



SURS LIFETIME INCOME STRATEGY

OVERVIEW

RETIREMENT PLANNING COMES WITH MANY QUESTIONS:

- Will I outlive my income? (Without the benefit of Social Security)
- What will I do if the market performs poorly?
- Can I still grow my money in retirement?

To help members answer these questions and achieve better retirement outcomes (as well as help them take advantage of retiree health benefits provided by the state), SURS has made the important decision to offer the SURS Lifetime Income Strategy (LIS) as the default investment option in the Retirement Savings Plan (and also offer LIS as an investment option in the SURS Deferred Compensation Plan [DCP]).

WHAT IS THE SURS LIFETIME INCOME STRATEGY?

The SURS LIS is a professionally managed, flexible investment option that helps build retirement wealth during a member's working years—as well as an opportunity to generate guaranteed retirement income for life when they retire.

Think of it as a carefully designed, target-date portfolio that adjusts its investments over time to become more conservative. And, as the member approaches retirement, they have the option to start regularly allocating a portion of their assets to a secured income portfolio that will provide lifetime retirement income—and it all happens automatically.

Most target-date funds do a great job of building retirement assets. They offer diversification and professional investment management, but a difficult period in the financial markets could leave a member with less savings at retirement. For example, at retirement, if you were converting the lump sum of your account to an annuity, you would be locking in an interest rate at a very specific point in time—that's called point-in-time risk. That's where the SURS LIS can provide an advantage. It includes an optional lifetime income feature that systematically transitions some or all of a member's retirement savings to the Secure Income Portfolio which also helps protect against short-term market volatility.

What is the Secure Income Portfolio?

It's an insured portfolio used to fund guaranteed lifetime income. The money in the secured portfolio is invested in a passive, index-managed fund composed of 50% stocks and 50% bonds. In retirement, the secured monthly income that is generated by the secure income portfolio is protected by multiple group insurance contracts and will never run out—even if a downturn affects the market value of the account or if the member outlives the money in their account. The monthly income amount can also increase (and remain at that level) if markets rise, and increase the value of the secure income portfolio.

One of the most attractive features of the SURS LIS is that it allows members the ability to maintain access to retiree health benefits (if eligible) without giving up access to their entire account balance, which is an enhancement to current plan offerings. In other words, members can convert a portion of their account balance at retirement to monthly lifetime income and qualify for health benefits. Both the money allocated to lifetime income (secured balance) and the non-secured account balance remain invested in the market. The member has complete control over non-secured portion of their account. For more information about the investments inside the SURS LIS, please refer to the SURS LIS fact sheets.

IMPORTANT NOTE:

In order to take advantage of the retiree healthcare benefits offered through the state upon retirement, at least 50% of the SURS Lifetime Income Strategy account balance must be converted to "secured income" in the Secure Income Portfolio.

Understanding the Fees

During the member's early working years, only investment management and administrative fees apply. Later, when the member begins transferring assets to the secure income portfolio, fees slowly increase to cover the insurance cost of "securing the income."

One can think of the insurance companies' role in SURS LIS as similar to the role they play in other types of insurance protection. Homeowner's insurance protects a customer from damage to their home in the event of a fire, while auto insurance protects them in the event their car is damaged in an accident. The guaranteed income portion of the SURS LIS is covered by multiple insurance companies—and that insurance guarantees the lifetime income.

DEFAULT SETTINGS AND MEMBER QUALIFICATIONS

Members will be defaulted into the SURS LIS September 1, 2020. After launch, they will have the ability to adjust two levers in this investment option: age at retirement and the secure income level. The secure income level is the target percentage of the SURS LIS account—between 0% and 100%—that you want allocated over time to the Secure Income Portfolio and used to fund your guaranteed income withdrawal amount. If a member wishes to use the SURS LIS as a target-date portfolio, they would simply set their secure income level to 0%.

If a member doesn't make any changes, 100% of their account balance will be on the path to generate guaranteed monthly income in retirement. A member would not start securing income until the later of 15 years (at the earliest age 45) before a member's target retirement age and the time at which he or she becomes vested.

WHAT MAKES THE SURS LIS UNIQUE?



A place to save and grow money (even in retirement)



Guaranteed lifetime income that provides income protection against declines in the financial markets and against the possibility of outliving your money



An investment vehicle where a member retains control of their money



The flexibility to customize an account to fit individual retirement needs

AT LAUNCH ON SEPTEMBER 1, 2020, MEMBERS WILL HAVE:

- + Their entire account balance defaulted into the SURS Lifetime Income Strategy*
- + Have a default retirement age of 65 (can be adjusted to an age between 50 and 70)[†]
- + Have a default secure income setting of 100% (can be adjusted to a setting between 0 and 100%)

* See plan document for exceptions.

[†] Members retiring before age 60 will not have access to the secured portion of their account until age 60, but they can begin systematic withdrawals of the non-secure portion prior to that date to retain their retiree health care benefit.

Important note: If a member is approximately age 50+ and vested (vested means a member has attained five years of service credit), they will begin securing income on October 1, 2020 with a plan for fully secured income (100%) before age 65 (members can change their retirement age and secure income amount by logging in to their account at SURS.org.)

For more information about the SURS LIS including: how a member can activate the secure income portion of the portfolio, survivor and death benefits, and other product features, please contact the SURS Benefits team.

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