
Annuitant Guide



April 2006

This booklet serves as a guide for annuitants and other benefit recipients to help you better understand those benefits provided by the State Universities Retirement System (SURS). It is part of SURS's ongoing effort to partner with our members in order to allow them to understand and take advantage of the broad offering of benefits provided as a result of service with one or more of the state of Illinois public universities or community colleges and certain other allied agencies.

Please take the time to familiarize yourself with this handbook. Remember, another resource available to you is the SURS website, at www.surs.org. For assistance with specific questions, you may contact SURS at 1-800-275-7877 or for Champaign-Urbana residents (217) 378-8800.

SURS MISSION STATEMENT

*To provide for SURS annuitants,
participants, and their employers,
in accordance with State law, the
best and most cost-effective benefit
administration services in the
United States;
to manage and invest the fund's
assets prudently; and
to endeavor to achieve and maintain
a financially sound retirement system.*

This booklet is intended to serve only as a brief summary of the provisions of the law governing the State Universities Retirement System. It should not be considered a substitute for the provisions of the law, which are set forth in Articles 1, 15, and 20 of the "Illinois Pension Code." The provisions of the law prevail over any statements, errors, or omissions of this booklet.

The benefits in this booklet pertain to SURS annuitants, whether in the Traditional, Portable, or Self-Managed Plan. Separate booklets are also available explaining the benefits of each of those plans for active members.

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GLOSSARY

Annuitant — A person receiving a retirement, reversionary, survivor, beneficiary, or disability retirement annuity from SURS.

Beneficiary — The person(s) designated by the SURS member in the last written designation on file with SURS. If no such person survives or there is no designation on file, the estate of the participant or annuitant.

Certified Copy — A certified copy of a document that has a raised or multicolored seal.

Death Benefit (also Lump-Sum Death Benefit) — A single cash sum that is paid as soon as practicable after SURS receives written application by the beneficiary and such evidence of death and identification as SURS requires.

Deferred Annuitant — A member who retires greater than one year after termination.

Defined Benefit (DB) — SURS retirement plan which provides fixed monthly retirement benefits for life. Both the Traditional and Portable Benefit Packages are DB plans.

Defined Contribution — SURS Self-Managed Plan in which the participant has control of where the retirement funds will be invested from among a selected group of investments, but also bears the risk.

DRA — Disability Retirement Allowance. Granted to participants who are unable to engage in any substantial gainful activity and who have exhausted their disability benefits and are entitled to the 35% of basic compensation that was payable when their disability began.

Immediate Annuitant — A member who retires within one year of termination.

Member — A person in the SURS system, whether active (employed), inactive, or receiving benefits from SURS.

Participant — A person who participates in one of the 3 retirement plans offered through SURS. Upon receipt of a retirement annuity or a refund of contributions, he or she is no longer a participant.

Retiree — A SURS member who has terminated employment and is receiving a retirement annuity.

Separation Refund — A lump-sum payment made to members who terminate employment in the SURS system and elect to take their money out of the system rather than leave the funds on deposit for a retirement annuity.

Survivor — Upon the member's death, the survivor is the surviving spouse or other person(s) as defined in the retirement plan elected by the member.

Survivor Benefit — A recurring monthly annuity to the qualifying survivor.

INTRODUCTION

Like many benefit recipients of the State Universities Retirement System (SURS), you may occasionally have questions about your annuity payments. This booklet addresses the questions most frequently asked of SURS staff. Some of the provisions discussed herein may not apply to you, depending on the date your annuity began.

If you have further questions after reading this booklet, feel free to call SURS between 8 A.M. and 4:30 P.M. Monday–Friday at 1–800–275–7877 (800–ASK–SURS). In the Champaign/ Urbana area call (217)378–8800. You can also check our website at www.surs.org

Three Retirement Plans

The State Universities Retirement System of Illinois provides retirement, disability, death, and survivor benefits to eligible SURS participants and annuitants. As of April 1998, SURS active members must choose from one of three retirement options:

- Traditional Benefit Package — The historical SURS Defined Benefit retirement plan which until 1998 was the only SURS plan available.
- Portable Benefit Package — A Defined Benefit retirement plan that provides a more generous separation refund for those who leave the system.
- Self-Managed Plan (SMP) — A Defined Contribution plan in which the participant selects from a variety of mutual funds and variable annuities, but also bears the risk.

Application of Changes in the Law

Generally, changes in the retirement law are applicable only to persons who are contributing members on or after the effective date of legislation. If you terminated your employment status before the effective date of the legislation, the changes will not be applicable to you unless the legislation specifically provides for retroactive application.

Confidentiality

To protect your privacy, all information contained in your SURS record is deemed confidential and is provided only to you, your employer, and to those you permit to have access. However, if a court issues a subpoena for your records, they must be released.

IMPORTANT MONTHS

As a SURS benefit recipient, you'll want to make note of certain deadlines and events throughout the year.

January

You will receive IRS Form 1099–R, which details the gross and taxable portions of your annuity paid from January 1st to December 31st and any federal income taxes withheld.

An Annuity Statement for each type of benefit you receive will be mailed to you. This includes a verification form that applies to your benefit:

- Address Verification, if you are a retiree, survivor, beneficiary or reversionary annuitant.
- Earnings Verification, if you receive a disability retirement allowance.

To avoid disruption of your benefits, you must sign and return your completed verification form to SURS by April 15th each year.

If you are eligible for the Automatic Annual Increase, it will be reflected in your January retirement, survivor, and/or disability retirement statement.

April

The verification form that was sent to you in January must be completed, signed, and returned to SURS by April 15th each year. If you do not return your form by that date, your benefits **will be suspended**.

If you are eligible (see p. 10) to participate in the State of Illinois Employees Group Insurance Program, information about your benefit choices effective July 1st will be sent to you.

Tax Withholding Notice: As a benefit recipient, you are allowed to change your SURS federal tax withholding at any time during the year. You are not required to have federal tax deducted from your benefit checks. However, as a recipient you may need to file quarterly estimated tax payments if not enough tax is being withheld to cover your annual tax liability.

If estimated payments or deductions do not meet the federal tax obligation, you could be subject to IRS interest or penalty charges. To change tax withholding, you must complete a Form W-4P, which is available from SURS or the Member Website.

May and July

The annual benefit enrollment/choice period for the State of Illinois Employees Group Insurance Program begins May 1st and ends May 31st.

The benefit year for the State of Illinois Employees Group Insurance Program begins July 1st.

In July, you will receive an Annuity Statement which will provide you with SURS death benefit beneficiary and state insurance information.

ANNUITY PAYMENTS

Your retirement annuity is paid on the first working day of each month for the rest of your life. The same is generally true for survivor benefits, reversionary annuities, beneficiary annuitants, disability retirement, and QILDRO benefits (“QILDRO” stands for Qualified Illinois Domestic Relations Order, as described on p. 14). QILDRO benefits are only payable to the alternate payee until the member’s death or the alternate payee’s death, whichever is earlier.

If you choose to have your annuity deposited directly into your bank account, that will occur on the first *working* day of each month. If your

check is mailed to you, it will be mailed by SURS on the last *working* day of the previous month. Please wait 10 days before contacting SURS if you do not receive your check.

Post-Retirement Increases

Each January 1st, your retirement annuity will be increased automatically by 3% if you are in either the **Traditional** or **Portable** Plan. The Automatic Annual Increase (AAI) is a compounded percentage: the 3% increase is figured into your annuity each year. The first AAI will begin on the January 1st following the month in which you retire. It will be prorated for the number of months between your retirement date and the following December 31st.

For example, Janet retires on Jan. 1st and receives \$1,250 each month. The following Jan. 1st she receives the full 3% increase. The benefit amount of \$1,250 is multiplied by 3%, increasing her monthly benefit by \$37 per month to \$1,287. Janet continues to receive \$1,287 each month for her second year of retirement and on the next Jan. 1st she receives the 3% increase. Her 3% increases continue each year for life.

If Janet had instead retired on July 1st, she would be entitled to her first increase the following Jan. 1st. However, since she would only have been retired for 6 months at that time, SURS must prorate the amount she is entitled to receive. Therefore her first increase would be 1.5%.

EXAMPLE OF ANNUAL RETIREMENT INCREASES			
Retirement date	Original retirement amount	1st increase, Jan. 1 after retirement date	2nd year increase
January 1	\$1,250/mo	\$1,287 ¹	\$1,326
July 1	\$1,250/mo	\$1,269 ²	\$1,307

¹A full 3% increase because retirement was 12 months prior to January 1st.
²A prorated increase because retirement was 6 months prior to January 1st.

In this instance, if Janet's initial benefit was \$1,250 each month, she would receive 1.5% x \$1,250, or an increase to \$1,269 per month. The following January, the \$1,269 is multiplied by 3% and increases her benefit to \$1,307. Each subsequent Jan. 1st, Janet's benefit would increase by 3%.

Post-retirement increases are 3% of your annually adjusted annuity amount. The 3% is applied **only** to the base annuity as compounded each year. There is no increase on any additional annuity provided by survivors insurance refund, excess credit or contributions, or excess survivor contributions for retirement annuities and disability retirement annuities.

If you elected a reversionary annuity before retirement, which is an option in the Traditional Package only, your 3% AAI is calculated on the original base annuity.

If you receive the Supplemental Minimum Annuity guarantee (a minimum amount guaranteed by law), each year your regular annuity plus the 3% AAI is compared to the minimum guaranteed annuity. You will receive the larger of the two amounts. If the compounded annuity becomes greater than the guaranteed minimum, you will begin to receive the regular annuity plus the 3% AAI.

Direct Deposit

SURS strongly recommends that you elect direct deposit of your benefit payment if you have an account with a financial institution in the U.S. that allows electronic transfers.

If possible, your annuity payments will be deposited in your account through electronic funds transfer (EFT). EFT is an efficient, convenient solution to the problems of mail delays and theft. Even better, EFT ensures that your monthly payment is deposited in your account on the first working day of each month.

To elect direct deposit of your annuity payments, you must complete a Bank Authorization Form and return it to the SURS office. SURS must receive it by the 13th of the month prior to the

month you wish direct deposit to begin. Call SURS to obtain an Authorization form. Note that any request for **changes** in direct deposit must also be received by SURS prior to the **13th** of the month. Any changes received after this date will be processed, but the following payment will be sent to your bank as a paper check. As a result, your payment will not post to your account on the first working day of the month.

Annuitants who receive their benefits through electronic transfer do not get a paper statement in the mail. They will only receive a paper statement when any change is made to their net benefit amount, bank, insurance, or address.

If you do not receive your monthly check, contact SURS **after** the 10th of the month. Stop Payment requests cannot be processed until the 10th calendar day of each month, so SURS cannot issue a replacement check until after that date.

TAXES

Federal Income Taxes

Generally, all or most of your monthly benefit will be taxable as ordinary income for federal income tax purposes, beginning with the first payment you receive. If you previously paid federal income taxes on some contributions—such as contributions prior to 1981, leave payments, Early Retirement Option payments, or service credit purchases—they will not be taxed again. Instead, they will be prorated over your future monthly benefits, according to Internal Revenue Service (IRS) procedure.

Since January 1, 1998, SURS has calculated the portion excludable from federal income taxes using an approach that the IRS calls the Simplified General Method. To determine the amount of your benefit that will be tax-free each month, divide the amount of your previously taxed contributions by the “months to recover.” This is the length of time designated by the recover your previously taxed contributions, as illustrated in the following table.

**Simplified General Method
Exclusion Rates for Expected Return
on Investments**

No Survivor “Single Life”

Age	Mos. to Recover
55 or less	360 months
56–60 years	310 months
61–65 years	260 months
66–70 years	210 months
71 & over	160 months

“Multiple Life”

Combined Ages	Mos. to Recover
110 or less	410 months
111–120 years	360 months
121–130 years	310 months
131–140 years	260 months
141 & over	210 months

SURS calculates this exclusion for you and maintains the record of the previously taxed contributions. Each tax year SURS will supply this information to you, to aid in the completion of your federal tax return.

Let’s review an example in detail. Betty retires at age 64 with a spouse who is also age 64 and she had \$13,500 of previously taxed contributions. To determine the tax-free portion of her benefit, Betty’s previously taxed contributions are divided by the multiple life factor ($\$13,500 / 310 \text{ months} = \43.55). So \$43.55 of Betty’s monthly benefit would be excluded from federal income taxes each month for the first 310 months (25 years & 10 months) she receives benefits. After that, her full benefits would be taxable.

But suppose Betty dies at age 70 after being retired for only 72 months. The unrecovered portion of her previously taxed contributions would pass on to her survivor, using the same monthly exclusion as Betty (\$43.55). If her husband, for example, is also age 70 at Betty’s death, he will recover the unrecovered, previously taxed contributions over the next 238 months (that is, the 310 months Betty originally had minus the 72 months exclusion). When her

husband dies (or if Betty died without a survivor), Betty’s beneficiary will recover any unrecovered, previously taxed contributions from the death benefit.

Tax Withholding

If you are a benefit recipient, you may change your SURS federal tax withholding as often as you need. You are not required to have federal tax deducted from your benefit checks; however, as a recipient you may need to file quarterly estimated tax payments if not enough tax is being withheld to cover annual tax liability. If estimated payments or deductions do not meet the Federal tax obligation, beneficiary taxpayers could be subject to IRS interest or penalty charges.

To change tax withholding, you must complete a Form W-4P, which can be obtained by calling SURS or visiting the Member Website. Forms received by the 19th of the month will be implemented by the 1st of the next month.

State Income Taxes

Because the State of Illinois does not tax SURS benefits, state income taxes are not automatically withheld from any SURS payments. To claim this excludable income on your State of Illinois income tax form, you must:

- Indicate the portion of your annuity that is taxable for federal income taxes on the appropriate line of your State of Illinois tax return, and
- Attach a photocopy of the first page of your federal tax return.

SURS benefits may be taxable by other states. If you do not live in Illinois, check with your state’s Department of Revenue to find out if your benefit is taxable in your state.

SURS will withhold state tax for Illinois **only** if the member so elects. Even though SURS benefits are not taxable in Illinois, SURS may withhold state income tax in order to alleviate tax underwithholding for Illinois recipients, if they so desire.

EMPLOYMENT AFTER RETIREMENT

If you were in either the **Traditional** or **Portable** Plan and return to work with an employer covered by SURS, you must notify SURS immediately because your earnings are subject to certain limitations. If you do not satisfy these requirements, your annuity may be reduced or suspended.

- You may not be re-employed by a SURS-covered employer until you have been retired at least 60 days;
- If your annuity payments began at age 60 or later, your earnings from a SURS-covered employer during any academic year after you retire, combined with your annual base annuity from SURS, may not exceed your highest earnings during any academic year before you retired; or
- If your annuity payments began *before* age 60, your gross monthly earnings from an employer covered by SURS may not exceed your base monthly gross annuity (including any Automatic Annual Increases).

However, there is no limitation on your post-retirement earnings if you return to work with an employer who is not covered by SURS.

Earnings limit information is forwarded to you upon completion of your retirement claim. If your annuity payments began at age 60 or later, once the earnings limitation is calculated it does not change. If your annuity payments began before age 60, the earnings limitation is increased each year by the Automatic Annual Increase.

Note that the above does **not** apply to anyone in the **Self-Managed** Plan.

BENEFITS PAID AFTER YOUR DEATH

After retirement, the benefit paid upon your death is either a survivor benefit or a death benefit, not both. Survivor benefits will be paid to any eligible survivors. If there are no survivors, the death benefit will be paid.

A *survivor benefit* is paid as a monthly amount to a qualifying survivor(s), who is predetermined by law. In the **Traditional** Plan, this is usually a spouse or child. In the **Portable** Plan, the survivor was selected by you at the time you retired. A *death benefit* is usually paid in a lump sum to someone you name on your beneficiary designation who may or may not be a family member.

While SURS law determines qualifying survivors, you choose your beneficiary. They may be the same.

Beneficiary Designations

You should have a valid beneficiary designation on file with SURS on or before the date of death. It authorizes the payment of death benefits to your named beneficiaries in the event of your death. You can obtain a list of your current beneficiaries by calling SURS. A copy will be mailed to you.

Changing Your Beneficiary

You may name any person, firm, corporation, or other legal entity (including your estate) as primary or contingent beneficiary for a death benefit. You may change your beneficiary designation at any time.

If you divorce, your spouse is disqualified for survivor benefits in the **Traditional** Plan. After your divorce, you must designate or redesignate your former spouse as your beneficiary for him or her to be eligible for any lump-sum death benefit.

On the beneficiary designation, you are asked to name primary beneficiary(ies) and contingent beneficiary(ies). If your primary beneficiary predeceases you, the death benefit will be paid to any remaining primary beneficiaries. If no primary beneficiaries are living, the death benefit will be paid to your contingent beneficiaries. If all of your beneficiaries predecease you, or if you have not filed a beneficiary designation with SURS, the death benefit will be paid to your estate.

Changing your SURS beneficiary designation **will not** automatically change your beneficiary designation under the State of Illinois Employees Group Insurance Program. To make these changes, contact Minnesota Life at 888-202-5525.

Helping Your Survivor

As an annuitant, you should keep your beneficiary forms up-to-date with SURS. This will be a big help later when trying to locate your survivors and beneficiaries.

SURS can accept reports of death by mail, phone, or fax. The following information is needed:

- Date of death;
- Survivor(s)' name, address, phone number, birthdate, and Social Security number.

In the **Traditional** Plan, SURS will pay to an eligible survivor a \$1,000 lump-sum survivor payment (\$500 if reciprocal with State Employees Retirement System or State Teachers Retirement System), but only if we have the survivor(s)' birthdate and Social Security number. This benefit is paid on the next available checkwriting. SURS writes checks approximately three times a week.

Within 10 days of receiving the report of death, SURS will send a letter explaining the benefits that are payable to the survivor(s). Included will be the forms needed to apply for the benefits.

Following are the documents typically needed to finalize a survivor claim. Usually only a few of these will apply in individual cases:

- Application for widow's or widower's survivor benefit;
- Application for child's survivor benefit (if applicable);
- Application for dependent parent's survivor benefit (if applicable);
- Full-time student certification (if any survivors are full-time students age 18-22);
- Proof of birth date for all qualifying survivors if copies are not already on file;
- Copy of marriage certificate for a qualifying spouse if copy is not already on file;
- *Certified* copy (raised or multicolored seal) of the death certificate;
- Bank authorization form (optional);
- Form W-4P (Federal tax withholding);
- Return of any overpayments that may have been received from SURS;

Please note that SURS cannot give out information pertaining to a member's account to anyone but the survivor(s) or beneficiary(ies) themselves. This includes information about beneficiary designation and benefit amounts.

In the **Traditional** Plan, if there are contributions and interest remaining in the account, the survivor can either take the monthly survivor benefit **or** the lump-sum death benefit. Retirees usually exhaust their contributions and interest within 3 or 4 years of retirement. If the survivor decides to take the lump sum, the following documents are needed instead of those listed above:

- Waiver of survivor's insurance benefits;
- Application for death benefit;
- *Certified* copy of the death certificate.

The following forms are needed for death benefit claims:

- Application for death benefit;
- *Certified* copy of the annuitant's death certificate;
- *Certified* copy of the death certificate of any primary beneficiaries;
- *Certified* copy of the Letters of Office or Letters of Administration (if payable to estate). Note that if the estate will not be formally administered through the court system, SURS requires a Small Estate Affidavit;
- Copy of the trust agreement (if payable to the trust);
- Agreement to Hold or Use Benefits for the Benefit of a Minor (if payable to a minor child).

Delays in Finalizing Claims

Of all the reasons why a claim may not be processed quickly, the following are the most common:

- Birth certificate not on file (A photocopy of any of the following documents is acceptable: Birth certificate; Baptismal certificate; School records; Military discharge papers; Passport).
- Marriage certificate not on file.
- Form W-4P not received (In this case, SURS will automatically use a withholding status of married with 3 allowances).
- Completed claim forms for life and health benefits under the State of Illinois Insurance Program or the College Insurance Program (if applicable).
- Final certification of reciprocal data pending (Because two or more reciprocal systems could be involved in a survivor claim, these claims generally take longer).

- Return of overpayments (see below):

SURS pays retirement annuities at the beginning of the month. Even if the retiree should die in the middle of the month, he or she is still entitled to that full month's annuity.

If SURS is not notified of the death, the payments beginning with the month following the date of death are overpayments which must be recovered by SURS.

- If a check is sent to an annuitant's home, SURS will put a stop payment on it.
- If the annuity is sent electronically to the bank, the funds are recalled from the bank.

If SURS is unsuccessful in recovering the overpayments, the survivor or beneficiary will be asked to send a check for the overpayment. If this is not possible, SURS will recover the overpayment from the survivor benefits or the death benefit due. Note that SURS generally only recovers the overpayment from the benefits at the request of the survivor or beneficiary.

DIFFERENCES IN THE PLANS

Traditional Plan

In the **Traditional** Plan, a qualifying survivor is defined as:

- Your spouse, provided he or she was married to you at least 1 year before your death (unless you and your spouse have biological or adopted children) and: (a) is at least age 50; or (b) has in his or her care your unmarried children under 18 or up to age 22 if full-time student.
- Your unmarried child(ren) under 18, or under age 22 if a full-time student.
- Your unmarried disabled child(ren) 18 or over if disabled prior to age 18.
- Your financially dependent parent(s) age 55 or over.

Survivor Benefit

In the **Traditional** Plan, your qualifying survivor(s) will receive:

- A lump-sum benefit of \$1,000, and
- The greater of the Minimum and Maximum formulas used to determine survivor benefits (see Survivor Benefits chart). This amount is then compared to the supplemental minimum annuity guarantee.

Effective January 1, 2002, anyone who is receiving a monthly survivor benefit from SURS is entitled to \$17.50 for each year of benefit service credit, up to a maximum of 30 years of benefit service.

If you receive the Supplemental Minimum Annuity guarantee (a minimum amount guaranteed by law), each year your regular annuity plus the 3% AAI is compared to the minimum guaranteed annuity. You will receive the larger of the two amounts. If the compounded annuity becomes greater than the guaranteed minimum, you will begin to receive the regular annuity plus the 3% AAI.

Survivor benefits in the **Traditional** Plan will be paid until one of the following occurs:

Children

- Reach age 18 (unless disabled), or reach age 22 if full-time student.

- Marriage
- Death

Spouse

- Is under age 50 when child(ren)'s benefit ends (Benefit begins again at age 50).
- Death

Disabled Children Over Age 18

- No longer disabled.
- Death

Parent(s)

- Death

Death Benefit

If you did not have a qualifying survivor when you retired, or your qualifying survivor has predeceased you, upon your death your named beneficiary will receive a death benefit equal to the greater of:

- Your total contributions and interest at retirement, less the sum of the retirement payments or Disability Retirement Allowance payments; or
- \$1,000 (or \$500 if you terminated employment prior to August 27, 1973).

Automatic Annual Increase

For death after retirement, the annual 3% compounded increase will apply to the monthly survivor's annuity. The date it begins is dependent on the original member's retirement status.

SURVIVOR BENEFITS FORMULA: TRADITIONAL BENEFIT PACKAGE

Maximum Formulas

1. 80% of base annuity;
2. \$400 per month (1 survivor), or \$600 month (2 or more survivors); (as of Sept. 4, 1981)
3. 30% (1 survivor), or 60% (2 survivors), or 80% (3 or more survivors) of your final average earnings (last 48 months or 4 highest-paid consecutive academic yrs).

Minimum Formula

50% of the earned retirement annuity.

Note _____

SURS will compare the lesser of the 3 amounts at left to the amount above. The monthly survivor benefit will be the larger of the Minimum or Maximum formulas. Note that the amount in the Minimum formula often exceeds that in the Maximum formula.

Portable Plan

In the **Portable** Plan, if you die after retirement, survivor benefits are payable to your eligible survivor only if you had elected a Joint & Survivor Annuity at the time of retirement. The retiree may elect a 50%, 75%, or 100% Joint & Survivor Annuity.

Costs to elect this benefit are determined at the time of retirement and are deducted from the retiree's monthly annuity check. These costs are determined by SURS actuary.

The survivor annuity begins the first of the month following the retiree's death. It ends at the death of the survivor, with the last payment due the first day of the month in which the survivor dies.

If you did not elect a Joint & Survivor Annuity at retirement, or your survivor has predeceased you, your beneficiary will receive a lump-sum death benefit equal to the greater of:

- Your total employee contributions and interest at retirement, less the sum of the retirement payments or DRA payments, or
- \$1,000.

Self-Managed Plan (SMP)

In the **Self-Managed** Plan, benefits to your designated beneficiaries were determined by the annuity contract purchased at the time of your retirement.

HEALTH INSURANCE

Certain SURS retirees and their survivors may qualify for health insurance benefits through their former employment. While no universal health coverage is offered to all retirees, SURS helps administer the benefits for some of these programs.

If you are the surviving spouse of a retiree who had state insurance, you may be eligible for state insurance at the same rate as the original member.

Most benefit recipients who were employed by a 4-year college or an administrative unit in Illinois are covered under the State Employees Group Insurance Program. Retirees of community colleges (except City Colleges of Chicago) who were full-time employees and who qualified for benefits with their employer may participate in the College Insurance Program. These programs offer health and dental insurance for benefit recipients and an option to cover their eligible dependents. Premiums, if any, are deducted from the monthly annuity check.

Those in the **Self-Managed** Plan who are entitled to receive health insurance benefits in retirement must use their account balance to buy a specific annuity contract to facilitate the deduction and payment of the applicable insurance premiums.

Community College Retiree Health Insurance

Full-time active community college employees pay 0.5% of gross earnings to help fund the College Insurance Program (CIP). SURS forwards the payments to Central Management Services (CMS), a division of Illinois State government that oversees such benefits.

CMS determines the benefits and premiums for the CIP, while SURS determines the qualifications for it, guided by the provisions of the law found in *Illinois Compiled Statutes, Chap. 5, Act 375*. Note that the City Colleges of Chicago do not participate in CIP.

Any premiums for you or your dependents will be deducted from your monthly SURS annuity check (assuming the benefit amount is enough to cover the insurance cost). Details about this coverage may be obtained from SURS or CMS.

State of Illinois Retiree Health Insurance

SURS retirees who have at least 5 years of qualified service, and who receive their retirement benefit as an annuity, are eligible to participate

in the State Employees Group Insurance Program at the time of retirement. Qualified service includes those years that a member contributed to SURS through a 4-year college or state agency.

For those in the **Traditional** and **Portable** Plans, qualified service may also include purchased military time or Other Public Employment.

The benefits, premiums, and qualifications for the State Insurance Program are negotiated for and determined by CMS. As with the College Insurance Program, CMS obtains guidance for this plan through the *Illinois Compiled Statutes* and makes changes in coverage and premium rates as needed.

Retirees who qualify for the State Insurance Program and who retired after January 1st, 1998, *with less than 20 years of qualified service*, contribute to the cost for health insurance premiums. The State of Illinois contributes 5% of the premium cost for each year of qualified service the retiree has attained (see next section, State Health Insurance Choice at Retirement).

For example, Richard retires through SURS with 12 years of qualified service. The State will pay 60% of his monthly health insurance premium (5% x 12 years of service). Richard will pay the remaining 40% by having the cost deducted every month from his retirement annuity check from SURS.

State-insurance eligible members who retire with *20 or more years of qualified service* will get fully paid health insurance. Premiums for eligible dependent coverage, however, will be deducted from the monthly annuity payments, regardless of years of service. If you are a survivor benefit recipient of a retiree who had state insurance, you may be eligible for state insurance at the same rate as the original member.

State Health Insurance Choice at Retirement

On July 30, 1999, a law was signed that allows State-insurance eligible SURS-covered em-

ployees with less than 20 years of service at retirement to retain the right to fully State-paid health insurance—if they give up certain benefit improvements provided by legislation passed in 1997.

To be eligible for this choice, a qualifying member must:

- Have been a participant who was an employee on July 7, 1997;
- Retire on or after July 30, 1999;
- Qualify for State health insurance coverage at retirement (e.g., 5 years of service with an Illinois university);
- Have less than 20 years of qualified service;
- Receive a monthly retirement annuity under any of the 3 retirement plans;
- Abide by applicable maximum annuity limitations; and
- Make a one-time irrevocable choice at retirement.

The choice does not apply to members who:

- Retired before July 30, 1999;
- Were hired after July 7, 1997; or
- Were not active employees on July 7, 1997.

Public Act 93–553 was signed into law on August 20, 2003, allowing retirees who are required to pay a portion of their health insurance and are married to a member of the state group health plan, to **elect to participate** in the state group health plan **as a dependent** of their spouse.

Other Health Insurance

As a retiree, if you continue in a group plan sponsored or approved by your former SURS employer (a plan not included in the previous information), the employer may authorize SURS to withhold your monthly premiums for hospital/medical insurance from your annuity check.

In this instance, SURS acts only as the agent in withholding and forwarding your monthly premium to the employer. If you have questions about claims or coverage, contact your employer's insurance office or the insurance company's office.

Life Insurance

If you retired after January 1, 1966, and are eligible for State of Illinois Employees Group Insurance, you may also receive life insurance benefits. As an immediate annuitant, you may be eligible to purchase life insurance for your dependents and additional life insurance for yourself. Premiums for these additional benefits will be deducted from your monthly benefit check. As a deferred annuitant, you are only eligible to receive the state-paid life insurance.

To request claim forms or obtain more information, contact the SURS Insurance Department.

MEDICARE

Medicare works with the State Insurance Program and the College Insurance Program to provide retirees with comprehensive health insurance. It is made up of two parts. Part A covers hospital insurance and Part B covers medical insurance. Medicare does not cover prescriptions, except for some diabetic supplies. **It is your responsibility to contact Medicare to verify eligibility.**

Eligibility

Most people become eligible for Medicare when they turn 65. The federal government pays the full cost of Part A if you qualify for Social Security benefits and are age 65 or over. Contact the Social Security Administration at 1-800-234-5772 to find out if you qualify. If you do not qualify for premium-free Part A, you may purchase it. Medicare Part B is never premium-free. It must be purchased through Social Security.

You may also be eligible for Medicare through survivor benefits if you are 65 or over, or if your

spouse is eligible under his or her work record and you are 65 or older, or if you are receiving a disability payment from Social Security at any age.

How Claims Are Paid

Whether or not Medicare is your primary insurer is based on several factors. If you receive a disability benefit from Social Security and are enrolled in Medicare Disability, or have End-Stage Renal Failure medical benefits, contact your local Social Security office to determine whether Medicare is your primary insurer.

If you are over 65, currently employed, and receiving benefits through the State of Illinois or elsewhere, your active employment insurance is your primary insurer and pays first on all claims. Medicare is your secondary insurer.

If you are over 65, retired, and have no insurance other than Medicare and your State or CIP coverage, Medicare is your primary insurer. It pays first on all claims (approx. 80% of eligible charges); your State or CIP coverage pays their portion of the remaining eligible charges.

If you live outside the U.S. or have medical treatment while traveling abroad, Medicare will not cover any charges incurred outside the U.S. In this case, your State or CIP coverage is the primary insurer.

Medicare Part B Coverage

If you are eligible for premium-free Part A but do not purchase Part B, your State or CIP insurance may not provide the same coverage that Part B would have covered, due to a state law passed in July 1992. This law affects persons who retired or turned 65 after July 1, 1992, and who were also eligible for premium-free Part A.

The Part B reduction only applies to charges that would have been *covered* by Medicare Part B. If you are not eligible for premium-free Part A, you do *not* need to purchase Parts A or B to avoid a reduction in benefits. If you have neither of these, your State or CIP insurance coverage will remain the same as it was before you turned 65.

When the Federal Government began requiring state employees who contributed to state pension plans, and not to Social Security, to contribute toward Medicare, the State of Illinois amended its laws regarding coordination with Medicare. Before April 1, 1986, state employees had not been required to contribute to Medicare and thus earned no credits toward Medicare coverage.

In order to offset the cost of this required contribution, the State passed an amendment to the Group Insurance Act which reduced benefits to certain individuals who were eligible for premium-free Part A of Medicare but chose not to purchase Part B.

The Costs for Coverage

If Medicare is your primary insurer and the State or CIP insurance is secondary, and you pay a monthly premium for the State or CIP coverage, your premium will be reduced to reflect the additional coverage. If you only have Part A but are affected by the Part B reduction law, your premium amount will also be reduced.

If you are a community college retiree enrolled in the CIP plan and do not have either Part A or B of Medicare, your premiums increase significantly. Insurance premiums can change from year to year, so consult the most recent *Annual Benefit Choice Options Handbook* for the current rates.

Your Medicare Status

A few weeks before you turn 65, you will receive a notice from SURS stating that since you (or a dependent) will soon turn 65, you must send SURS either a copy of your Medicare card showing the beginning date of your Medicare coverage or a letter from Social Security stating that you are ineligible for premium-free Part A enrollment.

If SURS does not receive the documentation before you turn 65, your records will be defaulted to Parts A and B. This could adversely affect your insurance coverage. It will be up to you to correct your information and send it to SURS.

SOCIAL SECURITY

SURS participants do not contribute to Social Security based on their SURS-covered employment. However, you may have accumulated Social Security credit with an employer not covered by SURS.

To determine your eligibility for benefits and the amount of credit you have earned, call your local Social Security office. Ask for the Request for Earnings and Benefit Estimate Statement, form SSA-7004. When you receive this form, complete and submit it to the address indicated. An estimate of your benefits will be mailed to you. This estimate will not include any reductions due to offset provisions in the Social Security law.

Other provisions may cause a reduction in your Social Security benefits. These provisions are described in more detail below.

Windfall Benefit Elimination Provision

This provision applies only to your Social Security retirement benefits, not to your benefits from SURS. If you first became eligible for a Social Security retirement benefit and a SURS retirement benefit after 1985, your Social Security benefit will be calculated using a modified formula. This formula may result in a lower Social Security benefit.

Exemptions

According to the Social Security Administration, you are exempt from this provision if:

- You reached age 62 before 1986.
- You became disabled and remained entitled to a Social Security disability benefit during any of the 12 months before the month you reached age 62.
- You received or first became eligible to receive your SURS annuity before 1986.

You are also exempt if you have 30 or more covered years under Social Security. If you have

any questions about Social Security issues you should call your local Social Security office or check their website at www.ssa.gov

Government Pension Offset Provision

This provision reduces the Social Security benefits of SURS annuitants who are also eligible for Social Security benefits as the spouse or surviving spouse of a person covered under Social Security. The reduction is based on the date you as a spouse first became eligible for a SURS benefit (not the date you actually applied for a benefit). Generally, if you became eligible for a SURS benefit after December 1982 (July 1983 in some cases), your spousal benefit from Social Security beginning December 1984 is reduced by 2/3 of your SURS benefit.

Exemptions

You are exempt from this provision if you satisfy both of the following requirements:

- You began to receive or were eligible to receive your SURS annuity before December 1982, and
- You meet all the January 1977 requirements for receiving spouse's or surviving spouse's benefits from Social Security (in other words, a divorced person's marriage must have lasted at least 20 years, and a spouse must have received at least half of his or her support from the other spouse).

If you do not meet the above requirements, you may still be exempt from the offset provision if you received or were eligible to receive your SURS annuity before July 1, 1983, and you were receiving at least half of your support at that time from your spouse.

OTHER INFORMATION

Loans, Garnishment, Bankruptcy

If you are in either the **Traditional** or **Portable** Plan, SURS cannot make loans based on your

contributions and benefits. Nor can your SURS contributions be used as collateral for a loan. They are not subject to garnishment, and they are protected from seizure in bankruptcy and other court proceedings.

If you are in the **Self-Managed** Plan, your creditors generally may not attach, garnish, or otherwise interfere with your Plan account. Your interests in your account may not be sold, used as collateral for a loan, given away, or be otherwise transferred until you are entitled to take a distribution. They are also protected from seizure in bankruptcy and other court proceedings.

Divorce

Benefits provided by SURS in either the **Traditional** Plan, **Portable** Plan, or the **Self-Managed** Plan, are not subject to the provisions of a Qualified Domestic Relations Order (QDRO). Under state law, SURS benefits may not be paid to anyone other than the member, except to an alternate payee named in a Qualified Illinois Domestic Relations Order (QILDRO). SURS can accept QILDROs as of July 1, 1999. It is the member's obligation to honor a divorce decree that directs payments to an ex-spouse.

You or your attorney should contact SURS 2 to 3 months prior to a divorce court proceeding to receive the informational packet regarding QILDROs or check www.surs.org

Withholding Orders

Once disability or retirement benefits become payable to you, the court may issue a withholding order directing SURS to pay the State Disbursement Unit certain amounts to cover any delinquency in support payments to your dependents.

Appeal Procedure

If a claim for retirement, disability retirement allowance, or survivors insurance benefit is denied, or if you disagree with the amount of the benefit, you or your attorney may file a petition for written appeal and a hearing before the

Claims Committee of the Board of Trustees. You should also request a copy of the Hearing Rule established by the Board.

SURS will notify you of the Trustees' final decision. If you are not satisfied with this decision, you may file a petition with the Circuit Court of Champaign County, Illinois, requesting that the Court review the Trustees' decision under the Administrative Review Law. You must file this petition within 35 days after the Trustees' decision has been served upon you.

Address Changes

If SURS does not have your correct address on file, you may not receive your monthly benefit check, Notification of Annuity Payment, or other important mailings. Please mail *written* notification of your address change to the SURS office. Be sure to include:

- Your old address
- Your new address
- Your Social Security number or Member ID number, and
- Your signature.

To notify SURS of a temporary address change, include the information described above, along with the date when your temporary address is

no longer valid. All changes received by the 18th of the month will be reflected on your next annuity payment or notification of annuity payment.

Note that address changes for individuals receiving benefit payments from SURS **cannot** be accepted by telephone, fax, or e-mail.

SUAA

The State Universities Annuitants Association (SUAA) is a not-for-profit organization created in 1971 to promote the interest and welfare of the State Universities Retirement System (SURS) retirees, their spouses, and survivors.

This group has chapters on many university and community college campuses in Illinois with a central office in Springfield. Funded by annual dues, members receive newsletters and updates regarding the efforts that SUAA is making to monitor and improve the benefits to which SURS members are entitled.

For information on SUAA, call 888-547-8473. Or write to 3085 Stevenson Drive, Suite 301, Springfield, IL 62703.

Look for SUAA on the Internet at www.suaa.org
Or e-mail SUAA at suaa@springnet1.com

CONTACTING SURS

The State Universities Retirement System is located at 1901 Fox Drive, Champaign, IL 61820. Office hours are 8 a.m. to 4:30 p.m. Monday through Friday.

The mailing address is:

SURS P.O. Box 2710 Champaign, IL 61825-2710

Please include your Social Security number or Member ID number with all correspondence.

Telephone

Main Switchboard:
1-800-275-7877 (800-ASK-SURS)

Champaign-Urbana Area:
(217) 378-8800

Fax

(217) 378-9800

SURS Website

www.surs.org

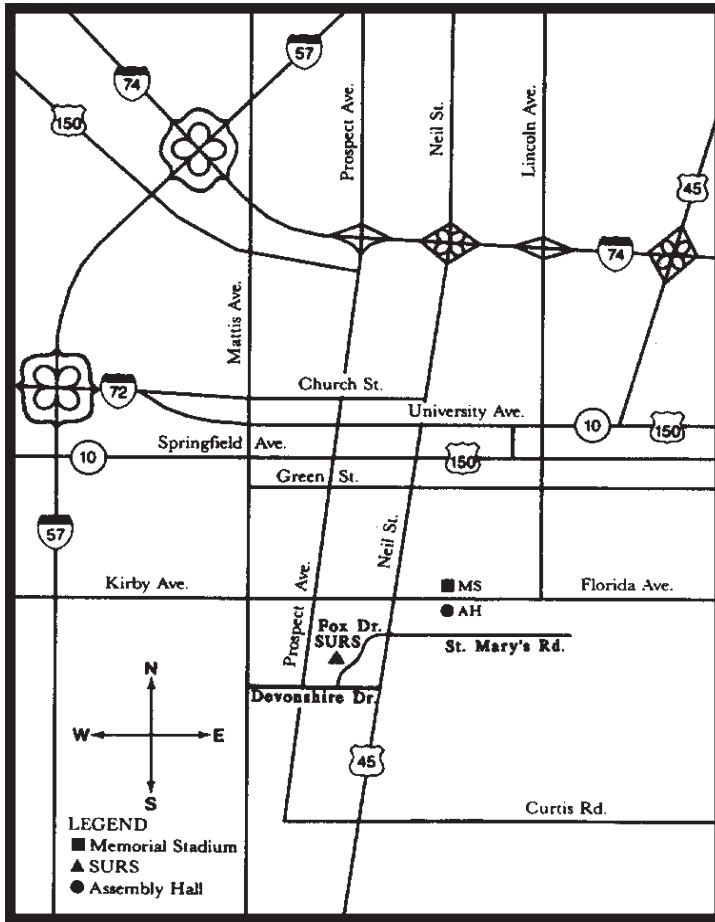
For the most up-to-date information about SURS, visit our website. Updates to this site ensure that newly proposed legislation, recent newsletters, important information about benefits, various forms, and other topics pertaining to SURS members are included.

Newsletter

SURS publishes the *Advocate* to inform benefit recipients about legislation, funding, insurance, federal income tax withholding notification, and other relevant financial data. This publication is mailed to members but may also be viewed online at www.surs.org

Member Website

Make sure you register for the SURS Member Website. It allows you to check on your summary of benefits, view your employment history, view your earnings history, and update your personal information. To register, visit www.surs.org and click on Member Access.



LOCATION MAP

The State Universities Retirement System office is located at 1901 Fox Drive, Champaign, IL. Be sure to schedule an appointment, if you plan to visit us.

**State Universities Retirement System
of Illinois**

1901 Fox Drive
Champaign, IL 61820

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