

Governor's Salary Cost Shift Provision FAQs

SURS staff is continuing to analyze P.A. 100-0023. This list of Frequently Asked Questions may change.

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What is the governor's salary cost shift provision in P.A. 100-0023?

Per P.A. 100-0023, effective July 1, 2017, all SURS-covered employers must pay the actuarially-determined employer normal cost on the portion of pensionable earnings that exceed the governor's salary for each participating SURS defined benefit plan member.

The amount owed by the employer will be offset by the amount of normal cost previously paid to SURS for each payroll period for active SURS members who are paid from trust funds, federal funds, and certain grant funds.

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When did the law become effective?

The law became effective for measurement years occurring on or after July 1, 2017. Therefore, employers will first be billed for the period from July 1, 2017 ? June 30, 2018 (or State Fiscal Year 2018). The measurement year will begin every July 1 and end every June 30 thereafter.

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What is the governor?s set salary?

The governor?s set salary for Fiscal Year 2018 and Fiscal Year 2019 is \$177,500 (See P.A. 100-0021 and P.A. 100-0586).

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When is the governor?s set salary determined?

The governor?s salary set as of July 1 of the measurement year will be used to perform the calculations.

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What is the current employer normal cost?

The employer normal cost for Fiscal Year 2018 is 12.46%. The employer normal cost for Fiscal Year 2019 is 12.29%.

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What is the measurement year for billing?

The measurement year will begin on July 1st and end on June 30th of each year.

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When will employers be billed?

Employers will be billed in the September following the end of the measurement year. For Fiscal Year 2018, employers will be billed in September 2018.

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How will employers be billed?

SURS will issue invoices to each employer in September following the end of the measurement year.

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How long does the employer have to pay the bill?

The employer has 90 days to submit payment to SURS. Beginning on the 91st day, interest will be charged to the employer at a rate equal to SURS? annual actuarially assumed rate of return on investments, compounded annually.

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What is SURS actuarially assumed rate of return on investments that will be applied to delinquent bills?

Delinquent bills will be charged interest at a rate equal to SURS' actuarially assumed rate of return at the time the interest accrues. Delinquent bills that incur interest in Fiscal Year 2019 will be charged interest at an actuarially assumed rate of 6.75%.

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Is this law applied to all SURS members?

All active SURS members are covered by this law except those who are enrolled in the Self-Managed Plan.

SURS will offset the portion of the employer normal cost owed under the law by the amount of the normal cost previously paid to SURS with each payroll period for active SURS members who are paid from trust funds, federal funds, and certain state grants.

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Is this law applied to Self-Managed Plan members?

No, this law does not apply to Self-Managed Plan members.

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Is this law applied to Tier 2 members?

This law does cover Tier 2 members. However, the pensionable earnings cap for Tier 2 members in Fiscal Year 2018 is \$112,408.42. The pensionable earnings cap for Tier 2 members in Fiscal Year 2019 is \$113,644.91. Because the governor's set salary is higher than these pensionable earnings caps, Tier 2 members' pensionable earnings will not exceed the limit or generate an employer bill.

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Does the law limit the actual earnings an employer can pay an employee?

No, the law does not limit the actual earnings an employer can pay an employee. Additionally, the earnings taken into account for this purpose are only those earnings that are considered pensionable. Therefore, if an employee does not pay into SURS for earnings over an IRS salary cap or the Tier 2 pensionable earnings cap, the earnings over and above those caps will not be considered for this calculation.

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How is the employer cost calculated for members who have multiple SURS employers?

The employer cost will be calculated separately for members who work for multiple SURS employers. Accordingly, earnings will not be aggregated across multiple employers for whom the employee worked in a fiscal year. For example, if a member's pensionable earnings are \$90,000 from employer A and an additional \$90,000 from employer B in FY 2018, no employer bill will be sent.

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Will payments for unused, unpaid sick leave pursuant to a collectively bargained agreement count towards earnings in excess of the governor's set salary?

No, payments for unused, unpaid sick leave pursuant to a collectively bargained agreement will not count towards earnings in excess of the governor's set salary.

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Will payments for unused vacation time count towards earnings in excess of the governor's set salary?

No, payments for unused vacation time will not count towards earnings in excess of the governor's set salary.

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If the employer already pays the normal cost for its employees, will we receive bills for employees whose earnings exceed the governor's set salary?

If an employer pays the full normal cost for its employees, it will not receive a bill. However, if an employer pays less than 100% of the normal cost for its employees, it could receive a bill under the law. SURS will offset the portion of the employer normal cost owed under the law by the amount of the normal cost previously paid to SURS with each payroll period during the measurement year for employees who are paid from trust funds, federal funds, and certain state grants.

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Will the employer be billed for employees paid through trusts, federal and certain state grants in which the normal cost is already paid by the employer?

If an employer pays less than 100% of the normal cost for its employees, it could receive a bill under the law. SURS will offset the portion of the employer normal cost owed under the law by the amount of the normal cost previously paid to SURS with each payroll period during the measurement year for employees who are paid from trust funds, federal funds, and certain state grants.

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How will the normal cost billed to the employer be calculated?

The employer normal cost will be calculated by multiplying the fiscal year normal cost amount (12.46% for FY18 or 12.29% for FY19) by the amount of earnings that exceed the governor's salary in effect as of July 1 of the fiscal year for which the employer normal cost is being calculated (\$177,500 for FY18 and FY19).

Example:

Jane Doe is an employee who earns \$204,944.14 from 7/1/17-6/30/18. The normal cost billed to Jane's employer will be calculated as follows:

$$\$204,944.14 - \$177,500.00 = \$27,444.14$$

$$\$27,444.14 \times 12.46\% = \$3,419.54 \text{ (employer normal cost to be billed for FY18)}$$

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How will the normal cost be calculated for employees who are part-time?

Public Act 100-0624, signed into law on July 20, 2018, removed the requirement that an employee's full-time equivalent earnings be used to calculate the portion of earnings in excess of the governor's salary. As such, the cost for part-time employees will be based on actual earnings that exceed the governor's salary. Therefore, an employer will only be billed for a part-time employee if the employee's part-time earnings exceed the governor's salary during the measurement year.

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If the employer believes a bill was calculated incorrectly, can a recalculation be requested?

Yes, if the employer disputes the amount of the bill, it may submit to SURS a written request for recalculation. The request must be made within 30 days of issuance of the invoice and must specify the grounds of the dispute. SURS will review the request and, if appropriate, recalculate the amount due. Requests should be submitted using the "Request for Recalculation for Governor's Salary Invoice" which will be available on the SURS Employer Website.

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How will the employer be notified of the status of a request for recalculation?

SURS will review the request to determine if it will be approved, approved pending further action or denied.

If approved with no further action required:

If SURS agrees with the request for recalculation and no further action is required for approval, the invoice will be recalculated and a revised invoice will be sent.

If approved pending further action:

If approved pending further action, a letter will be sent informing the employer that the request has been approved pending the submission of applicable adjustments on the next payroll file. The payroll file containing the adjustments must be received by SURS within 45 days from the date of the notification letter in order for the invoice to be recalculated. If the employer fails to submit the adjustments within 45 days, the original invoice will become final. If adjustments are submitted within 45 days as requested, the invoice will be recalculated and a revised invoice will be sent.

If denied:

If the request for recalculation is denied, SURS will send a letter informing the employer of the decision. The notification letter will state the reason the request has been denied. The employer may appeal the decision by submitting a written Request for Review with the Senior Claims Manager. The Request for Review must be received by SURS within 35 days from the date of the notification letter.

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Should the employer submit payment even if requesting a recalculation?

The employer should not submit payment for the portion(s) of the bill that is in dispute until the review is complete and a final determination has been made. Payment may be submitted for all portions of the bill not in dispute.

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Can an employer appeal a recalculation?

Yes, employers may appeal a recalculation pursuant to Title 80, Section 1600.510 of the Illinois Administrative Code. The Request for Review must be in writing and submitted to the Senior Claims Manager. The appeal must be received by SURS within 35 days from the date of the letter notifying the employer of the denial.

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The written representations herein constitute interim guidance as to the current interpretive positions of the State Universities Retirement System with respect to plan changes under P.A. 100-0023. Interpretive and implementation efforts are ongoing and may be subject to modification, expansion, or revocation under future guidance, rulemaking, opinions of the Attorney General, court opinions, or legislation relating to the applicable provisions of the newly enacted law.

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