

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE

State Universities Retirement System Members Advisory Committee
(Final; Information)

SUR.1201 Report of the SURSMAC* meeting on December 3, 2011

SURSMAC met December 3, 2011 at the SURS headquarters in Champaign from 10:30 a.m. to 2:00 p.m. The focus was on informational presentations by SURS staff followed by a brief business meeting.

SURSMAC chair, Jake Baggott, SIUS, welcomed the participants with the members introducing themselves followed by approval of the minutes for the meeting of April 5, 2011.

Jeff Houch, Legislative Liaison, provided a legislative update starting with a summary of the provisions of SB 512 and its two amendments which have not received a floor vote. The bill would increase the responsibility of the employee to contribute to the defined benefits pension plans. One aspect would increase employee contributions from the current 8% to 15.31% of salary in fiscal year 2014. It would then be recalculated every three years. Houch did not feel the bill currently has the support needed to pass. When asked whether there any alternative bills being considered, he replied that he knew of none but there is continued interest given the seriousness of the pension funding problems. He also noted that the next issue to be addressed is most likely to be changes in the health insurance plans for SURS annuitants.

There was general discussion of the impact of recent changes in the system: e.g., the change for new employees starting January 1, 2011; the changes for calculating the annuity for those using the money purchase formula after July 2, 2012; and the changes being proposed by the bills being considered by the legislature. One effect of such changes is a spike in the number of retirees. For example, in states where pension reforms have been explored in the past, retirement numbers have increased by 35-40%.

For SURS, for example, retirement claims in June 2011 rose to 580 compared to a range of 390 to 480 in June the previous four years. There could be a significant increase in claims in the next year given that 26,000 individuals are eligible within the year. For those wanting to retire before the change for those using the money purchase formula, at a minimum the paperwork requesting the retirement must be on file by June 30, 2012. Those making the request close to that deadline should expect delays in receiving their first annuity payment while the usual 60-90 day period for processing such requests takes place.

There was also discussion of the fact that these changes are making and will make it more difficult for our Universities to hire and keep their best faculty and staff. For example, a senior faculty member with 15-20 years in SURS is likely to find it more attractive to accept a position offering a more stable retirement plan while becoming an inactive SURS member.

The major point of the investment report from Daniel Allen was the excellent performance for fiscal year 2011. The Fund's investment portfolio experienced a 23% return, the highest in 25 years. The most significant changes planned for fiscal year 2012 were to move closer to the policy targets approved by the Board such as a minor shift from U.S. to non-U.S. equities and an increase in real estate.

William Mabe, the Executive Director, reported on the achievements of the past year which included hiring a new General Counsel (Michael Weinstein) and strengthening our legislative representation. He stressed the importance of countering the negative reports in the media about, for example, defined benefits plans. An example was a report prepared by the investment consultant firm, Callan Associates, providing talking points for promoting public defined benefit pensions. He reported that there was an increase from \$980 million to \$1.4 billion in the funding request that SURS made to the state this year. This request is appropriate if the state is to meet its required goal of having reaching 90% funding by 2045. For the short term, the focus will be on getting through this period where investment returns have lagged and the number of retirees has increased.

The final agenda item was the concurrent meeting of the Benefits and Legislative Committees followed by brief reports from each Chair.

Ken Andersen
H.F. (Bill) Williamson
UIUC Senate Representatives

*SURSMAC is the State Universities Retirement System Members Advisory Committee to the SURS Board of Trustees. Its members are faculty and staff representing the various institutions and agencies affected by SURS such as public universities and community colleges, state surveys, and retiree organizations. It normally meets twice a year in October and April at SURS headquarters at 1901 Fox Drive in Champaign.