## Money Purchase Factor Changes Effective 07/02/2021





Spring 2022

# **Background Information**

- All eligible formula calculations are performed
- Annuity is based on the highest benefit calculation
- General Formula vs. Money Purchase
- Money Purchase calculation is not available to members who became participants on or after July 1, 2005



## When Will The Money Purchase Factors Change?

# July 2, 2022



# How Are The Money Purchase Factors Used?

**General Formula** is based on:

- Member's age
- Years of service
- Earnings average

#### Money Purchase Calculation is based on:

- Normal retirement contributions
- Accrued interest
- Actuarial factors



## Money Purchase Calculation Facts

(Money Purchase calculation not applicable if certification date is on or after 7/1/05)

- Money Purchase factors are an actuarial representation of the member's life expectancy
- Current factors effective 7/2/19 7/1/22
- New Money Purchase factors effective 7/2/22
  - Recent Experience study conducted in fall of 2020
- Money Purchase factors do not affect the General Formula





## Why Do The Money Purchase Factors Change?

- State actuary requires annual review of the economic assumptions (State actuary was designated in 2012)
- PA99-232 effective 08/03/15 requires an experience study be conducted at least every three years.
- Both the economic assumption review and the experience study can result in change to Money Purchase factors
- Based on results of these studies, Money Purchase factors are modified to better reflect economic conditions, demographics, and life expectancies
- Provides better estimates of future liability and asset growth



# How Will The Money Purchase Calculation Change?

- 2% 4% reduction (on average)
- Active participants can recover the reduction by delaying retirement for approximately 3-4 months
- Inactive participants would need to delay retirement for approximately 4-6 months



# Will The Changes Impact Everyone?

Members **not** impacted by these changes:

- Current annuitants
- Survivor benefit recipients
- Retirement Savings Plan members
- Members who first became participants on or after July 1, 2005
- Members whose benefit is highest under the General Formula calculation



# Who Will Be Impacted By These Changes?

- Members retiring on or after July 2, 2022, with the highest retirement calculation under the Money Purchase calculation *will* be impacted
- If a member's retirement annuity is highest under a calculation method other than the Money Purchase, they *will not* experience a reduction in the base monthly annuity benefit due to the changing factors



## **General Formula Traditional & Portable**

- 1. 2.2% \* x years of service = percentage
- 2. Percentage x final average earnings
- 3. Less age reduction, if applicable

Note:

80% maximum benefit = 36.364 years of service



# Final Average Earnings (FAE)

- Average of:
  - High four consecutive academic years, or
  - Last 48-months worked
    - Applies to hourly employees, or
    - Employees who receive a 12-month salary paid over 12 months
- SURS uses the higher of these calculations, if applicable



## General Formula Example

- 28 years service credit
- Final Average Earnings= \$48,350

#### **Calculation of Benefit:**

28 yrs x 2.2% = 61.6%

Annual Benefit: 61.6% x \$48,350 = \$29,783 Monthly Benefit: \$29,783 ÷ 12 = **\$2,481**\*

\*Assumes no age reduction applicable



## **Age Reduction**

If less than 30 years of service credit, annuity reduced by  $\frac{1}{2}$  of 1% for each month under age 60

Age 60	\$2,481	No reduction
Age 59	\$2,332	6% reduction
Age 58	\$2,183	12% reduction
Age 57-1/2	\$2,108	15% reduction
Age 56	\$1,885	24% reduction
Age 55	\$1,736	30% reduction



Money Purchase Calculation Traditional and Portable – Tier I only (Money Purchase calculation not applicable if certification date is on or after 07/01/05)

- Retirement contributions and interest
   a) FY 2022 interest rate is 5.5%
- 2. Plus employer (State of Illinois) share
- 3. Divided by actuarial factor



## Money Purchase Calculation Example

(Money Purchase calculation not applicable if certification date is on or after 7/1/05)

Money Purchase Calculation: Member Age 60	Current Factors Effective 07/02/19-07/01/22	VS	New Factors Effective 07/02/22
Normal Retirement Contributions & Interest* State Employer Match (\$153,950 x 2.4) +	\$153,950 <u>\$215,531</u>		\$153,950 <u>\$215,531</u>
Total Normal Contributions & Interest* at Retirement =	\$369 <i>,</i> 481		\$369,481
Actuarial Age Factor ÷	<u>147.265</u>		<u>151.446</u>
Monthly Retirement Benefit =	\$   2,508		\$ 2,440

\*Interest is based on Illinois State Comptroller rate



# **Calculation Results**

#### **General Formula**

\$2,481

#### **Money Purchase**

\$2,508

\$2,440

Based on current Money Purchase factors in effect through 07/01/22

#### **Money Purchase**

Based on **New** Money Purchase factors effective 07/02/22

- SURS calculates all applicable formulas and pays highest benefit to member
- In this example, if member retired prior to 07/02/22, benefit would be \$2,508 (Money Purchase)
- If member retired on or after 07/02/22, benefit would be \$2,481
- It would take the member approximately 3-4 months of continued employment to attain the level of benefit payable prior to the factor change



# **Should I retire?**



# What Is My Retirement Plan Choice?

#### **Retirement Savings Plan**

 Money Purchase factor changes *do not* affect you

#### **Traditional or Portable**

 Money Purchase factor changes *may* affect you



# When Did My SURS Participation Begin?

#### On or after July 1, 2005

 Money Purchase factor changes *do not* affect you

#### Prior to July 1, 2005

 Money Purchase factor changes *may* affect you



# Am I Eligible To Retire Within The Next Three Years?

#### No, I am not eligible

- Current Money Purchase factor changes *do not* affect you
- Yes, I am eligible
  - SURS encourages you to learn more about how the Money Purchase factor changes could affect your benefit
    - Benefit Estimator
    - Counseling Appointment



# What Calculation Is My Highest Benefit?

#### Benefit highest using Money Purchase

 Benefit calculation <u>is impacted</u> by the Money Purchase factor changes

#### Benefit highest using another formula

 Benefit calculation <u>is NOT impacted</u> by the Money Purchase factor changes



# If I Decide To Retire, What Date Should I Use?

- If impacted by the change to Money Purchase factors, may want to consider retirement no later than 07/01/22
- Keep in mind that SURS does not pay retirement benefits for partial months
- Health insurance benefits become effective on the annuity begin date
- Consider retirement on the first of the month to provide a full month's benefit and immediate health insurance benefits (if applicable)



# **Determining a Retirement Date**

- Termination Date
  - Last date of employment
  - Typically, the last day of a month
- Retirement Date



- Must follow the termination date
- Annuity Begin Date
  - Typically, the first of the month following your termination date

Note: Any insurance benefits you are eligible for as a retiree will not begin until your annuity begin date.



## Retirement Date Examples

Example 1:					
Termination Date:	June 30, 2022				
Retirement Date:	July 1, 2022				
Annuity & Insurance Begin Date:	July 1, 2022				
Example 2:					
Termination Date:	May 15, 2022*				
Retirement Date:	May 16, 2022				
Annuity & Insurance Begin Date:	June 1, 2022				
*If your termination date is mid month, contact your current employer for insurance information					



## **SURS WEBSITE**



## **SURS Member Login**



#### Member Website Log on Welcome to the State Universities Retirement System Member Website

If this is your first visit to this site, you must click on the "Registration Process" button. This process will register you to use this website. To register you must have a SURS Member ID number. SURS will issue a Member ID number after receiving an Employment Certificate from your employer.

If you have already registered, enter your User Name and the Password, and then click on the "Log on" button. Or, if you have forgotten your user name or your password and would like to reset them, you can click on the "Registration Process" button or the "Forgot?" links to do this.

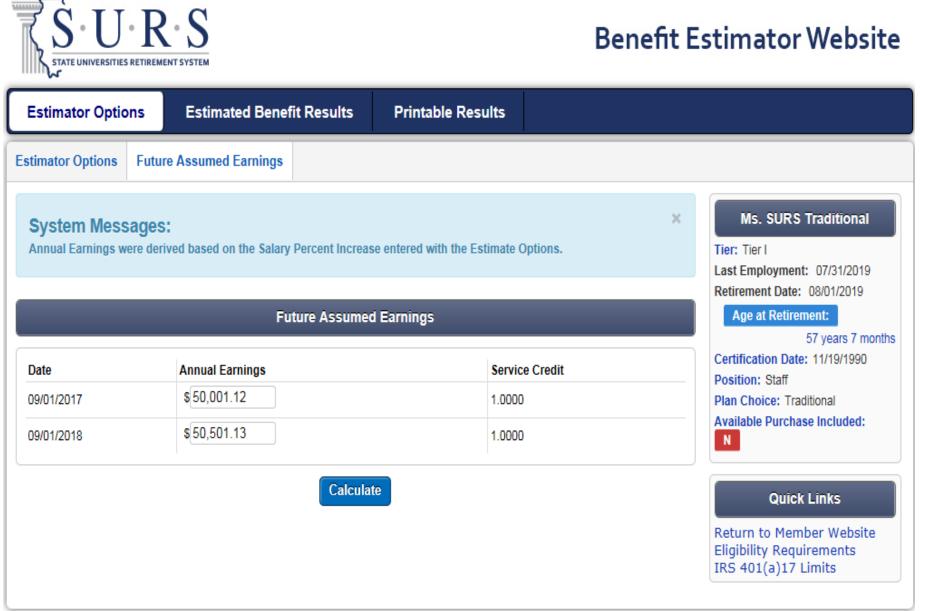




## **Benefit Estimator Options Screen**

STATE UNIVERSITIES RETIREMENT SYSTEM	Benefit Estimator Website
Estimator Options Estimated Benefit Results Printable Res	sults
Estimator Options Future Assumed Earnings	
Benefit Estimator Assumptions	Ms. SURS Traditional
Position:       Academic       Staff/Academic Professional         Last Date of Employment (MM/DD/YYYY):       06/07/2018       Image: Comparison of the second s	Tier: Tier I Last Employment: 06/07/2018 Retirement Date: 06/07/2018 Age at Retirement: 0 years 0 months Certification Date: 11/19/1990 Position: Staff Plan Choice: Traditional Available Purchase Included: N
Unpaid Sick Leave Days: Assumed Future Interest Rate: 6.75 % Continue to Calculate	Quick Links Return to Member Website Eligibility Requirements IRS 401(a)17 Limits

## **Estimator Options**



## Estimated Benefit Results Traditional

Estimator Option	ns Estimated	Benefit Results	Printable Result	is		
Estimated Benefits	Calculation Details	Final Average Earn	iings			
		Calculation	Details			Ms. SURS Traditional
-Calculation and Serv	vice Credit:					Tier: Tier I Last Employment: 07/31/2019 Retirement Date: 08/01/2019
General Formula Monthly Retirement Annuity				\$ 2,060.00	Best	Age at Retirement: 57 years 7 months
Money Purchase Monthly Retirement Annuity				\$ 1,850.00		Certification Date: 11/19/1990 Position: Staff Plan Choice: Traditional
Service Credit				25.7500 years		Available Purchase Included:
Projected Earnings:						Quick Links
Projected Earnings shown are based on assumptions entered before any limits are applied. Future Date Projected Earnings						Return to Member Website Eligibility Requirements
09/01/2017 to 08/31/2018 \$50,001.12				IRS 401(a)17 Limits		
09/01/2018 to 07/31/2019					\$ 46,292.73	
Vacation Earnings: Total Earnings for Final Year					\$ 3,884.70 \$ 50,177.43	

## Final Average Earnings (FAE)

Estimator Option	ns Estimated	Benefit Results	Printable Results	
timated Benefits	Calculation Details	Final Average Earnings		
System Mess If applicable, you ma	-	ow, then hit "Recalculate" to	) see the results.	X Ms. SURS Traditional Tier: Tier I Last Employment: 07/31/2019 Retirement Date: 08/01/2019
		Final Average Earn	ings	Age at Retirement:
- Annual Av	verage: \$51,086.86 I	Final Average Earn Monthly Average: \$4,257.	Developing	57 years 7 month Certification Date: 11/19/1990 Position: Staff
<ul> <li>Annual Av</li> <li>Start Date</li> </ul>	verage: \$51,086.86		Developing	57 years 7 month Certification Date: 11/19/1990 Position: Staff Plan Choice: Traditional
		Monthly Average: \$4,257.	23 Recalculate	57 years 7 month Certification Date: 11/19/1990 Position: Staff
Start Date	End Date	Monthly Average: \$4,257. Num Months	23 Recalculate Earnings	57 years 7 month Certification Date: 11/19/1990 Position: Staff Plan Choice: Traditional Available Purchase Included:
Start Date 08/01/2015	End Date 08/31/2015	Monthly Average: \$4,257. Num Months 01	23 Recalculate Earnings \$4,166.76	57 years 7 month Certification Date: 11/19/1990 Position: Staff Plan Choice: Traditional Available Purchase Included:

Please keep in mind that any benefit you receive from SURS will be determined pursuant to the laws governing this system. Use of this program does not replace a SURS counseling appointment. If you are within four years of retirement, we recommend that you contact SURS for an estimate rather than relying on this estimator in making your retirement decisions.

## Internet Estimator Portable



#### **Benefit Estimator Website**

Estimator Options	Estimated Benefit Results	Printable Results	
Estimator Options Futur	re Assumed Earnings		
	Benefit Estimator /	Assumptions	Miss Surs Portable
Position: O Academi Last Date of Employment (MI Retirement Date (MM/DD/YY)	M/DD/YYYY): 06/07/2018		Tier: Tier I Last Employment: 06/07/2018 Retirement Date: 06/07/2018 Age at Retirement: 0 years 0 months
Earnings Assumption Estimated Current Academ Salary Increase Percent: Vacation Days:	nic Year (09/01/2017 to 08/31/2018): \$597 %	27.58	Certification Date: 08/03/1998 Position: Staff Plan Choice: Portable Eligible Available Purchase Included:
Unpaid Sick Leave Days:	late: 6.75 %		Quick Links Return to Member Website Eligibility Requirements
Contingent Annuitant Infor Contingent Annuitant: Nan		8	IRS 401(a)17 Limits
	Continue to C	alculate	

### Estimated Benefit Results Portable

Estimator Optio	ns Estimated	Benefit Results	Printable Res	ults		
Estimated Benefits	Calculation Details	Final Average Earn	ings			
System Mess The Lump Sum Ref	ages: und Amount shown assu	imes that portable eligi	bility requirements ha	ive been	×	Miss Surs Portable Tier: Tier I Last Employment: 07/31/2019 Retirement Date: 08/01/2019
		Estimated B	enefits			Age at Retirement:
Monthly Annuity:	The monthly benefit is	s one of the following dep	ending on the survivor	benefit cl	nosen:	57 years 7 months Certification Date: 08/03/1998 Position: Staff Plan Choice: Portable Eligible Available Purchase Included:
-	e: timate, the Money Purchas Calculation Details tab to		-		Money Purchase	Quick Links
Reduced Retiremen Reduced Retiremen	Annuity at 08/01/2019 wit t Annuity with 50% survive t Annuity with 75% survive t Annuity with 100% surviv	or annuity or annuity			\$ 2,200 \$ 1,800 \$ 1,650 \$ 1,520	Return to Member Website Eligibility Requirements IRS 401(a)17 Limits
Monthly Retirement	Annuity as % of Final Ave	rage Earnings with no su	rvivor annuity		43%	
Lump Sum Refund:-				1		]
	nd as of 08/01/2019:	dits in the SLIRS system	including the ability		\$ 351,760	

By taking a refund, you forfeit all rights and credits in the SURS system, including the ability to receive a lifetime monthly benefit and health insurance, if eligible. Medical expenses are often one of the largest costs in retirement. Please consider your options carefully before making a decision that forfeits your right to health insurance. Tax consequences may also apply depending on your method of distribution.

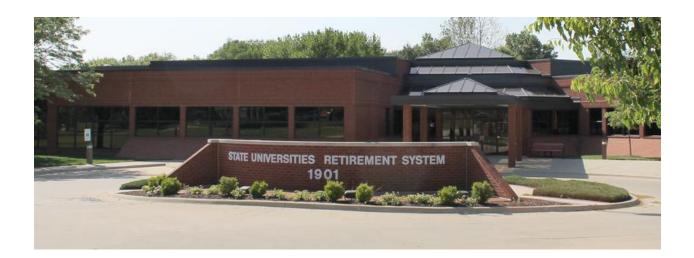
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# What If I Am Reaching Maximum Benefit?

- If previous estimates show that you are reaching maximum benefit under the Money Purchase calculation, you may be eligible for a waiver of excess contributions and interest
- The amount of the waiver *will be impacted* by the changes to the Money Purchase factors
- You are encouraged to request a written estimate or a retirement counseling appointment to determine the impact



## **How to Contact SURS**



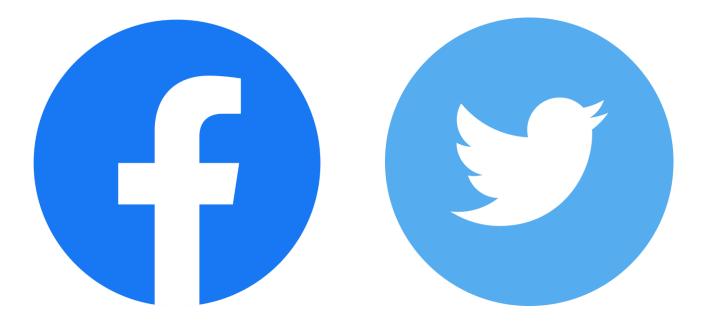
# SURS Image: SURS 1901 Fox Drive Image: Supplementation Champaign, IL 61820 Image: Supplementation

- 800-275-7877
- 217-378-8800
- 217-378-9800

■ <u>www.surs.org</u>



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