

**University of Illinois  
Urbana-Champaign Senate**  
(Final; Information)

**SUR.12.02**      Report on SURSMAC\* Meeting May 8, 2012

SURSMAC met at the SURS headquarters in Champaign from 10:30 a.m. to 2:00 p.m. The focus was informational presentations by SURS staff, including the Executive Director, followed by a brief business meeting debating proposed resolutions.

SURSMAC chair, Jake Baggott, SIUC, welcomed the participants, members introduced themselves, and the minutes of the December 13, 2011, meeting were approved.

Jeff Houch distributed and discussed the legislative update. He described Governor Quinn's proposal that members hired prior to January 1, 2011, must choose whether to participate under a new formula for benefits or their existing one. For those not electing the new formula, salary increases after a certain date WILL not count towards their benefit and eligibility for retiree health care will be taken away from the employee. Those electing the new benefits formula will have salary increases counted towards their benefit and will be guaranteed SOME level of retiree health care. Downstate school districts, community colleges and universities will be required to pay for the normal costs of their employee benefits. A number of changes were proposed for employees on the current Tier I plan.

Proposed legislation would fully fund the amount due SURS in the next fiscal year. Proposed legislation would limit the ability of the University to hire retirees. Proposed legislation would require an actuarial study every 3 rather than the current 6 years: such studies affect payouts under the money purchase formula. Proposed legislation would provide that CMS determine contributions to the state retiree health insurance (excluding CIP and TRIP) by replacing the old formula of 5% per year of service up to 20 years (full coverage thereafter) with CMS setting the state's future contributions by a yet undetermined method and amount. (These legislative proposals pending at the meeting time later became law.)

SURS staff reported that retirement claims filed with SURS are soaring largely due to changes in the money purchase formula effective on July 1. Approximately 25% of active members are eligible to retire. To handle the increased workload two receptionists now serve in the front lobby, employment seminars were increased and SURS will open a northern area office in June, 2012, at the Naperville NIU resource center. (Some 50% of SURS membership is in the northern part of the state.)

Doug Wesley provided an update on investments performance. As of April 16, 2012, the Fiscal Year to date return was a positive 1.3%

William Mabe, Executive Director of SURS, provided an overview of current activity. SURS provides a significant amount of technical, financial and legal expertise to university and college presidents and actuarial expertise to the General Assembly. SURS continues to work to improve efficiency and employed temporary staff to deal with the increase in retirement claims. Of new employees, 47% are in the traditional plan, 25% the Portable Plan and 16% the Self Managed Plan.

Of concern is that active membership in SURS has not grown in the last ten years while the number of retirees has. Because SURS is a very “mature” system it pays out more than it receives in income. Increased university and college employment would benefit SURS in terms of cash flow. The uptick in retirements will slow to normal.

Mabe stressed the uncertainty of the outcome regarding “pension reform.” If we do not raise taxes, there is nowhere else to go but to change the pension system. He predicts there will be some version of reform followed by challenges given provisions of the State Constitution. The likely result of those challenges is not clear: court decisions in other states have been about 50-50 on allowing changes. The case might well go to the Supreme Court. In his view there will be reform. The question is how to mitigate the harm. There is no crisis in the plan itself, the crisis is in the budget.

SURSMAC Chair Baggott suggested the entire group constitute itself as the legislative affairs subcommittee. Ken Andersen, legislative subcommittee chair, introduced three resolutions Bill Williamson and he had prepared following a prior request for input from the group. The recommendation to support an amendment to the state constitution to allow the General Assembly to adopt a graduated income tax should it choose to do was rejected. The concern expressed was that the raising the idea of amending the constitution was dangerous given no sense of what could/would happen.

Two resolutions were adopted. The first dealing with requirements for any pension reform was based on an University of Illinois Senates Conference Resolution subsequently endorsed by our three campus senates. The second focused upon the contributions of higher education to the state and its citizen. (Copies are attached.)

A discussion ensued about increasing the visibility and impact of SURSMAC resolutions. Andersen noted that process of drafting resolutions had improved over the last several years. It is difficult to draft them de novo given the limited meeting time so he began preparing and circulating them in advance to give member more time for review and calling for members to develop suggested resolutions. But responses were minimal. Chair Baggott noted SURSMAC members should play a greater role in educating others about SURS and these resolutions. Ideally, they should reach as large an audience as possible through outlets such as faculty senates. While SURS staff cannot distribute these resolutions, they can refer to them as the opinions of those representing the SURS membership. The topic of enhancing the impact of SURSMAC resolutions will be a subject for continued discussion at the next meeting.

The next meeting of SURSMAC will be either October 9 or 23, 2012.

Ken Andersen  
H.F. (Bill) Williamson  
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. It normally meets twice a year in October and April at SURS headquarters at 1901 Fox Drive in Champaign.

**SURSMAC Resolution on Pensions  
Adopted May 8, 2012**

Whereas, Previous underfunding of the State Universities Retirement System (SURS) has made SURS unable to continue to pay out benefits indefinitely at current levels even though participants have fully contributed their portion of the required amounts; and

Whereas, Given Illinois ranks last among the 50 states in adequately funding its public pensions, this situation cannot be allowed to continue since retaining and recruiting top faculty and staff will be increasingly difficult unless the issue is addressed;

Whereas, All stakeholders---participants, colleges and universities, and the state of Illinois—have a necessary role in any reform to bring the SURS to a sound financial state; and

Whereas, Reforms must be guided by agreed upon principles, the most important of which is fairness to participants and annuitants who entered into the system on the basis of certain understandings and commitments that need to be honored;

*Resolved*, That any changes to SURS must be financially sustainable for the State, the institutions, and the participants and must respect existing constitutional protections of already-accrued benefits;

*Resolved*, That all promised benefits to current participants and annuitants should be maintained, as guaranteed by the State Constitution (Article 8, Section 5 General Provisions);

*Resolved*, That existing unfunded liabilities must remain the State's responsibility with credible guarantees that future payments will be made on time;

*Resolved*, That the State should continue to make its contributions to SURS at a level at least equal to that it would be paying to Social Security (6.2% of pay) along with its contributions to health care;

*Resolved*, That any transfer of normal costs to institutions must be nominal and phased in gradually;

*Resolved*, That any reform must include improvements to the current Tier II program for new employees and this revised program should be an option for Tier I employees; and

*Resolved*, That any changes in participant contributions must involve consultations with those affected.

**SURSMAC Resolution on Protecting the Quality  
of Public Higher Education in Illinois  
Adopted May 8, 2012**

Whereas, In educating a significant proportion of Illinois college students, the public colleges and universities serve a central role in ensuring a high quality Illinois workforce;

Whereas, Public colleges and universities are an economic engine based on their teaching, research and service; and

Whereas, Higher educational institutions enrich the culture and quality of life of the Illinois citizenry;

*Resolved*, That the state take the necessary steps to fund the pension systems and health benefits essential to attract the highest quality faculty and staff in a competitive environment and thus support the mission of public colleges and universities.