

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

SUR.19.01 Report on SURSMAC* Meeting October 4, 2018**

SURSMAC held its fall 2018 meeting at the State Universities Retirement System (SURS) headquarters in Champaign, Illinois, beginning at 10 a.m. on October 4, 2018. Those attending were welcomed by Roger Spayer, SURSMAC Chair. The agenda included SURS updates and the Fall (Annual) Meeting of SURSMAC.

The first speaker was Executive Director Martin Noven. He noted that they expect a significant increase in the number of claims when the proposed new buyout plans go into effect. It will be important that those eligible are aware of the relative merits of continuing in their current plan or accepting a payout to change their benefits. He was pleased to report that the Board had approved hiring twelve new staff – six in member services and six in IT – and buying the building next door to handle the increased workload.

Other events that will increase the workload include (1) the implementation on July 2, 2019 of the change in the money purchase factors used to calculate retirement benefits (the long term assumed rate of investment return will fall from 7.25 percent to 6.75 percent) and (2) the implementation of the Optional Hybrid Plan whenever that occurs. The staff is also in the process of restructuring the Self-Managed Plan (SMP) to better address the retirement needs of the growing percentage of the members who are electing this option as their core retirement plan. Director Noven completed his presentation with an extensive description of the plans to improve the options available for those in Tier II and those new to the system as they make their initial choice.

The second speaker was Doug Wesley, the Chief Investment Officer, who provided an investment update. As of June 30, 2018, SURS investment performance for the year of 8.2% was similar to SURS' market goal as had been the case for each longer interval reported from three years to twenty years. The funding ratio is 44%. He noted that they had effectively implemented their Manager Diversity Program with MWDB (Minority-, Women-, and Persons with Disability-owned business) managers representing 33% of all managers and managing 30.1% of the total fund. He concluded by discussing some of the steps being taken to change the composition of the SURS investment portfolio which included hiring a new consulting group. Some of the significant changes being proposed are to reduce the allocation in the Traditional Growth class from nearly 60% to about 25% and the introduction of a new Crisis Risk Offset class with an allocation goal of about 20%.

The final speaker was Kristen Houch, Legislative Liaison, who presented a thorough coverage of a number of legislative issues on which the SURS staff is or will be working. These included:

(1) The Optional Hybrid Plan (OHP) (Public Act 100-0023). The legislation needed to implement this plan has not yet passed the legislature.

(2) Two buyout options for eligible SURS members (part of FY 2019 budget: Public Act 100-0587). These are (a) a buyout of pension benefits for vested inactives; and (b) a buyout of automatic annual increases (AAIs) on retirement and survivor's annuities for Tier 1 members. These should be available by the end of Fiscal Year 2019.

(3) 6% to 3% Rule (also in PA 100-0857). Formerly, employers such as the University were responsible for paying the cost of pension benefits attributable to salary increases in excess of 6% during the period of time used to calculate an employee's pension. Under this change, for most employees, this responsibility will be for salary increases in excess of 3%.

Houch noted that legislation had been passed to clarify the implementation of last year's "Employer Cost for Earnings Exceeding the Governor's Salary" which made the employer responsible for funding the normal pension costs for any employee's earnings in excess of the Governor's salary (currently \$177,500).

The General Assembly also passed legislation that creates an optional, supplemental defined contribution plan for SURS members. SURS members can make voluntary employee contributions to this plan to supplement the retirement benefits provided by the state. It is aimed specifically at Tier II members who are limited by the Tier II pensionable earnings limit that is not indexed to the Social Security Wage Base. There is more information on this plan on the SURS web site particularly in the July 2018 SURS Advocate.

Chair Spayer thanked the speakers for their presentations and called the Annual Meeting to order. The minutes for the April 6, 2018 meeting were approved. The principal item of new business was a discussion of the SURSMAC link on the SURS web site and the need to bring it up to date.

There being no further new business, the meeting was adjourned sine die at approximately 11:45 a.m.

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

* SURSMAC is the State Universities 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. It normally meets twice a year in Champaign, Illinois.

** This report was prepared with the help of UIUC SURSMAC representative Tracy Parish and his work is hereby acknowledged and appreciated.