

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

SUR.13.01 Report on SURSMAC\* Meeting October 8, 2012

SURSMAC met at the SURS headquarters in Champaign from 10:30 a.m. to 1:45 p.m. The meeting consisted of presentations by SURS staff, discussion of key issues and a brief business meeting. The major focus of the meeting was the as yet unknown impact of recent legislation on health insurance and the expected pension reform, whatever form it takes.

SURSMAC chair, Jake Baggott, SIUC, welcomed the participants who introduced themselves followed by approval of the minutes of the May 8, 2012, meeting.

Jeff Houch, Legislative Liaison, provided a legislative update. The state fully funded its share of the FY 2012 pension amount and appropriated its share for the current fiscal year, but funds as later noted are slow to arrive and thus not available for investment. The assumed rate of return on investments was lowered from 8.5% to 8%, increasing the level of assumed underfunding.

Public Act 97-0695 provides that CMS determine the amount individuals must pay toward health insurance. Negotiations continue between AFSCME and the state, so rates and the impact of various factors such as pension size, years of service, participation in Medicare are unknown as is the time the decision will be made. It is unknown if changes will be retroactive to July 1 or a higher rate set so that the state achieves the amount of anticipated savings. SURS will face an immense problem in communicating the needed information to all its members.

Public Act 97-0694 creates a State Actuary under the Office of the Auditor General that will review actuarial assumptions of SURS who must justify deviations from those of the State Actuary creating another level of bureaucracy.

Public Act 97-0968 regulates the return to work of SURS retirees to a SURS employer. This creates problems of monitoring with responsibility for compliance falling on employers and employees, not SURS. For example, how does an employer know if an individual is also working part-time for another SURS employer? SURS is currently developing rules for implementation for review by JCAR.

Extensive attention was given to proposed constitutional amendment 49. Houch believes it was not the intent to override the pension protection clause. Many groups believe otherwise. He believes it should be rejected for other reasons such as vagueness of language, length, and that the matter should be addressed via legislation. Director Mabe later said he expects the Amendment to pass.

With regard to pension reform, Houch believes something will be passed by the second week of January. The new General Assembly takes office Jan. 9, so action is likely by then. Issues include shift of normal costs to individuals and institutions, choice of COLA (Cost of Living Allowance) vs. health insurance and possible adjustments for Tier 2 employees. Bonds issued in 2003 will be paid up in 2033, those in 2010 in 2015 and those in 2011 in 2018, meaning money now going to debt service can be added to the pension funds—not new money, just put to a different use.

Dan Allan, Investments, reported a return on investments for the quarter of 4.5%, but the funding ratio declined 4% because liabilities have grown with increased retirements. Great market volatility accounts for negative returns some months, others positive. SURS shows a 6.8% return over ten years. The SURS Board favors a conservative strategy, does not use hedge funds, and achieves something near the median of similar pension systems.

Pam Butler, Member Outreach, noted that things are much calmer this year but expects a huge onslaught of inquiries when the health care increases become known. The new office in Naperville is functioning and the SURS website is being updated. Surveys of customer satisfaction generally show high satisfaction. SURS remains concerned that 40% of new enrollees default into the traditional plan, but this may be by choice, not neglect.

Angela Lieb, Member Services, reported that 68% of June retirees and 47% of July retirees have had their pensions amounts finalized. About 1500 claims remain to be finalized—344 are recent—but most claims lack the information needed to be finalized.

William Mabe, Executive Director, commended the hard work of his personnel, particularly those dealing with legislative issues in providing information and helping to shape legislation. He warned that some bad things may come along in the legislative area. It is essential SURS get the full state appropriation in a timely fashion, not delayed. SURS has very low investment expenses but also pays comparatively low salaries to its investment personnel—a low cost, low expense operation.

Mabe expects there will be pension reform involving shifting more costs to individuals. Something will pass labeled a pension reform. We need more revenue to pay for the ramp-up in pension funding. People want benefits they are not willing to pay for.

Following lunch, with SURSMAC chair Jake Baggott finding little interest in talking about benefits given the current environment, the group focused on the impact of legislative changes with Ken Andersen, legislative subcommittee chair, as moderator. First, the group tried to judge sentiment of the attendees as to whether they would choose health insurance or COLA taking into consideration whether the individual qualified for Medicare. In both situations, retaining COLA was favored. For many, the COLA would in a few years more than cover health care costs. But current and future retirees are a very diverse group, some with large, some modest, some very small pensions. Some have other sources of income, others do not.

The group discussed at length the difficulties anticipated in providing needed information as a basis for required choices. Everyone in the system will have choices to make and needs information in order to understand the alternatives, thus creating a huge communication problem. Many may seek advice from sources not always serving the best interests of the individual. Institutions can play a part in transmitting information but are constrained from offering advice because of possible liability. The group suggested some means that SURS and others such as SUAA and institutions might employ to meet this need to a degree. Significant concerns were expressed about those almost impossible to reach or lacking even a minimal understanding of the factors involved in making a reasonable choice.

Finally, the members discussed the need for SURSMAC to maintain a level of communication and activity between meetings and to increase the visibility and impact of the group. One suggestion was subgroups to monitor particular areas such as legislation or benefit enhancement. Members can communicate via their SURSMAC network, provide resolutions and information as a basis for discussion at meetings, etc. One mean for gaining greater impact from the work we do is via communication to faculty groups, member constituencies, etc.

In the brief business meeting Jake Baggott, (SIUC) was reelected chair and Mardell Wilson elected vice-chair. The dates of April 2 and 9 were identified as possible spring meeting times with the possibility of meeting prior to the next scheduled meeting if events warrant. Baggott called for volunteers for a subgroup to work with SURS to make recommendations focused on enhancing communication about the anticipated pension/insurance changes. (Williamson is one member.)

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.