

# Resolution to Support a Supplemental Retirement Plan

Presentation by  
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to  
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# Resolution on Retirement Benefits

- In January, the UI BOT directed the administration to explore options for a supplemental retirement plan
- A university working group has been meeting for several months to design a supplemental retirement proposal
- Key objective: **ensure that U of I retirement system is competitive with our peer institutions**
  - Objective is not to compensate for all SB-1 changes, but to ensure that we can compete with peer institutions
  - This program will not address 2014 retirement incentives created by SB-1 (that requires action by General Assembly)
- Ad Hoc Compensation Review Committee and the SEC recommends a resolution to express faculty support for a supplemental plan

# General Structure *Under Consideration*

1. University contribution to 403(b) plan of every SURS-eligible employee
  - Includes Tier I and Tier II Traditional and Portable as well as SMP participants
  - Rationale: Competitive analysis
2. Additional matching contributions for every SURS-eligible employee who contributes to 403(b)
  - Rationale: Competitive analysis
3. Possible additional university contributions on salary above the SB-1 salary cap (but below the IRS max)
  - Rationale: The retention of those affected by the extreme benefit cut caused by the imposition of the SB-1 salary cap

# Why a Supplemental Plan is Needed

Note: This chart compares contribution rates, not benefit levels. Although a useful approximation of plan generosity, it does not account for differences in the provision of non-retirement benefits (e.g., disability) financed by these contributions, the non-linear Social Security benefit formula, and the under-funding of many of these plans that may require higher future contributions. Even with these adjustments, Illinois is significantly below our peers.

## BIG TEN UNIVERSITIES CONTRIBUTION LEVEL COMPARISON

University of Illinois Programs are Administered by SURS

Approximate Contribution Rates For New Faculty (Estimates for SURS)

Institution	Social Security		University Retirement Plan		Total		GRAND TOTAL
	Employee	Employer	Employee	Employer	Employee	Employer	
University of Minnesota	6.20%	6.20%	5.50%	10.00%	11.70%	16.20%	<b>27.90%</b>
University of Iowa	6.20%	6.20%	5.00%	10.00%	11.20%	16.20%	<b>27.40%</b>
University of Michigan	6.20%	6.20%	5.00%	10.00%	11.20%	16.20%	<b>27.40%</b>
Michigan State	6.20%	6.20%	5.00%	10.00%	11.20%	16.20%	<b>27.40%</b>
Northwestern University	6.20%	6.20%	5.00%	10.00%	11.20%	16.20%	<b>27.40%</b>
Penn State	6.20%	6.20%	5.00%	9.29%	11.20%	15.49%	<b>26.69%</b>
Purdue University	6.20%	6.20%	4.00%	10.00%	10.20%	16.20%	<b>26.40%</b>
University of Wisconsin	6.20%	6.20%	7.00%	7.00%	13.20%	13.20%	<b>26.40%</b>
University of Nebraska	6.20%	6.20%	5.50%	8.00%	11.70%	14.20%	<b>25.90%</b>
Ohio State University	0.00%	0.00%	11.00%	14.00%	11.00%	14.00%	<b>25.00%</b>
Indiana University	6.20%	6.20%	0.00%	10.00%	6.20%	16.20%	<b>22.40%</b>
Average Big Ten					10.91%	15.48%	<b>26.39%</b>
University of Illinois Tier I	0.00%	0.00%	8.00%	7.50%	8.00%	7.50%	<b>15.50%</b>
University of Illinois Tier II	0.00%	0.00%	7.00%	7.50%	7.00%	7.50%	<b>14.50%</b>
University of Illinois SMP	0.00%	0.00%	8.00%	7.60%	8.00%	7.60%	<b>15.60%</b>

Source: 2012 Study by Buck Consultants, updated to December 2013 by UHR

Notes: On 1/1/14, Wisconsin increased its contributions rates from 6.65% to 7.0% for both employer and employees.

For universities with choice between DB and DC (e.g., Iowa, Penn State), the above contribution rates are for the DC system.

# Feasibility

- Campus contribution: Each 1% of pay costs about \$7.5 million for the U of I system (including \$3.1 million from auxiliary sources)
- Will need to be financed by campuses out of existing operating revenue
  - All three campuses have agreed to do this
  - Will obviously have overall fiscal implications
- This is a competitive necessity – we must “pay for this now, or pay more dearly later”
  - We are at risk of losing faculty and staff

# Recommendation

- *See S.C.14.09 Resolution on Supplemental Retirement System*
- *Highlights of the call for action:*
  - *Establish a supplemental retirement system that is financially competitive with peer institutions*
  - *Flexibility to respond to changing competitive and legal environments*
  - *Ensure actions are taken as soon as possible*