

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE
(Final; Information)

SUR.13.02 Report on SURSMAC* Meeting April 9, 2013

SURSMAC met at the SURS main office in Champaign from 10:30am to 12:45pm. Several members of the SURS staff made presentations to update the SURSMAC membership.

SURSMAC chair Jake Baggott of SIUC was unable to attend and his designee Mary Nippe welcomed participants and introduced the speakers.

Legislative Developments & Update

Without stating any opinions, Mr. Jeff Houch (the Legislative Liaison) and Mr. Michael Weinstein (the General Legal Counsel) presented an update on those bills that have passed.

House Bills

1. HB1154 passed the House on April 14 and it delimits pensionable earnings, based on a Social Security wage base.
2. HB1165 passed the House on April 21 and it substantially reduces the Illinois 3% “cost of living adjustment” (COLA).
3. HB1166 passed the House on April 14 and it changes the Tier 1 retirement age to 67.
4. HB3411 is a comprehensive bill changing pensions/benefits. HB3411 is on 2nd reading. This bill does not contain a cost shift to local government units and educational institutions, but it does require employers to start contributing to pension costs and creates a Tier 3.

Senate Bills

1. SB1 is a comprehensive bill with a two-prong approach, Part A and Part B. The theory is that if Part A is found unconstitutional, Part B will still be constitutional. This bill offers a choice between continued health insurance and the COLA. As it passed, it only impacts the Teachers Retirement System (TRS). This bill passed Senate and is pending in the House.
2. SB1544 is a comprehensive pension reform bill that covers all the others.
3. SB1687 is a bill to delay the start date for the return to work bill for retirees. It is expected to pass.
4. HB2993 is a SURS technical corrections bill, making adjustments to Tier 2 issues.
5. SB512 is an “outside of the box” pension bill.

SURS view is to remain neutral on the pension bills. However, SURS does advocate for full funding. The only time they would take a position on a bill is if it would cut SURS funding.

SURS Director William Mabe indicated that SURS tries to educate the legislature by providing the actuarial side of legislative options and choices—showing the math of the choices. During questions and answers it became apparent that colleges and universities would eventually be responsible for the normal costs of operation, but not the unfunded part.

Question: On SB1, what was the reason or motive for only including TRS? The answer was that the legislative leaders wanted to pass something before Spring Break.

Question: What are three bullet points for what is occurring in Springfield? SURSMAC members answered:

1. make your opinions known to leaders;
2. COLA reductions/eliminations are on the table; and
3. increased member contributions are an issue.

Pensionable salary caps and increasing retirement ages are also contentious issues.

One SURSMAC participant noted that since its inception the Illinois COLA has always been over 30% lower than the Social Security COLA.

Question: Has there been discussion about taxing pensions?

Answer: It appears that to tax retirement income no constitutional amendment is needed, just a statute change.

It was predicted that there will be a substantial movement to extend the temporary 67% state income tax increase enacted in 2011.

Legal:

Since the last SURSMAC meeting there have been three administrative rules passed.

1. There are changes to the Open Meetings Act with provisions relating to addressing the Board of Trustees.
2. There are now amended rules for compliance with IRS regulations. Procedurally, SURS has to seek a letter of qualification from the IRS every 5 years. The last time, 4 ½ years ago, the IRS took 3 years to accept it, but requested changes. SURS is implementing the changes.
3. SURS now has modified procedures for handling disability claims. The new rules clarify that an individual only files a single notice.

Investment Update (Dan Allen):

1. Portfolio Update - \$14.6 billion in assets, \$34.04 billion in liabilities, about \$20 billion in unfunded liabilities. FY to date, there is a 10.5% rate of return.
2. Current benefits payments have been \$1.9 billion.
3. The SURS board approved reducing the spread in the SURS portfolio. The January 3 year return was 11%. A 7-8% return still achievable if the portfolio is well diversified.

There was a SURS Board training event in February. The investment consultant contract is up for renewal at the end of the year.

Member Outreach & Member Services:

Member Services is preparing an all about SURS document, an information piece, detailing the pensions numbers for average SURS annuitants. Also available is a map of SURS members by district.

79% of SURS retirees live in Illinois, which means SURS retirees are spending their retirement monies primarily in state. The estimated spending is \$.5 billion a year which translates into \$1.5 billion in economic multiplier stimuli.

Recently, the new SURS website debuted. From the new site, visitors can sign up for RSS feeds. "The Advocate" published by SURS is now basically an online publication, but special edition pieces are

available. Spring counseling events are currently taking place. In late May, employer site visits will take place. In addition, employer workshops about claims processing will be offered.

Angela Lieb reported that SURS staff are staying current with retirements. As of April, there were 62 claims in the queue for processing.

Health Insurance for Retirees:

SURS is waiting for the final information from CMS. However, CMS has adopted a simple process for calculating health insurance premiums at 1-2% of the combined annuity of retirees. July, 1,2013 is the implementation date.

Executive Director Update:

Director William Mabe's focus has been on three things:

1. Revenue,
2. Expenses, and
3. Service.

The legislature's failure to fund the pension systems is a recurring problem. However, the current SURS investment returns are good. One problem involves the lack of new active SURS members. The needed increase in SURS funding will be about 2% per year, which is a very reasonable amount.

The next SURSMAC meeting is scheduled for October 1 or 8, 2013.

H.F. (Bill) Williamson
John Kindt
UIUC Senate Representatives

*SURSMAC is the "State University Retirement System Members Advisory Committee to the SURS Board of Trustees. Members are faculty and staff representing the various institutions and agencies affected by SURS: public universities, community colleges, state surveys, and retiree organizations. SURSMAC normally meets twice a year in October and April at SURS headquarters at 1901 Fox Drive in Champaign, IL 61820. The notes/contributions of Laura Czys to this report are appreciated.