

## State Universities Retirement System Public Act 96-0889

Governor Quinn signed Senate Bill 1946 (now Public Act 96-0889) into law on April 14, 2010. The resulting changes to the Illinois Pension Code made no change to pension benefits for current employees or annuitants, who would be considered Tier I members. The changes do modify SURS benefits **for participants who first begin their SURS (or other eligible Illinois reciprocal system) participation on or after January 1, 2011**, who would be considered Tier II members. PA 96-0889 impacts the three SURS plan choices (Traditional, Portable, and Self-Managed) in different ways. The following table highlights the benefit information for new Tier II members:

	Traditional Plan	Portable Plan	Self-Managed Plan (SMP)
Employee Contribution Rate	8% of member's Maximum Pensionable Earnings <i>(or 9.5% for Police/Firefighters)</i>		8% of Earnings
Retirement Vesting and Age Requirements	Age 67, with at least 10 years of service Age 62 with reduction for age, with at least 10 years of service Age reduction is 1/2 of 1% for each month under age 67 at retirement.		Age 62, with at least 5 years; Age 55, with at least 8 years; or At any age with at least 30 years Age reduction is not applicable to SMP. <i>(Age 50, with at least 25 years of Police/Fire service)</i>
Retirement Benefits	Greater of the benefits computed under all applicable methods. <i>(Includes the Police/Firefighter Formula, if member has at least 20 years of Police/Firefighter service and has made the additional 1.5% contribution.)</i>		Member bears the investment choice risk. At retirement, vested account balance is used to purchase an annuity contract or to pay a lump sum benefit.
Final Rate of Earnings (FRE)	<ul style="list-style-type: none"> <li>• Average earnings during 8 high consecutive academic years of the last 10; or</li> <li>• The average of the high 96 consecutive months of last 120 months (if applicable).</li> </ul>		FRE not applicable to SURS benefit calculation for SMP.
Earnings/Contribution Limits	<ul style="list-style-type: none"> <li>• Limited to 20% year over year increases in earnings for years in the FRE period; and</li> <li>• Contributions into SURS (on a fiscal year basis) are limited to a maximum of \$106,800 for 2011, which is increased annually thereafter by the lesser of 3% or by one-half of the Consumer Price Index for the preceding year.</li> </ul>		<ul style="list-style-type: none"> <li>• An annual IRS contribution limit applies. The 2010/2011 and 2011/2012 limit is \$245,000.</li> </ul>
Retirement Benefit AAI (Automatic Annual Increase)	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.		AAI not available.
Survivor Benefits	Survivor benefits are built into this plan, at no additional cost. An eligible survivor receives 66 2/3% of the member's earned retirement annuity.	Survivor benefits are not built into this plan. Member benefits may be reduced to provide benefits. <ul style="list-style-type: none"> <li>• Post-retirement benefits payable to spouse depend upon payout options selected at retirement.</li> <li>• For benefits before retirement, the type and amount of benefits payable depend upon payout options selected by the spouse or other named recipient.</li> </ul>	
Survivor AAI (Automatic Annual Increase)	The AAI is calculated using the lesser of 3% or one-half of the consumer price index. The increase will not be compounded.	The AAI is 3%, compounded annually.	AAI not available.

If you have questions regarding these changes in the Pension Code for new employees, you may contact SURS at 217-378-8800 in the Champaign-Urbana area or 800-275-7877 outside the C-U area.

*All aspects of administration of the State Universities Retirement System (SURS), including but not limited to benefit calculation and payment, must comply with state and federal law. No employee of SURS has the authority to bind the system to take action contrary to law, even in the event of misstatement of fact or law. Furthermore, while this letter states SURS's current understanding of the law, this could change as a result of court opinions, statutory changes, or other matters (e.g., Attorney General opinions). Accordingly, SURS is required under law to correct any mistake in benefit amount, even after payments have begun. Use of any information from this letter, form, or any other document provided by SURS is for general information only and does not represent personal tax or legal advice either express or implied. You must seek professional legal or tax advice for personal income tax questions and other legal assistance.*