Retirement Education
Defined Benefit – Tier II

S·U·R·S
STATE UNIVERSITIES RETIREMENT SYSTEM

Spring 2023

Welcome
Retirement Education

- **This presentation will begin shortly and is scheduled to last approximately 1-1/2 hours (includes Q & A session)**
- **Technical Difficulties:**
  - Audio: If you have a speaker or headset and sound card, an audio box will appear in the left-hand corner of your screen and audio will stream automatically once the presentation begins.
  - If you accidently stop the audio, you may resume the audio by selecting Audio Broadcasting on the toolbar along the top of the screen.
  - If you are unable to resolve this or any other technical difficulties, please contact WebEx for technical support at **866-229-3239**.
- **Question & Answer:**
  - Questions will be addressed at the end of this presentation
  - Please use the Q & A feature (not Chat) located on the toolbar
  - Address all questions to "All Panelists"

Important

This presentation is for SURS members who are in Tier II

- **Participation (Certification) date:**
  - The date you *first* become a participant with SURS, or another eligible Illinois retirement system covered under the Illinois Retirement Systems Reciprocal Act
  - Determines your eligibility for SURS benefits and vesting requirements (Tier I or Tier II benefits)

- **Tier II** - Participation **on or after January 1, 2011**

About SURS

- State Universities Retirement System
  - Defined Benefit (established 1941)
  - Defined Contribution (added 1998)
  - Tier II (added 2011)
- 401(a) Qualified Plan
- Non-ERISA
  - Employee Retirement Income Securities Act
- Governed by Illinois Compiled Statutes

SURS Members Are

- Public higher education employees
- Employees that have worked for at least 4 months at a SURS-covered employer

SURS-Covered Employers

Community Colleges		Universities
Black Hawk College	Lewis & Clark Community College	Chicago State University
Carl Sandburg College	Lincoln Land Community College	Eastern Illinois University
City Colleges of Chicago	McHenry College	Governors State University
Harold Washington	Moraine Valley Community College	Illinois State University
Harry S. Truman	Morton College	Northeastern Illinois University
Kennedy-King	Oakton Community College	Northern Illinois University
Malcolm X	Parkland College	Southern Illinois University - Carbondale
Olive Harvey	Prairie State College	Southern Illinois University - Edwardsville
Richard J. Daley	Rend Lake College	University of Illinois - Chicago
Wilbur Wright	Richland Community College	University of Illinois - Springfield
College of DuPage	Rock Valley College	University of Illinois - Urbana-Champaign
College of Lake County	Sauk Valley College	Western Illinois University
Danville Area Community College	Shawnee College	**Other Participating Employers**
Elgin Community College	South Suburban College	ILCS Section 15-107(1) Members-Springfield
Heartland Community College	Southeastern Illinois College	ILCS Section 15-107(c) Members-Springfield
Highland Community College	Southwestern Illinois College	Illinois Board of Examiners
Illinois Central College	Spoon River College	Illinois Board of Higher Education
Illinois Eastern Community College	Triton College	Illinois Century Network
Illinois Valley Community College	Waubonsee Community College	Illinois Community College Board
John A. Logan College	William Rainey Harper College	Illinois Community College Trustee Association
John Wood Community College		Illinois Mathematics & Science Academy
Joliet Junior College		Northern Illinois University Foundation
Kankakee Community College		State Universities Civil Service System
Kaskaskia College		State Universities Retirement System
Kishwaukee College		University of Illinois Alumni Association
Lake Land College		University of Illinois Foundation

Benefits SURS Administers

- Retirement
- Disability
- Disability Retirement
- Separation Refund
- Monthly Survivor
- Lump Sum Death
- Service Credit Purchases
- Insurance (withholding agent only)

One Piece of the Puzzle

SURS

- Defined Benefit Plan - 401(a) Qualified Plan

Voluntary Options

- Consider personal savings as key component to retirement security
- Take advantage of payroll deducted and tax deferred
  - 403(b) or 457 savings plans offered by your employer
  - SURS Supplemental DC Plan
- IRA Accounts
- Determine what level of income replacement you will need in retirement and set goals to achieve
- Take advantage of "catch up" contributions

Benefit Plans

Traditional	• Defined benefit plan • Lifetime annuity (monthly retirement benefit) • Built-in survivor benefits • If no survivor at retirement, survivor refund payable
Portable	• Defined benefit plan • Optional forms of annuity • Enhanced lump sum distribution • Survivor benefits optional at a cost
RSP	• Defined contribution plan • Lump sum, lifetime income options available • Flexible target date portfolio with secure income feature (default) or choose from SURS core fund lineup

Contributions

	Traditional	Portable	RSP
Plan Type	Defined Benefit	Defined Benefit	Defined Contribution
Your Contribution	**8% of maximum pensionable earnings required** Full-time community college employees (except City Colleges of Chicago) pay an additional 0.5% of earnings to fund a health insurance plan devised for community college retirees.		
Your Contribution Breakdown	• 6.5% Retirement • 0.5% Automatic Annual Increase (AAI) • 1.0% Survivors	• 6.5% Retirement • 0.5% Automatic Annual Increase (AAI) • 1.0% Portability	• 8% Retirement
Employer Contribution	Guarantee of fixed monthly retirement benefit for life		• 7.6% Retirement (effective 07/01/21)

Earnings Contribution Limits

Tier II – Traditional & Portable Plans

- Maximum Pensionable earnings limits apply
- Limits are set by state law

Tier II – RSP Plan

- Same as Tier I

Earnings Limits

Tier II

	Traditional	Portable	RSP
Maximum Pensionable Earnings Or IRS Limit	• Set by state law • FY2023: $119,892.41 • FY2024: $123,489.18 • Increased each year by half of the Consumer Price Index-Urban (CPI-U)	• Set by state law • FY2023: $119,892.41 • FY2024: $123,489.18 • Increased each year by half of the Consumer Price Index-Urban (CPI-U)	• Set each year by IRS 401(a)-17 limit • FY2023: $305,000 • FY2024: $330,000

For computing SURS benefits, pensionable earnings includes gross salary, overtime, summer teaching pay, or other eligible pay for work performed. Contributions will not be deducted from earnings that exceed above limits in a fiscal year.

Retirement Eligibility

Vested

Tier II Participant on or after 01/01/11	
Traditional and Portable only	**RSP**
10 years at age 67	5 years at age 62
10 years at age 62 (with age reduction)	8 years at age 55
	30 years at any age

Service Credit

- Earned service
- Part time
- Vested vs. benefit service
- Unused, unpaid sick leave
- Purchases
- Reciprocal service
  - Service with another Illinois public retirement system

Earned Service Credit

- Service year is September 1-August 31

Days/Months Worked	Service Earned
15 or more calendar days	1 month
1-2 months	.25 year
3-5 months	.50 year
6-7 months	.75 year
8 months or more	1 full year

- Only 1 year of service is allowed per service year

Part-time Employee

- Employer verifies all academic contracts at the time of retirement
  - Any changes could affect your eligibility for retirement
    - Service credit and age determines retirement eligibility
- Employer reports the part-time percentage to SURS on payrolls
  - If 50% time or less for more than 3 years, service credit may be adjusted for calculation of the benefit

Vested vs. Benefit Service Credit

(Part-time only)

- Vested Service Credit
  - Based on number of days and months worked in an academic year
  - Determines benefit eligibility
- Benefit Service Credit
  - Affected by percent time worked
  - Determines benefit amount

Sick Leave Service Credit

- Unused/unpaid sick leave reported to SURS by employer upon termination of employment

Full Workdays	Additional Service Credit
20-59 days	.25 year
60-119 days	.50 year
120-179 days	.75 year
180 days or more	1 full year

- Must retire within 60 days of termination

Service Credit Purchases

Types of purchases

- Repayment of refund
- Prior service
- Other public employment (OPE)
  - Does not apply toward vesting
- Military
- Leave of absence

To learn more about eligibility, cost, and payment options for these purchases, please contact the SURS office at (800)-275-7877

Repayment of Refund

If you previously participated in SURS and accepted a separation refund, you may reinstate that service credit if:

- You become a participating employee of SURS or another reciprocal system for at least 2 years following the date of the refund, and
- You repay SURS for the refund

Prior Service

- Employment with any SURS-covered employer prior to the date you began SURS participation (certification date)
  - Extra Help
  - Graduate Assistantship
  - Student Employment
- Employment must have been at least 50%
  - Percentage determined by employer

Other Public Employment (OPE)

- Prior employment with a public school, college, or university in the U.S.
- Must be 100%
- Must contribute to SURS at least 5 years following the employment
- OPE may *not* be used to meet SURS minimum vesting requirements

Military

- Active-duty military service that occurred prior to your certification date can be purchased
  - Copy of DD214 is required
  - Maximum of 2 years allowed

Purchases

General Information

- All purchase types must be verified
  - Contact SURS to initiate process
- Not required to make the purchase
- Payments must be made prior to retirement date
  - Various Payment Options Available
- Cost increases each month due to interest

Purchases

Methods of Payment

1. Check
   - After-tax dollars
2. Rollover
   - Tax-deferred dollars
   - IRA account or another qualified plan, 403b, or 457 plan
3. Installment Plan
   - Payroll deductions for 12, 24, 36, or 48 months
   - Before-tax deduction

Reciprocal Service

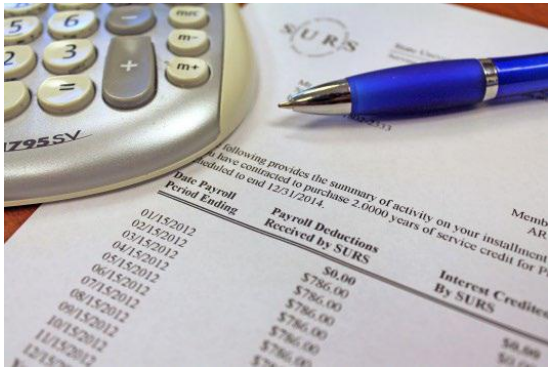
- SURS has a reciprocal agreement with other Illinois public retirement systems
    - Can provide a retirement benefit from a public pension system for which you might not normally be eligible
    - May enhance the retirement benefit from one or more of the retirement systems involved
- Minimum requirements for reciprocal retirement benefit:
    - At least 1 year of pension credit in each of the retirement systems, and
    - Age and combined service credit must meet the longest minimum vesting requirement in each system

Reciprocal Systems

CEABF	County Employees' Annuity & Benefit Fund of Cook County
CTPF	Chicago Teachers' Pension Fund
FPEABF	Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
IMRF	Illinois Municipal Retirement Fund
JRS/GARS	Judges' & General Assembly Retirement Systems
LABF	Laborers' Annuity & Benefit Fund
MEABF	Municipal Employees' Annuity & Benefit Fund
MWRD	Metropolitan Water Reclamation District
PEABF	Park Employees' Annuity & Benefit Fund of Chicago
SRS	State Employees' Retirement System
SURS	State Universities Retirement System
TRS	Teachers' Retirement System (of Illinois)

Retirement Calculations
Traditional & Portable

- General Formula
- Minimum & Guarantee (PA89-616)
- Police & Firefighter



General Formula
Traditional & Portable

1. 2.2% x years of service = percentage
2. Percentage x final average earnings (FAE)
3. Less age reduction, if applicable

Note:

80% maximum benefit = 36.364 years of service

Final Average Earnings (FAE)
Tier II

- Average of:
  - High eight (8) consecutive academic years within the last ten (10) years of employment, or
  - Highest consecutive 96 months of earnings during the last 120 months prior to termination
    - 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

- Age at retirement = 67 years
- 28 years service credit
- Final Average Earnings= $67,500

Calculation of Benefit:

28 yrs x 2.2% = 61.6%

Annual Benefit: 61.6% x $67,500 = $41,580

Monthly Benefit: $41,580 ÷ 12 **= $3,465***

*Assumes no age reduction applicable

Age Reduction

Example – Tier II

If under age 67, annuity reduced by ½ of 1% for each month under age 67.		
Age 67	$3,465	No reduction
Age 66	$3,257	6% reduction
Age 65	$3,049	12% reduction
Age 64-1/2	$2,945	15% reduction
Age 63	$2,633	24% reduction
Age 62	$2,425	30% reduction

Calculation Recap
Traditional and Portable

General Formula Calculation

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

MINIMUM FORMULA GUARANTEE (PA89-616)

- $25 x years of benefit service
- Maximum of $750 per month
- No automatic annual increase

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POLICE/FIRE FORMULA

Tier II

- 2.25% x years 1-10
- 2.50% x years 11-20
- 2.75% x years 21-30 and over

Note:

- Maximum benefit is 80% of final average earnings (FAE)
- Takes 31.819 years of service to reach maximum benefit under this formula
- Any non-Police/Fire years will be calculated at 2.2%
- Vesting requirements for Police/Fire members are different, please contact SURS for more information

Maximum Benefit

Tier II

- 80% of final average earnings (FAE)
- When do you reach maximum benefit
  - General Formula: 36.364 years
  - Police/Fire: 31.819 years (assumes all Police/Fire years)
- If reach maximum benefit, waiver of excess service credit or excess contributions may be payable

Excess Waiver Distribution

- Lump-sum
  - Less minimum of 20% for federal income tax
- Rollover into traditional IRA or another qualified 401(a) defined contribution retirement plan
  - 403(b) tax-sheltered annuity
  - Governmental section 457 plan
- Combination of lump-sum and rollover
- Additional retirement annuity
  - No annual increase
  - Single Life Annuity – paid over member's lifetime only

Survivor Refund
Traditional only – Tier II

- If no qualified survivor at retirement, survivor contributions refunded
- Distribution Options:
  - Lump-sum – less 20% for federal income tax
  - Rollover into traditional IRA or another qualified 401(a) Defined Contribution Retirement Plan
    - 403(b) tax-sheltered annuity
    - Governmental section 457 plan
  - Combination of lump-sum and rollover
  - Additional retirement annuity
    - No automatic annual increase (AAI)
    - Single Life Annuity (paid over member's lifetime only)
  - Internal rollover to purchase eligible service credit

Monthly Survivor Benefits

Tier II

	Traditional	Portable	RSP
Qualified Survivors	• Spouse or civil union partner • Dependent child up to 18, or 22 if full-time student • Disabled child(ren) 18, or over if disabled prior to age 18 • Financially dependent parent	• Spouse or Civil Union partner, or • Contingent annuitant	• Annuity: Spouse/civil union partner, or may name Contingent Annuitant (if no spouse or with spousal consent) • LIS: only spouse
Eligibility	• 1.50 years	• 1.50 years	• Immediate • State match included with 1.50 years
Benefit Amount	• 66 $^{2}/_{3}$% of member's earned retirement annuity	• Elective at retirement • 50%, 75%, or 100% of reduced annuity	• With Annuity: various options at retirement at a cost • LIS: 100% survivor option, reduction applied to guaranteed withdrawal benefit

Death Benefit
One-Time Lump Sum

	Traditional	Portable	RSP
Beneficiaries	• Any person or legal entity	• Spouse or Civil Union partner, or • Alternate beneficiary (with spousal consent)	• Spouse or Civil Union partner, or • Alternate beneficiary (with spousal consent)
Pre-Retirement	• Account balance, less 1/8 if survivor benefit payable	• Member and employer contributions and interest, less value of survivor benefit payable, if applicable	• Account investment value
Post-Retirement	• **Without survivor:** Greater of $1,000 or remainder of account balance • **With survivor:** No death benefit		• With annuity: depends on terms of annuity contract with RSP provider • LIS: Lump sum equal to market value (if no joint and survivor benefit payable)

Disability Benefits

Tier II

- Disability
  - 50% of base salary, if approved
  - Apply through employer
    - Medical documentation required
    - If approved, continue to earn service credit
- Disability Retirement Annuity (DRA)
  - 35% of base salary, if approved
  - Must first exhaust disability benefits
  - Permanently disabled from any gainful employment
  - DRA not available with RSP

Insurance Eligibility at Retirement

- **College Insurance Program (CIP)**
  Full-time employees of Community Colleges, excludes City Colleges of Chicago

- **State Group Health Plan**
  - Employees of State universities and affiliated State agencies, surveys, etc.
    - Minimum 10 years of state service (Tier II)
- Not eligible for insurance with lump sum
- Must receive a monthly benefit (all plans)

Insurance Program Rates

- **College Insurance Program (CIP)**
  - Member pays health insurance premium
- **State Group Health Plan**
  - State pays 5% of total health insurance premium per full active year of service
  - Premium Free Insurance with 20+ Years
  - Members actively employed on July 7, 1997
    - Special circumstances may apply under P.A. 91-395
- Rates are determined by the Department of Central Management Services (CMS)
- For more information contact MyBenefits

Enrollment Process

- Complete and submit insurance participation election form to SURS
- Member registration will be required
  - Members will need their CMS-issued Employee ID Number
- MyBenefits is responsible for:
  - Initial enrollment online or via telephone
  - Provide insurance coverage and plan information
- SURS is responsible for:
  - Determining insurance eligibility
  - Collecting premiums
  - Explaining and initiating the enrollment process

SURS Deferred Compensation Plan (DCP)

- Public Act 100-769, passed in August of 2018, requires SURS to implement a new Supplemental Plan
- Supplemental savings plays a critical role in retirement readiness
- SURS Deferred Compensation plan:
  - Is a 457 plan
  - Provides a vehicle for all active SURS members (regardless of plan choice) to save additionally via payroll deduction
  - Offers the same investment lineup as the RSP Plan

SURS Deferred Compensation Plan (cont.)

What is a 457(b) Plan?

- Supplemental savings
- Voluntary
- Employer Sponsored
- Contribute through Payroll Deduction
- Tax Deferred Retirement Savings*
- Pre-tax or Roth Option
- Different than 403(b)

* **Distributions from employer sponsored retirement plans are taxed as ordinary income in the year they are withdrawn.**

SURS Deferred Compensation Plan (cont.)

- **Why save supplementally?**
  - SURS members do not contribute to Social Security
  - It takes approximately 70-80% of pre-retirement income to maintain your standard of living
  - SURS DCP can help you reach retirement goals
  - Additional savings is important for Tier II members
- **Why choose the SURS DCP?**
  - You can save as little as $10 (or 1%) per paycheck
  - Offers 16 best-in-class investment options over multiple asset classes and competitive fees, including the new SURS Lifetime Income Strategy (LIS)
  - SURS LIS is a flexible, hands-off target date fund designed to help members meet retirement income goals
  - SURS DCP is closely monitored by trusted fiduciaries

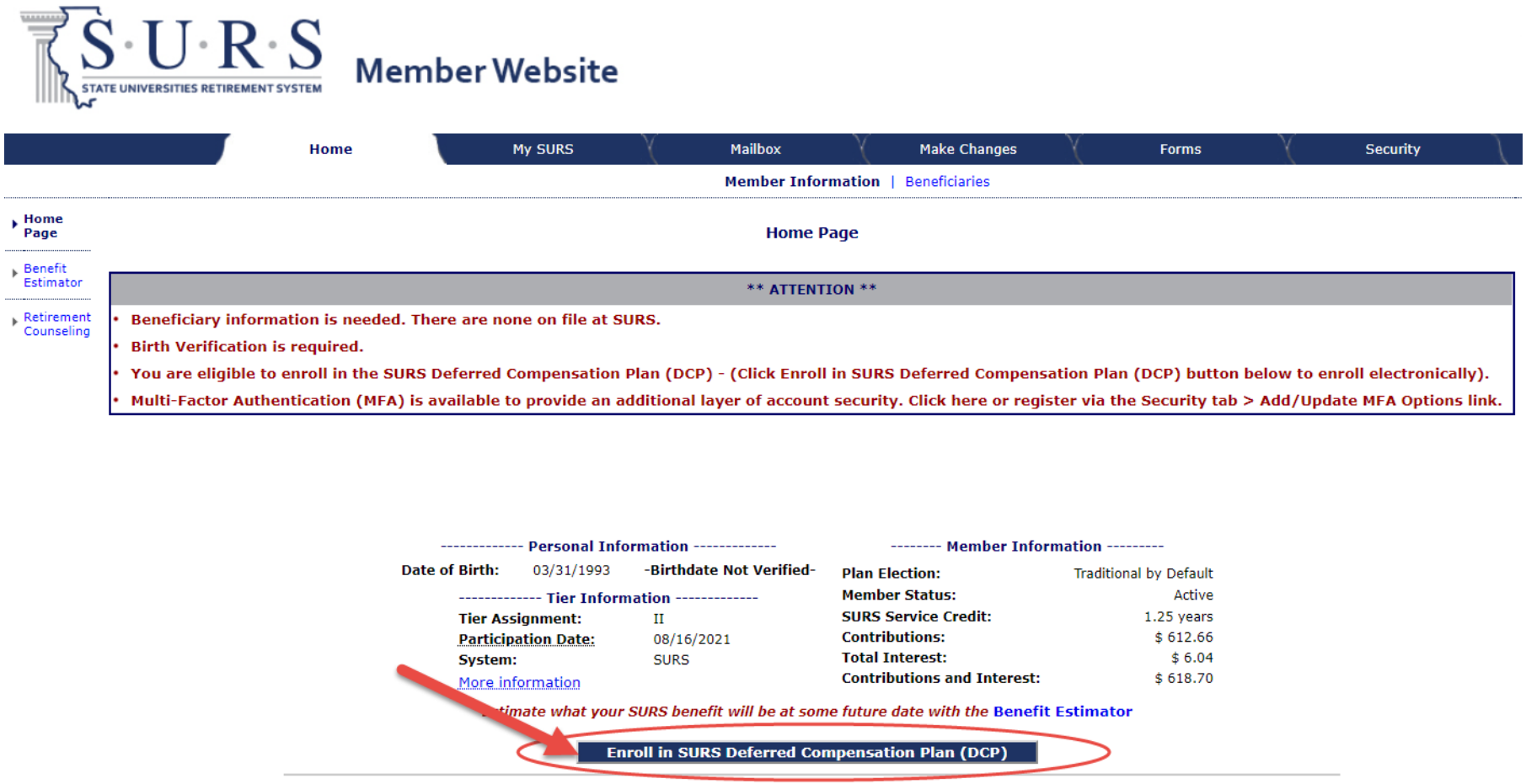
SURS Deferred Compensation Plan (cont.)

- How to enroll in SURS DCP?
  - Go to SURS.org and click on the “Member Login” button
  - Click on the “Enroll in the SURS DCP” button
  - Follow instructions to choose your contribution rate and investments
  - You will have the option to name beneficiaries
  - After you confirm your choices and complete your enrollment, you will receive a welcome email
  - You may use the SURS Defined Contribution Contact Center 800.613.9543, at any time during this process

  Contact a SURS Defined Contribution Account Representative for an individual appointment at sursrsp.timetap.com

SURS DCP Enrollment

Online - Member Home Page



Preliminary Estimated Payment (PEP)
Traditional & Portable

- Completed retirement application
  - Verify member eligibility (vested)
  - Member birth verification (required)
  - Spouse birth & marriage verifications, if applicable
- Typically, members receive 80-90% of the estimated benefit amount based on what SURS knows when the PEP is set up
  - Certain instances occur where the PEP payment may be less
- PEP is paid the first of every month until claim is finalized
- Makeup payment sent when claim is finalized
  - Current processing time is at least 4-6 months from receipt of all information

Deductions from Annuity

- Insurance Premiums, if applicable
- Taxes
  - Federal Income Tax
  - Not taxed by State of Illinois
  - If you reside in another state, check with that state regarding tax provisions

Employment After Retirement

Employee Restrictions – Tier II

- **Non-SURS covered employment**
  - No restrictions or earnings limitations, however
  - Full-time employment with a reciprocal retirement system may result in suspension of SURS annuity (and insurance, if applicable) during that employment
- **SURS covered employment**
  - Clear separation from SURS-covered employment
    - No agreement (written or oral) in place at retirement to return to SURS-covered employment
  - 60-day waiting period
    - Applies regardless of whether the employment is paid or unpaid
  - Earnings limitation
    - Age 62+: annual limitation
- **RSP Exceptions**
  - No waiting period
  - No earnings limitations
  - Will not have the option to contribute to SURS if re-employed

Employment After Retirement
Employer Restrictions

- **Employer Restrictions**
  - SURS covered employers that employ affected annuitants must make annual contribution to SURS
  - Affected annuitant is an annuitant who:
    - Receives compensation during an academic year that is greater than 40% of the highest annual rate of earnings (HAE) prior to retirement, and
    - Receives an annuity of at least $10,000 per year

Social Security

Social Security benefits could be affected by the Windfall Elimination Provision or the Government Pension Offset

- **Windfall Elimination Provision**
  "How it affects your Social Security retirement or disability benefits"
- **Government Pension Offset**
  "A law that affects spouse's or widower's benefits"
- **Contact Social Security**
  www.ssa.gov
  (800) 772-1213

SURS Counseling Services

Counseling Appointment or Written Estimate

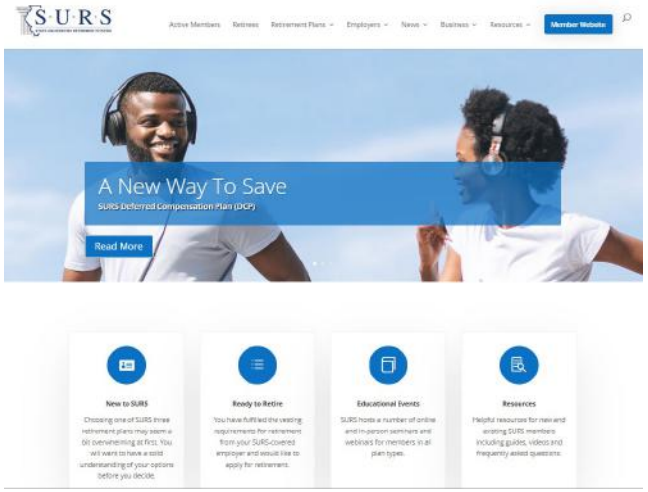
- Eligibility
  - Member should be eligible to retire within 10 years
  - Limited to 1 counseling appointment or written estimate per 12-month period
- Process
  - Member must complete retirement estimate form online, or contact SURS to initiate request
  - Submit completed form to SURS via online, fax, or mail
  - For counseling appointment - schedule online, or call SURS
- Type of Appointment
  - Virtual (via Microsoft Teams)
  - Telephone
  - In Person

Retirement Estimate Information

- Estimates calculated are only as good as the information you provide
  - SURS does not have access to current salary, vacation, or sick leave balances
- Critical information
  - Employment classification
  - Retirement dates
  - Salary
    - Base, overloads/overtime, summer
    - Future Increases
  - Vacation and sick leave
  - Comments

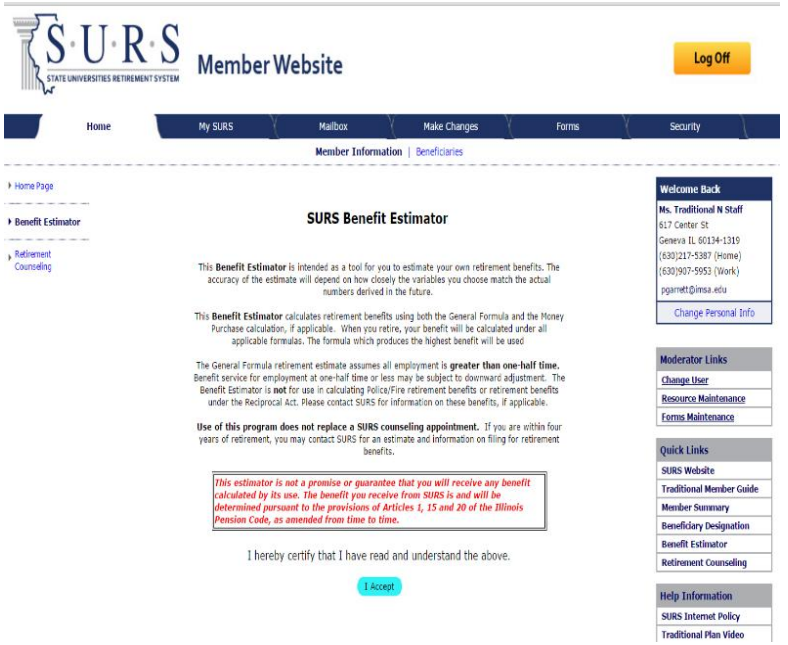
Online Member Access

- Personal Account Information
  - Demographic Information
  - Beneficiary Information
  - Benefit Summary Information
  - Employment History
  - Earnings History
  - Claim Status Updates
  - Member Guide



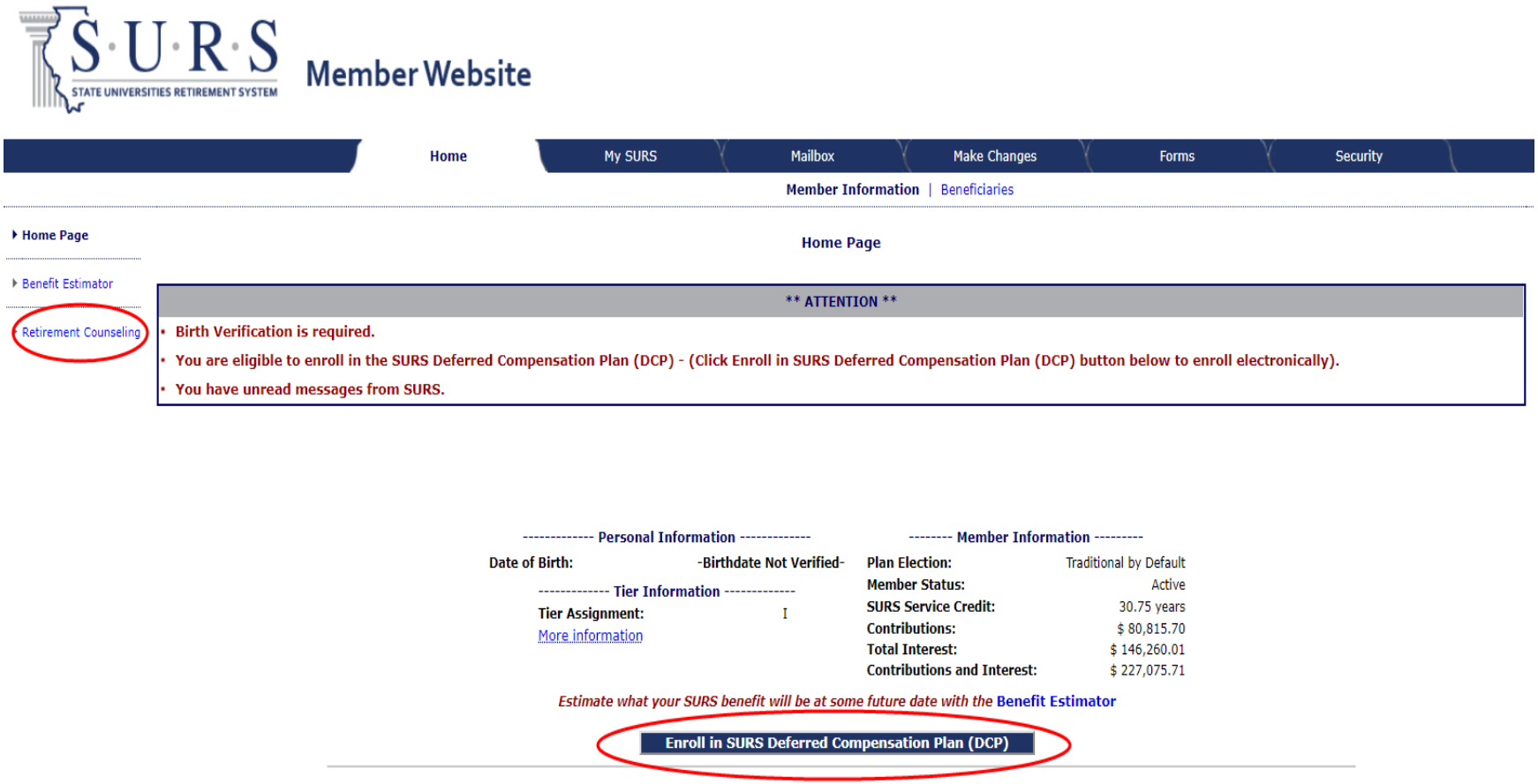
Online Member Access (cont.)

- Online Benefit Estimator
  - Calculate your own estimates
  - No date restrictions
  - Does not calculate*
    - Reciprocal
    - Police/Fire
    - Part-time



*If you fall into one of these unique categories and you meet eligibility requirements, please consider scheduling a counseling appointment

Member Home Page



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:	May 31, 2024
Retirement Date:	June 1, 2024
Annuity & Insurance Begin Date:	**June 1, 2024**
Example 2:	
Termination Date:	May 16, 2024*
Retirement Date:	May 17, 2024
Annuity & Insurance Begin Date:	**June 1, 2024**

*If your termination date is mid month, contact your current employer for insurance information through the end of the last month employed

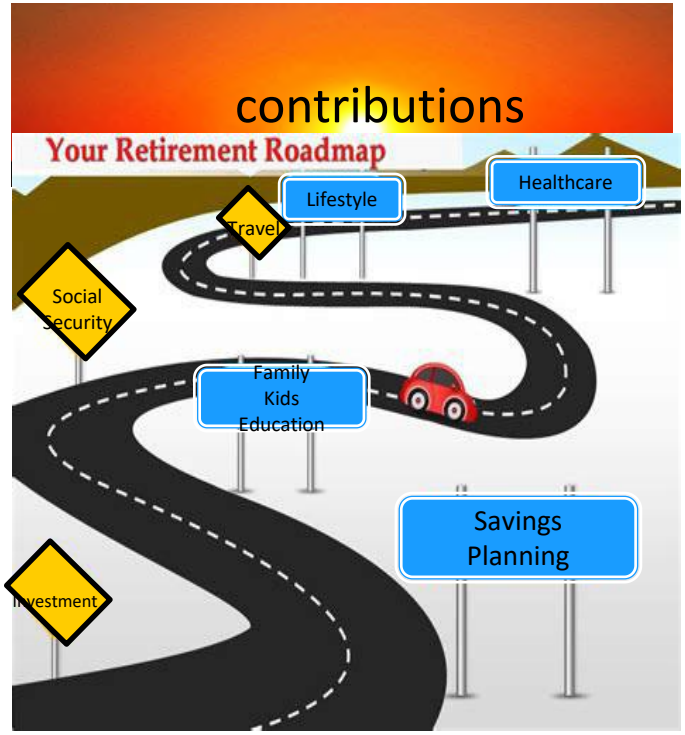
How to Apply for Retirement

- Request application from SURS
  - Use the Application Builder on the SURS website, or
  - Call SURS to have one mailed to your address
- Submit completed application to SURS & any reciprocal systems at least 60 days prior to retirement
- Notify employer of last day you plan on working

Map Your Retirement Journey

Suggested considerations as retirement draws near:

- Personal savings is a key component to retirement security
- Take advantage of payroll-deducted and tax-deferred plans such as:
  - 403(b) or 457 savings plans offered by your employer, or
  - SURS Supplemental DC plan
- Take advantage of “catch up”
- Consolidate debt
- Consider downsizing
- Establish emergency fund
- Weigh your Social Security options
- Evaluate your retirement plan
- Get financially organized



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How to Contact SURS

SURS
1901 Fox Drive
Champaign, IL 61820

800-275-7877
217-378-8800
217-378-9800
www.surs.org

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Retirement Education Q&A