



Money Purchase Factor Change Fact Sheet

Background Information

When SURS calculates a retirement benefit, all eligible calculation types are performed and the annuity is based on the calculation that provides the highest benefit. For most defined benefit members, this is a comparison between the General Formula and the Money Purchase calculation. Approximately 65% of SURS retirements are highest using the Money Purchase calculation. The Money Purchase, however, is not available to members who first became participants on or after July 1, 2005.

How are the Money Purchase factors used?

While the General Formula is based on a member's age, years of service, and earnings averages, the Money Purchase calculation utilizes an actuarial factor based on the member's age, the member's normal retirement contributions, and accrued interest at retirement to determine the benefit amount. The Money Purchase factors are used to divide the member's normal retirement contributions and interest into the monthly annuity, based upon their age at retirement.

When will factors be changing?

The Money Purchase factors used to determine monthly annuity benefits will change July 2, 2012, based upon the most recent experience study conducted by SURS actuaries.

Why do Money Purchase factors change?

State statute requires SURS to conduct an experience study to test the economic and demographic assumptions used to prepare the annual actuarial valuation report. The results of this process are then evaluated to determine which, if any, of the assumptions need modification to provide better estimates of future liability and asset growth for the System. If the assumptions are modified, the Money Purchase factors also change accordingly to reflect the changes in demographics and life expectancies.

How often do Money Purchase factors change?

State statute requires an experience study to be conducted at least every 5 years. The SURS actuary provides recommendations to the Board for the timing of the experience studies, based on how many market, economic, and demographic changes have occurred.

Will the factor changes impact everyone?

The factor changes will not affect current annuitants or survivor benefit recipients. They will also have no impact on Self-Managed Plan members or members who first became participants on or after July 1, 2005, because they are not eligible for the Money Purchase calculation that uses the factors.

As noted in the *Background Information* section, the Money Purchase does not always provide the highest benefit for members. If a member's retirement annuity is highest under a calculation method other than the Money Purchase, they will experience no reduction in benefit based upon the changing factors.

Who will be affected by the changes?

The new factors will result in a lower monthly benefit payment for those retiring on or after the July 2, 2012 effective date, if their benefit is calculated to be highest using the Money Purchase calculation.

It is estimated that the monthly annuity benefit paid from the Money Purchase will be reduced on average by 7% to 8%, if retirement is deferred until after the new factors take effect. SURS estimates that active participants can recover this monthly reduction by delaying retirement for approximately 10 to 11 months, due to the additional contributions and interest that would be added. Inactive participants would need to delay retirement for approximately 12 to 14 months, since only interest would be added.

Who will be impacted?

The actual reduction in a monthly annuity calculated using the Money Purchase is unique to each individual member. For this reason, SURS encourages members to use the Benefit Estimator by logging on to the Member Website at www.surs.org. Members can gain a clearer picture on how the factor changes will impact them and their retirement date by performing estimates for retirement dates before and after the July 2, 2012 effective date and then comparing the results.

A simple guide is provided on the next page which may assist you in determining if you might be impacted.

Should I Retire?

When you retire depends upon your own personal situation and goals. If you are eligible or nearly eligible for retirement, you may be wondering if you should retire before the new Money Purchase factor changes go into effect on 7/2/2012. Below are a few things for you to consider when making your decision.

Begin by asking yourself:

