



# The Advocate

## Optional Buyouts Begin in July

Members must be vested inactive or in Tier I to apply

Beginning in July, eligible SURS members may choose one of two new optional buyouts: the Vested Inactive Buyout for vested inactive members or the Tier I Automatic Annual Increase (AAI) Buyout for members who are retiring.

The General Assembly created both accelerated pension payment programs last year as part of the fiscal year 2019 budget (PA 100-587). Since that time, SURS has been working to create the processes and procedures to properly implement the buyouts.

These buyouts were designed to ease the state's pension liability and may not be in the best interest of many SURS members. Members should carefully consider all aspects of the buyouts before deciding to participate. Choosing either buyout option is irrevocable.

The buyout of pension benefits for vested inactive members will be available to individuals no longer working for a SURS employer who have a minimum of five years of service credit and began participating in the system before Jan. 1, 2011, or who have at least 10 years of service credit and began participation in SURS on or after Jan. 1, 2011. The buyout will be a lump-sum payment equal to 60 percent of the present value of the member's pension benefit.

Members who receive this buyout will give up their rights to any future SURS retirement benefits and cannot apply for the Tier I AAI Buyout.

**See BUYOUT on Page 5**



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## FY 2018 Annual Report Available

SURS has posted its Fiscal Year 2018 Comprehensive Annual Financial Report. You may view the 100-page report at [www.surs.org/annual-financial-report](http://www.surs.org/annual-financial-report). It is divided into five sections for easy navigation.

The report includes investment results, asset allocations, funding ratios, membership analysis, benefit payments and more.



## FROM THE EXECUTIVE DIRECTOR

# SMP revamp, new savings plan coming

This year, SURS is developing new programs to help our members better prepare for a comfortable retirement with enough income to sustain their standard of living.

SURS staff is currently working to redesign the Self-Managed Plan (SMP) to ensure members who



**Martin Noven**

select this plan have a custom investment option designed to provide lifetime income and health benefits. Currently, SMP members must annuitize 100 percent of their account at retirement to qualify for lifetime retiree health benefits. Unfortunately, most participants give up critical health benefits by taking a lump-sum payment at retirement. The new plan design will seek to address this issue by offering members in-plan spend down strategies that would enable them to qualify for lifetime health benefits without giving up access to 100 percent of their retirement savings.

We are also creating a new supple-

mental plan for active members. This defined contribution plan will provide an additional savings program for members that may or may not include an employer match. It should be especially beneficial for Tier II members to help fill their retirement income gap. The plan will be administered by SURS and offer low-fee investment options.

We will communicate details of the SMP redesign and the supplemental plan as we get closer to the implementation date in 2020.

Another priority for staff will be to create electronic materials that help new members select the retirement plan that best fits their needs.

Members have a one-time, irrevocable choice to make when they start their careers with a SURS employer. They must choose one of the two defined benefit plans or the defined contribution Self-Managed Plan. Giving new members effective and easy-to-use tools will help them make informed decisions.

Staff is also preparing to make the buyout options created by the General Assembly available mid-year.

The first option is a lump-sum buyout for inactive members who are eligible for a future pension

benefit. Participants would receive a one-time, lump-sum payment discounted to 60 percent of the present value of expected lifetime benefits in exchange for giving up their right to a future pension.

The second buyout option is for Tier I members and provides a one-time, lump-sum payment equal to 70 percent of the present value of the difference between 3 percent compounded annual increases and 1.5 percent non-compounded increases on their retirement and survivor benefits. In exchange, the 3 percent compounded increases in retirement will be delayed and reduced to 1.5 percent non-compounded increases.

Members electing the buyout options will likely need additional retirement savings to fill the retirement readiness gap created by the reduction in their constitutionally protected benefits. You can read more details about the buyouts in the front-page article.

As you can see, 2019 is going to be a busy year for SURS staff. Please watch for email and social media communications outlining these programs as we get closer to the implementation dates.

## SURS Honors 2018 Employee of the Year

Congratulations to Jaime Broom for being named SURS Employee of the Year for 2018. Broom has worked at SURS for 12 years and is currently a member of the Death, Disability and Disability Retirement (3D) Team.

Over the past year, she served as the team's expert at answering questions and providing knowledge and guidance on complex claims, workers' compensation applications and calculation offsets. She was the primary trainer for all new 3D team staff and instrumental in creating SURS new electronic disability application that helps obtain accurate information from employers in a timely manner and ultimately benefits members who apply for disability. Broom took on all these extra duties while maintaining a high volume of daily work with great accuracy.

Broom was nominated and chosen for the award by her co-workers. She received her award from SURS Executive Director Martin Noven on Sept. 14.





# LEGISLATIVE UPDATE

## Veto Session

The General Assembly returned to Springfield for the veto session Nov. 13-15 and 27-29. There were no major legislative actions during veto session directly impacting SURS.

## Optional Hybrid Plan

No legislative actions were taken during veto session to implement the Optional Hybrid Plan created by Public Act 100-23. The plan contains elements of both a defined benefit plan and a defined contribution plan. It would be available to new SURS members and members already participating in Tier II. Tier II applies to members who first joined SURS on or after Jan. 1, 2011, and who are not in the Self-Managed Plan. SURS cannot implement the Optional Hybrid Plan until clarifying legislation becomes law.

## Buyouts

SURS plans to implement the buyouts created by Public Act 100-587 before the 2019 fiscal year ends on June 30, 2019. Two buyout options will be offered to eligible SURS members.

The first option is a buyout of future pension benefits for vested inactive members no longer working for a SURS-covered employer. To be vested, a Tier I member must have at least five years of service credit in SURS, and a Tier II member must have at least 10 years of service credit in SURS.

The second option is a buyout of a portion of automatic annual increases for Tier I members at retirement. Tier I members are those who first began participation in SURS or a reciprocal retirement system be-



fore Jan. 1, 2011, whereas Tier II members are those who first began participation in SURS on or after Jan. 1, 2011.

Once implemented, the two buyout programs will remain available until June 30, 2021, pending the availability of bond proceeds to finance the buyouts. As of January 2019, no bonds have been issued to finance the buyouts.

The buyout programs are not available to retirees or participants in the Self-Managed Plan.

## Supplemental Defined Contribution Plan

SURS recently issued a Request for Proposals (RFP) for the optional, supplemental defined contribution

plan created by Public Act 100-769 as part of a broader RFP for the Self-Managed Plan. The plan will be available to all active participants in SURS. It will allow active participants in SURS to save more of their own money for retirement through low-cost, efficient investment options overseen by SURS. SURS must select one or more vendors before implementation and enrollment in the plan can occur.

## Session Outlook

The 100th General Assembly returned to Springfield for session on Jan. 7-8. The 101st General Assembly convened Jan. 9, and members of the executive branch were inaugurated Jan. 14.

## 101st Illinois General Assembly Legislators

State Representatives  
[www.ilga.gov/house](http://www.ilga.gov/house)

State Senators  
[www.ilga.gov/senate](http://www.ilga.gov/senate)

## SURS Fiscal Year 2019 Appropriation

\$1,655,154,000

Month	Total Received	Total Due	Amount Owed
July	\$758,000	\$137,929,500	\$137,171,500
August	\$69,343,750	\$137,929,500	\$68,585,750
September	\$137,971,500	\$137,929,500	(\$42,000)
October	\$143,122,280	\$137,929,500	(\$5,192,780)
November	\$172,868,610	\$137,929,500	(\$34,939,110)
December	\$117,861,110	\$137,929,500	\$20,068,390
January	\$164,925,000	\$137,929,500	(\$26,995,500)
<b>Total To Date</b>	<b>\$806,850,250</b>	<b>\$965,506,500</b>	<b>\$158,656,250</b>

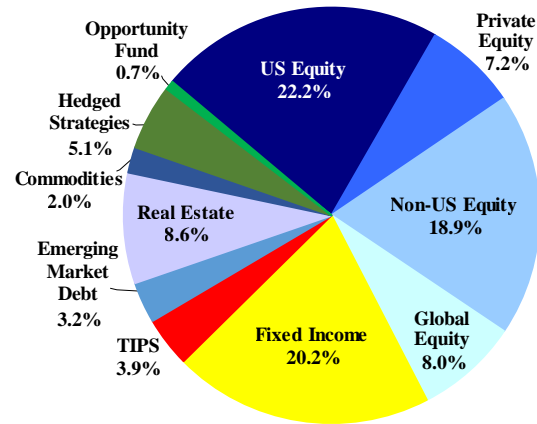
## INVESTMENT UPDATE

### 2018 proved to be a challenging year for markets

A high degree of uncertainty in global financial markets translated into a challenging year. Much of the uncertainty stemmed from concerns of slowing economic growth, diverging monetary policy and ongoing geopolitical turmoil. Severe equity market declines in December prevailed globally.

Based on preliminary data, the SURS portfolio returned -4.2 percent during calendar 2018, net of fees, lagging the -3.4 percent return of the policy portfolio benchmark. U.S. stocks fell 14.4 percent during the fourth quarter, contributing to the -5.3 percent return for 2018 as measured by the Dow Jones U.S. Total Stock Market Index. This is the worst annual performance for the broad U.S. equity market since 2008. Non-U.S. equity markets returned -14.2 percent for the year, as measured by the MSCI All Country World ex-U.S. Index. Markets witnessed a flight to quality in the fourth quarter as investors sought safety in long-term U.S. Treasury securities (+5.39 percent, as measured by the Bloomberg Barclays Long Term Government Index). For the year, the broad U.S. fixed income market produced a return of 0 percent, as measured by the Bloomberg Barclays U.S. Aggregate Index. Investments in real assets (real estate and infrastructure) and private equity served to somewhat mitigate the declines associated with publicly traded securities.

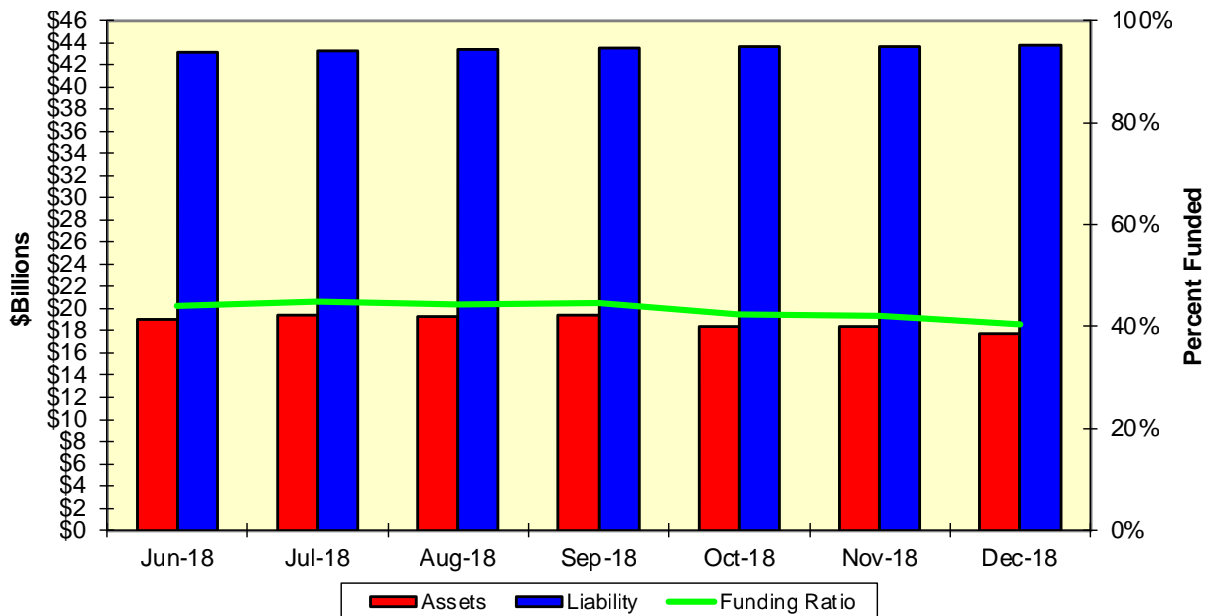
It is important to remember that financial markets are cyclical and will go through periods of negative returns. Calendar year 2018's return marked the first negative annual return for the total SURS portfolio in 10 years. Over the longer term, the portfolio has produced strong



returns. For the 10 years ending Dec. 31, 2018, SURS returned 9 percent, net of fees, in line with the 9.1 percent policy portfolio return and in excess of the 6.75 percent assumed rate of return. In general, the best protection against market volatility is diversification and a long-term approach to portfolio construction. The pie chart above illustrates the asset allocation of the SURS investment portfolio as of Dec. 31.

As of Dec. 31, the investment portfolio is valued at approximately \$17.7 billion, compared to \$19 billion as of June 30. As shown in the bar chart below, estimated liabilities as of Dec. 31 are \$43.8 billion, resulting in an unfunded liability of approximately \$26.1 billion using the market value of assets method. The projected funding ratio is estimated to be 40.4 percent using the market value of assets method, compared to a 44.1 percent funding ratio at the beginning of the fiscal year.

### SURS Projected Funding Status 2019 Fiscal Year-to-Date Results



Note: Assets and liabilities are estimated and unaudited through Dec. 31, 2018. The fund had an actuarial value funding ratio of 42.8 percent at the end of fiscal year 2018, utilizing a 6.75 percent assumed rate of return

## SELF-MANAGED PLAN UPDATE

# Innovative solutions sought for SMP redesign

SURS plans to redesign the Self-Managed Plan (SMP) as well as create a new supplemental savings plan in the coming year.

The redesigned SMP will seek to provide members with a hands-off default investment option that will enable them to receive replacement income and retain earned retiree health benefits without giving up access to their entire account balance when they retire.

SURS is in the process of receiving recommendations and innovative solutions from industry leaders to help us craft a quality defined contribution plan that will better meet the retirement needs of our SMP members.

SURS is also creating a new supplemental plan for active SMP and defined benefit members. This plan will assist members in saving additional money for retirement to help fill any retirement readiness gap they may have.

The plan may be particularly valuable to Tier II defined benefit members whose retirement benefits are not as generous as their Tier I counterparts.

Tier I members without significant

## SMP membership, assets growing

Self-Managed Plan assets were in excess of \$2.4 billion, as of Sept. 30, 2018, which equates to an average account balance of \$117,229 per each of the 21,282 participants.

The SMP experienced an increase in plan assets of nearly 16 percent from a year ago.

SMP enrollment increased 3.1 percent year over year.

The average asset allocation as of Sept. 30, 2018, was 53.5 percent Equities, 30.5 percent Balanced Funds and 14.4 percent Fixed Income. The remaining 1.6 percent was attributable to Real Estate.

years of service may also want to contribute to this plan to generate future additional income.

There are currently more than 80,000 active Tier I, Tier II and SMP members who will be eligible to contribute to the new plan.

SURS staff will be developing and designing SMP changes and the supplemental plan during 2019. We expect to implement both in 2020.

### Planning to retire soon?

SURS offers a variety of options to assist members with retirement planning. The SMP pre-retirement seminars are offered in the spring of each year. The dates for spring 2019

are April 3 in Champaign, April 10 at the College of DuPage and April 17 at Rend Lake College.

SURS also offers a quarterly webinar titled "Navigating the SMP." SURS next scheduled webinar is Feb. 13. Dates are posted on the SURS website as soon as they are set. For more information or to register for a seminar or webinar, visit [www.surs.org/seminars-webinars](http://www.surs.org/seminars-webinars).

Counseling appointments are also available for those nearing retirement. Members who are within four years of retirement may go to [www.surs.org](http://www.surs.org) and log in to the SURS member website to schedule an appointment.

## BUYOUT from Front Page

The AAI Buyout provides Tier I members retiring between the implementation date and June 30, 2021, with a one-time lump-sum payment in exchange for a permanently reduced and delayed AAI when they begin receiving a retirement annuity.

This option will be available to members who first became participants in SURS before Jan. 1, 2011.

Members must meet the age and service credit requirements necessary for retirement under SURS criteria: any age with 30 years of service, age 55 with eight years of service or age 62 with five years of

service. (There are special age and service credit requirements to retire under the alternative formula for police and firefighters.)

The buyout will be a lump-sum payment equal to 70 percent of the present value of the difference between: 1) the 3 percent compounded AAI; and 2) an AAI equal to 1.5 percent of the originally granted annuity beginning on the Jan. 1 occurring after the later of age 67 or the one-year anniversary of the retirement begin date.

In exchange for the buyout, all future AAIs on the member's retirement and any survivor annuity will be calculated using the reduced and delayed AAI.

Members who receive this buyout cannot apply for the Vested Inactive Buyout and cannot have previously received a SURS retirement benefit.

An online buyout estimator will be available to members this spring, as well as counseling appointments and other informational materials.

The buyouts will be available through June 30, 2021. Payments must be rolled over into an eligible retirement plan.

Self-Managed Plan members and existing retirees are not eligible for either buyout.

Payments for these buyout options will be funded through the sale of state of Illinois bonds.



## INSIDE SURS

# Finance & Accounting Team learning together

Chief Financial Officer (CFO) Tara Myers recently finished her first year at the State Universities Retirement System. It was a year filled with many challenges including learning the complicated retirement system and the many reporting requirements.

After the retirements of several long-time employees in recent years, much of the rest of the Finance and Accounting Team is in the same boat as Myers. The four other accountants average just 2.5 years with SURS. Completing the six-person team is a member service representative with 17.5 years at SURS who deals mostly with employers and information they send to SURS.

Myers worked alongside the former CFO for several months before she retired in April. This gave her some time to learn the system, but not fully. With the relative newness of the rest of the team, staff development has been a major focus over the last several years.

“Accounting encompasses all that happens at SURS, so it is important that we have an understanding of everything the rest of the teams do,” Myers said. “I enjoy interacting with the other teams at SURS and learning something new daily.”

SURS is the most complex of the three largest state-funded retirement systems in Illinois and requires years of training to fully understand. Some of the reasons for this are:

- There are two tiers of benefits for the defined benefit (DB) plans determined by the date a member first joined SURS.
- Unlike the State Employees Retirement System (SERS) and the Teachers Retirement System (TRS), SURS offers two DB plans for each tier – a Traditional Plan and a Portable Plan.
- SURS also offers a defined contribution plan, the Self-Managed Plan (SMP), as an alternative to the defined benefit plans, while SERS and TRS do not.
- There are four retirement formulas for the SURS DB plans, and each member is entitled to a retirement benefit under the highest formula applicable. This means SURS must perform up to four different retirement calculations for each retirement-eligible DB plan member.
- Unlike SERS and TRS, SURS has many part-time members. That requires service credit adjustments and additional calculations for those who qualify for a supplemental retirement annuity
- An additional calculation must be done for each member employed on or before July 7, 1997, because they have a choice regarding health insurance premiums.

Focusing on staff turnover, pension changes passed by the state legislature and increased reporting require-



ments has meant that team members were unable to focus fully on improving and streamlining accounting processes. This is something Myers and her team have been working on and plan to continue.

Some of the teams’ regular duties include maintaining accounts payable; processing incoming payrolls from employers; making monthly journal entries and producing financial statements; processing Self-Managed Plan wires; reconciling accounts; filing and paying taxes; issuing W-2, 1099 and 1042 tax forms; handling investments-related accounting; producing budgets and presenting them to the SURS Board of Trustees; processing staff payroll; managing the procurement process; managing state appropriations; working with actuaries; completing the GAAP package for the state comptroller; creating and filing compliance reports; and producing the comprehensive annual financial report.

“The numerous reporting deadlines have been a challenge due to both the volume of work involved and the fact that each report is slightly different from the other. That’s different from the private sector.” Myers said. “Most of our financial reporting is done manually right now, but we are working to automate much of that. We also are working hard to improve our internal processes to make things as efficient as possible.”

Myers said that in this area having a less-tenured staff can be beneficial in some ways because they have new ideas and aren’t invested in doing something a certain way because that’s the way it has always been done.

Some of the tasks currently handled by the Finance and Accounting Team were previously spread out across other SURS departments. For example, much of the investments-related accounting was handled within that department before that accountant was moved to the accounting area. With all accounting-related staff centralized, it allows for more coordination within the team.

“We just have to work together and keep moving forward. It is going to be exciting to look back a year from now and see what we’ve accomplished,” she said.

# EDUCATIONAL SEMINARS, WEBINARS & VIDEOS

## Seminars (Register for SURS seminars at [www.surs.org/seminars-webinars](http://www.surs.org/seminars-webinars).)

### Defined Benefit Seminars

SURS has scheduled six Retirement Education Seminars for Traditional and Portable Plan members (four in Champaign and two in Naperville) for spring. The Champaign seminars will be held at the SURS office at 1901 Fox Drive. The Naperville seminars will be held at the Northern Illinois University-Naperville Outreach Center at 1120 E. Diehl Road.

### Retirement Education Seminars in Champaign

9 a.m.-2:15 p.m.

March 12 University Employees (State Insurance)

March 19 Community Colleges (CIP Insurance)

May 1 University Employees (State Insurance)

May 8 Community Colleges (CIP Insurance)

### Retirement Education Seminars in Naperville

10 a.m.-3:15 p.m.

April 9 Community Colleges (CIP Insurance)

May 9 University Employees (State Insurance)



### SMP Pre-Retirement Seminar

This seminar is for Self-Managed Plan members, both active and inactive, two to three years from retirement.

April 3, 9 a.m.-12:30 p.m., SURS Champaign office

April 10, 9 a.m.-12:30 p.m., College of DuPage,  
Student Resource Center, Glen Ellyn

April 17, 9 a.m.-12:30 p.m., Rend Lake College,  
Applied Science Center, Ina

## Webinars (Register for SURS webinars at [www.surs.org/seminars-webinars](http://www.surs.org/seminars-webinars).)

### From Here To Retirement

This webinar is ideal to help early to mid-career members consider future goals and evaluate retirement readiness. It provides an overview of SURS benefits as well as other key components necessary for a secure retirement. The webinar is Feb. 12 from Noon to 1 p.m.

### Money Purchase Factor Change

This webinar outlines the Money Purchase Factor change effective July 2 and how members may be affected. It will be from 1:30-2:30 p.m. April 24.

### Navigating the Self-Managed Plan

This webinar is for SMP participants new to SURS or who want information on SMP including transfers, service credit purchases and accumulation, and contact information. It will be from 9:30 to 11 a.m., Feb. 13.

### Understanding Your SURS Benefits

This webinar provides an overview of SURS Tier I and Tier II benefits with a focus on retirement. Earning and purchasing service credit, sick leave, refunds, reciprocal time, disability, death and survivor benefits, insurance, retirement calculations, and applying for retirement will all be discussed. It will be presented from 9:30 to 11 a.m., March 6.

### Choosing Your Retirement Plan

These plan choice webinars are presented each month for Tier II members who have not yet made a retirement plan choice. Tier II members are SURS participants who first begin their SURS (or other eligible Illinois reciprocal system) participation on or after Jan. 1, 2011. Webinars will be presented from 9:30-11 a.m. Feb. 26, March 26 and April 30.

## Videos (Watch these videos at [www.surs.org/plan-choice-video-series](http://www.surs.org/plan-choice-video-series).)

### Plan Choice Video Series

SURS has created a series of informational videos to help newly-hired Tier II members make their plan choice. New hires may choose between three retirement plan options - the Traditional Plan (defined benefit), the Portable Plan (defined benefit) and the Self-Managed Plan (defined contribution). The videos outline the details of each plan and how they compare.



## SURS Board of Trustees Meetings Schedule

All times and locations are subject to change.

Thursday, March 7 (9 a.m. – 5 p.m.)  
Friday, March 8 (9 a.m. – 12 p.m.)  
Committee and Board Meetings in Champaign

Thursday, April 18 (9 a.m. – 5 p.m.)  
Investment Committee Meeting in Chicago

Thursday, June 6 (9 a.m. – 5 p.m.)  
Friday, June 7 (9 a.m. – 12 p.m.)  
Committee and Board Meetings in Chicago

Thursday, Sept. 12 (9 a.m. – 5 p.m.)  
Friday, Sept. 13 (9 a.m. – 12 p.m.)  
Committee and Board Meetings in Chicago

Thursday, Oct. 17 (9 a.m. – 5 p.m.)  
Investment Committee Meeting in Chicago

Tuesday, Dec. 10 (9 a.m. – 5 p.m.)  
Wednesday, Dec. 11 (9 a.m. – 12 p.m.)  
Committee and Board Meetings in Chicago

## 2019 Payment Schedule

Annuity Payments	Disability Payments
February 1	February 28
March 1	March 29
April 1	April 30
May 1	May 31
May 31	June 28
July 1	July 31
August 1	August 30
August 30	September 30
October 1	October 31
November 1	November 29
November 29	December 31



## 1099-R forms have been mailed

If you received a SURS benefit in 2018, your IRS 1099-R form has been mailed to you from SURS.

If you do not receive your 1099-R form by Feb. 15 or you need a duplicate, please call SURS at 800-275-7877 and speak to a Member Service Representative.

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