

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. $2.2\% \times \text{x years of service} = \text{percentage}$
2. $\text{Percentage} \times \text{final average earnings}$
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:

$$28 \text{ yrs} \times 2.2\% = 61.6\%$$

$$\text{Annual Benefit: } 61.6\% \times \$48,350 = \$29,783$$

$$\text{Monthly Benefit: } \$29,783 \div 12 = \$2,481^*$$

*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)

1. 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*		\$153,950		\$153,950
State Employer Match	(\$153,950 x 2.4) +	<u>\$215,531</u>		<u>\$215,531</u>
Total Normal Contributions & Interest* at Retirement		= \$369,481		\$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**

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

Money Purchase **\$2,440**

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 **is impacted** by the Money Purchase factor changes

Benefit highest using another formula

- Benefit calculation **is NOT impacted** 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	

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SURS Members Elect New Trustees

May 4, 2018

Steven Rock and Collin Van Meter have been elected to serve on the SURS Board of Trustees by the System's active members. John Engstrom was elected to serve as an annuitant trustee.



Benefit Choice Period for Health Insurance is May 1 -31, 2018

April 30, 2018

The FY 2019 Benefit Choice Period to make health insurance changes is May 1 through May 31, 2018. This affects SURS active members as well as annuitants and survivors not enrolled in the Medicare Advantage 'TRAIL' Program.

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SURS Member Login



Member Website

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.

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Main Office
1-800-275-7877

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Benefit Estimator Options Screen



Benefit Estimator Website

Estimator Options

Estimated Benefit Results

Printable Results

Estimator Options

Future Assumed Earnings

Benefit Estimator Assumptions

Position: ☐ Academic ☒ Staff/Academic Professional

Last Date of Employment (MM/DD/YYYY): 06/07/2018

Retirement Date (MM/DD/YYYY): 06/07/2018

Earnings Assumption

Estimated Current Academic Year (09/01/2017 to 08/31/2018): \$ 50001.12

Salary Increase Percent: %

Vacation Days:

Unpaid Sick Leave Days:

Assumed Future Interest Rate: 6.75 %

Continue to Calculate

Ms. SURS Traditional

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

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Estimator Options



Benefit Estimator Website

Estimator Options

Estimated Benefit Results

Printable Results

Estimator Options

Future Assumed Earnings

System Messages:

Annual Earnings were derived based on the Salary Percent Increase entered with the Estimate Options.

Future Assumed Earnings

Date	Annual Earnings	Service Credit
09/01/2017	\$ 50,001.12	1.0000
09/01/2018	\$ 50,501.13	1.0000

Calculate

Ms. SURS Traditional

Tier: Tier I

Last Employment: 07/31/2019

Retirement Date: 08/01/2019

Age at Retirement:

57 years 7 months

Certification Date: 11/19/1990

Position: Staff

Plan Choice: Traditional

Available Purchase Included:

N

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Estimated Benefit Results

Traditional

Estimator Options	Estimated Benefit Results	Printable Results
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Estimated Benefits	Calculation Details	Final Average Earnings
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Calculation Details

Calculation and Service Credit:

General Formula Monthly Retirement Annuity	\$ 2,060.00	Best
Money Purchase Monthly Retirement Annuity	\$ 1,850.00	
Service Credit	25.7500 years	

Projected Earnings:

Projected Earnings shown are based on assumptions entered before any limits are applied.

Future Date	Projected Earnings
09/01/2017 to 08/31/2018	\$ 50,001.12
09/01/2018 to 07/31/2019	\$ 46,292.73
Vacation Earnings:	\$ 3,884.70
Total Earnings for Final Year	\$ 50,177.43

Ms. SURS Traditional

Tier: Tier I

Last Employment: 07/31/2019

Retirement Date: 08/01/2019

Age at Retirement:

57 years 7 months

Certification Date: 11/19/1990

Position: Staff

Plan Choice: Traditional

Available Purchase Included:

N

Quick Links

[Return to Member Website](#)

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Final Average Earnings (FAE)

Estimator Options

Estimated Benefit Results

Printable Results

Estimated Benefits

Calculation Details

Final Average Earnings

System Messages:

If applicable, you may alter the earnings below, then hit "Recalculate" to see the results.

Final Average Earnings

-

Annual Average: \$51,086.86

Monthly Average: \$4,257.23

Recalculate

Start Date	End Date	Num Months	Earnings
08/01/2015	08/31/2015	01	\$4,166.76
09/01/2015	08/31/2016	12	\$50,001.12
09/01/2016	08/31/2017	12	\$50,001.12
09/01/2017	08/31/2018	12	<input type="text" value="\$ 50,001.12"/>
09/01/2018	07/31/2019	11	<input type="text" value="\$ 50,177.32"/>

Ms. SURS Traditional

Tier: Tier I

Last Employment: 07/31/2019

Retirement Date: 08/01/2019

Age at Retirement: 57 years 7 months

Certification Date: 11/19/1990

Position: Staff

Plan Choice: Traditional

Available Purchase Included: N

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Disclaimer:

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

Future Assumed Earnings

Benefit Estimator Assumptions

Position: ☐ Academic ☒ Staff/Academic Professional

Last Date of Employment (MM/DD/YYYY): 06/07/2018

Retirement Date (MM/DD/YYYY): 06/07/2018

Earnings Assumption

Estimated Current Academic Year (09/01/2017 to 08/31/2018): \$59727.58

Salary Increase Percent: %

Vacation Days:

Unpaid Sick Leave Days:

Assumed Future Interest Rate: 6.75 %

Contingent Annuitant Information

Contingent Annuitant: Name: Bnfcr Four Birth Date: 05/24/2008

Continue to Calculate

Miss Surs Portable

Tier: Tier I

Last Employment: 06/07/2018

Retirement Date: 06/07/2018

Age at Retirement:

0 years 0 months

Certification Date: 08/03/1998

Position: Staff

Plan Choice: Portable Eligible

Available Purchase Included:

N

Quick Links

[Return to Member Website](#)

[Eligibility Requirements](#)

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Estimated Benefit Results

Portable

Estimator Options		Estimated Benefit Results		Printable Results	
Estimated Benefits		Calculation Details		Final Average Earnings	
<div>System Messages: The Lump Sum Refund Amount shown assumes that portable eligibility requirements have been met.</div>					
Estimated Benefits					
Monthly Annuity:					
The monthly benefit is one of the following depending on the survivor benefit chosen:					
Best Benefit Type:			Money Purchase		
According to this estimate, the Money Purchase calculation currently provides the higher benefit. Click on the Calculation Details tab to see the estimated General Formula amount.					
Monthly Retirement Annuity at 08/01/2019 with no survivor annuity			\$ 2,200		
Reduced Retirement Annuity with 50% survivor annuity			\$ 1,800		
Reduced Retirement Annuity with 75% survivor annuity			\$ 1,650		
Reduced Retirement Annuity with 100% survivor annuity			\$ 1,520		
Monthly Retirement Annuity as % of Final Average Earnings with no survivor annuity			43%		
Lump Sum Refund:					
Lump-Sum Refund as of 08/01/2019:			\$ 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.					

Miss Surs Portable
Tier: Tier I
Last Employment: 07/31/2019
Retirement Date: 08/01/2019
Age at Retirement:
57 years 7 months
Certification Date: 08/03/1998
Position: Staff
Plan Choice: Portable Eligible
Available Purchase Included:
N

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[Return to Member Website](#)
[Eligibility Requirements](#)
[IRS 401\(a\)17 Limits](#)

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



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