needed	New statute requires inv. policy to include sustainability factors
Investments	Investment Services Policy Exemptions, Forms and Contract Summaries	Illinois Procurement Policy Board	Ad Hoc	40 ILCS 5/1-113.14(b)	As needed	As needed	
Investments	Qualified FOF Mgmt. Services Contract Summaries	SURS.org website	Ongoing	40 ILCS 5/1-113.15(b)	As needed	As needed	
Investments	Annual Certification of Fiduciary Duty and Insurance	Internal on file	Annual	contract provision	9/1/2022	9/1/2023	
Investments	Investment Policy - Initial Filing and Updates	Illinois Department of Insurance	Ad Hoc	40 ILCS 5/1-113.17	9/28/2022	w/30 days of update	
Investments	Illinois Sustainable Investing Act - Inv. Policy New Requirements (eff. 1-1-2020)	Illinois Department of Insurance	Ad Hoc	30 ILCS 238/15 and 40 ILCS 5/1-113.17	1/31/2020	w/30 days of update	
Legal & Ethics	Anti-Discrimination and Harassment Training for Lobbyists	OEIG	Annual	25 ILCS 170/4.7	No longer required	No longer required	
Legal & Ethics	Ethics Training for Registered Lobbyists	Secretary of State	Annual	25 ILCS 170/4.5	No longer required	No longer required	
Legal & Ethics	Lobbying Expenditure Report (20th)	Secretary of State	Monthly	25 ILCS 170/6	No longer required	No longer required	
Legal & Ethics	Lobbyist Registration Act Exemption Letter	Secretary of State	Annual	25 ILCS 170/3(a)(4 and 5) and 2 Ill. Admin. Code Sec. 560.210(e-f)	1/27/2021	No longer required	
Legal & Ethics	Lobbying Expenditure Report (5th)	Secretary of State	Monthly	25 ILCS 170/6	No longer required	No longer required	We sent this letter as a courtesy to inform that SURS is no longer a registered lobbyist.
Legal & Ethics	Statement of Economic Interests (Board and Execs)	Secretary of State	Annual	5 ILCS 420/4A-101	5/1/2023 - staff 5/4/2023* trustees	5/1/2024	
Legal & Ethics	Annual Ethics Training for Trustees	Internal-Cert of Completion by ED to Division of Insurance of the Department of Financial and Professional Regulation	Annual (to be completed by 6/30)	5 ILCS 430/5-10	2/7/2023	6/30/2023	
Legal & Ethics	Ethics Training Plan/Ethics Training State Employees- Part 1- staff only online	SURS Internal Auditor - OEIG at end of year	Annual	5 ILCS 430/5-10	5/2/2022	6/30/2023	
Legal & Ethics	ARDC Registration	ARDC	Annual	128 Ill.2d 351, 538 NE 2d 1152	12/31/2022	12/31/2023	
Legal & Ethics	FOIA Officer Training & Annual Certification	IAG	Annual	5 ILCS 140/3.5	Dec-22	12/31/2023	
Legal & Ethics	Ethics Officer Designation Notice	IL Executive Ethics Commission	As Needed/Ad Hoc	2 IL 1620.83	As needed	as needed	
Legal & Ethics	Revolving Door Policy Sign off	Executive Inspector General	As Needed/Ad Hoc	5 ILCS 430/5-5-45	Time of Hire	As needed	
Legal & Ethics	Ex Parte Communications Reports	Executive Ethics Commission	As Needed/Ad Hoc	5 ILCS 430/5-50	9/13/2017	As needed	
Legal & Ethics	OMA Trustee Training	IAG	One Time	5 ILCS 120/1.05	current various dates	As needed	
Legal & Ethics	QILDRO Forms Electronically Available	SURS.org website	Ongoing requirement	40 ILCS 5/1-119	current	as updated	
Legal & Ethics	OMA Officer Training	IAG	Annual	5 ILCS 120/1.05	12/31/2022	12/31/2023	
Legal & Ethics	Annual Completed Ethics Training and Reporting- Staff and Board -online & paper format	OEIG	Annual	5 ILCS 430/5-10	1/15/2023	1/15/2024	
Legal & Ethics	Ethics Orientation for State of Illinois Employees-Paper	OEIG	W/n 30 days of hire	5 ILCS 430/5-10	As needed	As needed	
Legal & Ethics	Cybersecurity Training for Staff and Trustees	Dept. of Innovation and Technology	Annual	20 ILCS 450/25	12/31/2022	12/31/2023	
Legal & Ethics	Sexual Harassment Training for Staff and Trustees	OEIG	Annual - report due by 1/15 of following year	5 ILCS 450/5-10.5	1/15/2023	1/15/2024	
Legal & Ethics	Anti-Discrimination and Harassment Training for Staff and Trustees	OEIG	Annual - report due by 1/15 of following year & w/in 30 days of commencing elected or appointed position/office	5 ILCS 430/5-10.5	1/15/2023	1/15/2024	
Legal & Ethics	Fraud	SURS Board of Trustees and/or Appropriate State's Attorney	As needed	40 ILCS 5/1-135 and 40 ILCS 5/15-186	6/3/2022	As needed	

The last trustee completed the 2022 training in Feb of 2023

ILLINOIS REGISTER

STATE UNIVERSITIES RETIREMENT SYSTEM

~~JULY~~~~JANUARY~~ 2023 REGULATORY AGENDA

a) Part (Heading and Code Citation): Universities Retirement (80 Ill. Adm. Code 1600)

1) Rulemaking:

A) Description: The System anticipates rulemaking affecting the following:

Amend SURS administrative rules to include necessary substantive changes and technical corrections to reflect the impact of new statutory changes.

Amend Section 1600.150 (Group Trust Provisions) to expressly include the Retirement Savings Plan disability benefit program as a participating trust in the Group Trust and to update the reference to the Self-Managed Plan to the Retirement Savings Plan.

Amend Section 1600.270 (Employer Contributions for Benefit Increases Resulting from Earnings Increases Exceeding 6%) to add exclusion concerning any earnings increase resulting from overload work performed in an academic year subsequent to an academic year in which the employer was unable to offer or allow to be conducted overload work due to an emergency declaration limiting such activities under 40 ILCS 5/15-155(h-5).

Amend Section 1600.420 (Making Preliminary Estimated Payments) to include procedures for holding payments when the member has not responded to informational requests, and to suspend the benefit after a period of non-compliance with the request.

Amend Section 1600.430 (Excess Benefit Arrangement) to make changes to enhance compliance with the Internal Revenue Code.

Amend Section 1600.450 (Overpayment Recovery) to make changes conforming to Public Act 102-0746, effective 5/6/2022 that allows SURS to recover overpayments from payments made to estates, from the Illinois Treasurer's Office of Unclaimed Property and from any other legal means available. Rule changes will also address *de minimis* revisions to benefit calculations and deductions for overpayments of less than \$100.

Amend Section 1600.460 (Accelerated Pension Benefit Payment In Lieu of Any Pension Benefit) to reflect the extended deadline of June 30, 2026 as referenced in Public Act 102-718, effective May 5, 2022.

ILLINOIS REGISTER

STATE UNIVERSITIES RETIREMENT SYSTEM

~~JULY~~JANUARY 2023 REGULATORY AGENDA

Amend Section 1600.461 (Accelerated Pension Benefit Payment for a Reduction and Delay in AAI) to reflect the extended deadline of June 30, 2026 as referenced Public Act 102-718, effective May 5, 2022.

Amend Sections 1600.500 (Administrative Staff Determinations and Rules for Appeal - Nature and Requirements of Formal Hearings) and 1600.510 (Employer-Related Determinations and Rules for Appeal) to consolidate the appeals process for member claims and employer appeals under the Claims Panel, and to provide specific language regarding grounds for disqualification of any member of the Claims Panel, and to clarify that employee-to-employee communications to inquire about bias or conflicts of interest are not *ex parte* communications.

Promulgate rules to establish acceptable documentary evidence for demographic information such as birth dates and marital status.

Promulgate rules to provide specific definitions and procedures to implement 40 ILCS 5/15-168 (concerning information requests necessary for the proper administration of the System and suspensions for non-compliance by members and penalties for non-compliance by employers).

Promulgate rules to clarify SURS' benefit forfeiture procedures and refund calculation methods arising from work-related felonies under Section 15-187 of the Illinois Pension Code (40 ILCS 5/15-187).

Amend Section 1600.710 (Petitions) to remove any reference to the required or permissive use of the last four digits of the social security numbers of SURS members on nominating petitions for contributing member candidates and annuitant candidates.

Amend Section 1600.745 (Candidate Informational Communications) to provide clarity for the options available to candidates for sending out SURS approved electronic and/or hard copy campaign communications to voters.

- B) Statutory Authority: Article 15 of the Illinois Pension Code, 40 ILCS 5/15-177.
- C) Scheduled meeting/hearing dates: Written comments may be submitted

ILLINOIS REGISTER

STATE UNIVERSITIES RETIREMENT SYSTEM

~~JULY~~JANUARY 2023 REGULATORY AGENDA

during the 45-day public comment period following publication of the proposed rule in the *Illinois Register*. No public hearings are anticipated.

- D) Date agency anticipates First Notice: Summer 2023 through Winter 2024
- E) Effect on small businesses, small municipalities or not for profit corporations:
None
- F) Agency contact person for information:

Bianca T. Green, General Counsel
State Universities Retirement System
1901 Fox Drive
Champaign, IL 61820

(217) 378-8825
Fax: (217) 378-9801
bgreen@surs.org
- G) Related rulemakings and other pertinent information: Other Amendments may be necessary based on emergent issues.