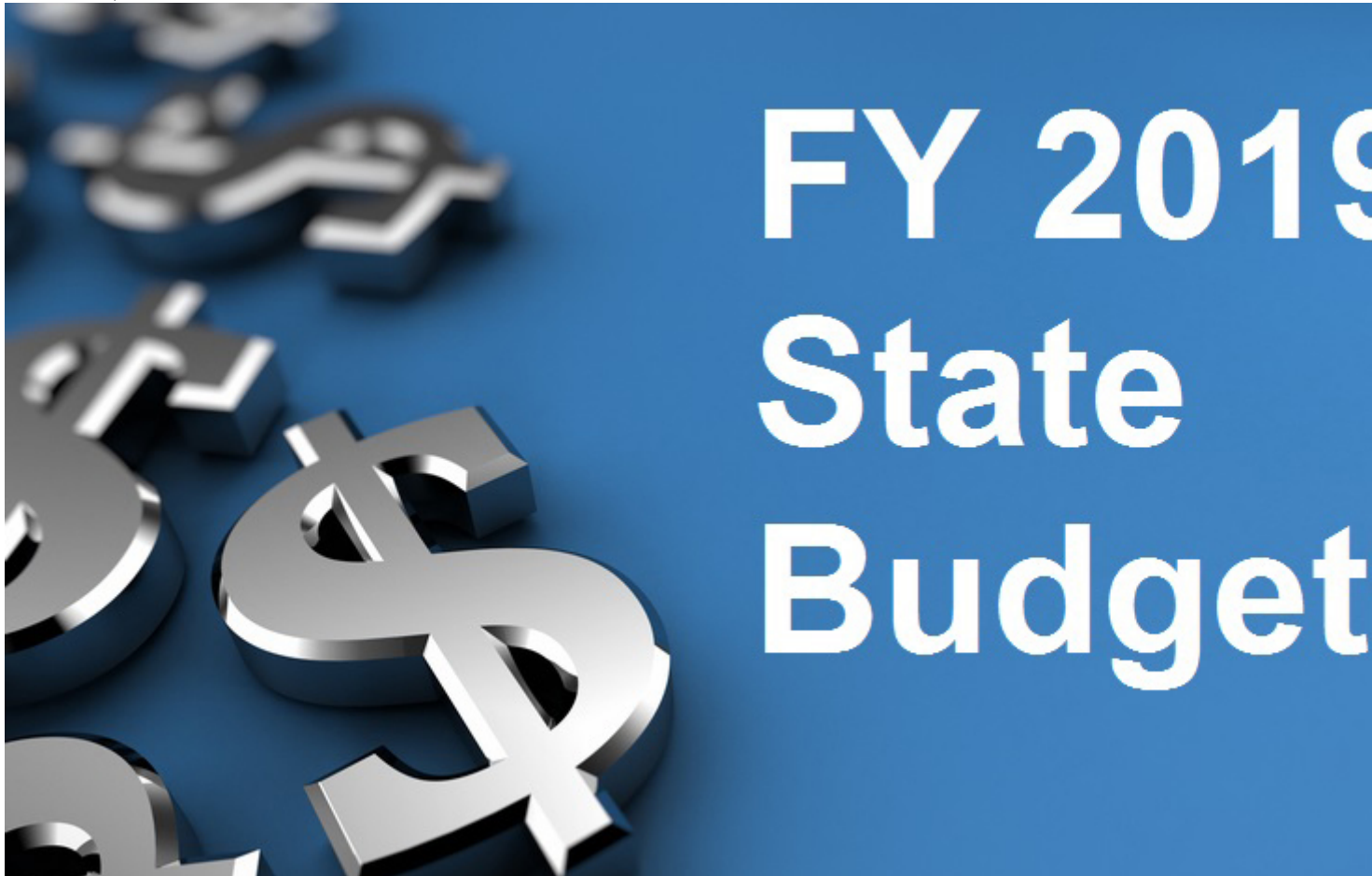


State Budget Includes Pension Code Changes that Affect SURS Members

Posted:

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On June 4, a full-year state budget for FY 2019 was signed into law by Gov. Rauner. The actual budget bill (PA 100-586) appropriates \$1,585,109,800 for SURS' annual required state contribution. The certified FY 2019 state contribution to SURS is \$1,655,154,000. Under the State Pension Funds Continuing Appropriation Act, SURS is entitled to the amount of the certified state contribution each year. If the appropriated amount in the budget bill is less than the certified contribution, SURS can and will seek payment of the full certified contribution from the state comptroller.

The FY 2019 budget implementation law (PA 100-587) was also signed. It amends the Illinois Pension Code to provide two accelerated pension payment options (buyouts) and a reduction to the "6% Salary Increase Cap" that impacts employer payments.

- **Voluntary Pension Buyout for Vested, Inactive Members** ? this option offers a pension buyout in an amount estimated at 60 percent of the present value of pension benefits for all members who have a vested pension but are no longer active members of SERS, SURS and TRS. The buyout will be effective beginning on the implementation date established by the SURS Board of Trustees through June 30, 2021.

- **Voluntary 3 Percent Automatic Annual Increase (AAI) Buyout** - this option provides retiring Tier I members an option to have their AAI calculated at 1.5 percent of the originally granted retirement annuity and delayed until the later of the January 1 after they turn 67 or one year after retirement in exchange for an accelerated pension benefit payment equal to 70 percent of the difference between the present value of the AAI under the Tier I provision (3.0 percent compounded annually, beginning on the January after retirement) and the present value of an AAI of 1.5 percent of the originally granted retirement annuity, beginning on the January 1 after the later of age 67 or 1 year after retirement. The reduced and delayed AAI also applies to any applicable survivor benefits. The buyout will be effective beginning on the implementation date established by the SURS Board of Trustees through June 30, 2021.
- **Percentage of Salary Increase Requiring Employer Payment** ? this change reduces the percentage of salary increase in the final average earnings period requiring employer contributions from 6 percent to 3 percent starting for academic years beginning in FY 2019. Any pension costs due to a salary increase over 3 percent will be covered by the employer, except for increases covered under certain collective bargaining agreements entered into, amended or renewed prior to June 4, 2018 (which are subject to the 6% requirement).

These changes do not apply to members enrolled in the SURS Self-Managed Plan.

The law stipulates that these changes take effect ?as soon as possible.? SURS is reviewing the bills and determining what processes and programs are needed for proper implementation. We will provide members with more information after completing a thorough review.

For more detailed summaries of the bills follow these links:

[PA 100-586 \(HB 109\)](#) [1]

[PA 100-587 \(HB 3342\)](#) [2]

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Links

[1] <http://surs.com/fiscal-year-2019-budget>

[2] <http://surs.com/fy-2019-budget-implementation>

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