



SURS Funding

Sources

SURS receives funding from three key sources: employer contributions, employee contributions and investments. The employer contribution is mostly made by the state of Illinois. A university or community college may pay the employer normal cost, or the cost of pension benefits accrued by an employee in a given year, when an employee is paid from federal, trust or other non-state funds. For example, in fiscal year 2017, SURS estimates employer normal contributions from the actual employers will be \$47.5 million, roughly 10.8 percent of the total employer normal cost and less than 3 percent of the total certified contribution.

Since fiscal year 1996, the state contribution has been made as a direct appropriation to SURS. It is a separate appropriation from the state's appropriations to universities and community colleges for their operating expenses. The state's contributions for retiree health insurance, including the state's contribution to the College Insurance Program, are also separate from the state's contribution to SURS.

Employer Contribution

The employer contribution to SURS consists of two key components:

- The normal cost, which includes: (1) the cost of pension benefits accrued by employees in a year in the defined benefit plan; (2) the cost of funding the defined contribution plan (known as the Self-Managed Plan), which is set at 7.6 percent of pensionable earnings by Illinois law; and (3) amounts contributed by universities and community colleges for employees paid from federal, trust, and other non-state funds; and
- The amount dedicated to reducing the unfunded liability of the defined benefit plans

Determining the Certified Amount

Each year, independent actuaries retained by SURS evaluate the experience of the System and determine the required state contribution under the formula outlined in Illinois law (40 ILCS 5/15-155). The formula requires the state to make a contribution to SURS each year necessary for the System to reach a funded status of 90 percent by the end of fiscal year 2045, calculated as a level percentage of payroll under the projected unit credit actuarial cost method. The state's contribution can fluctuate from one year to the next if the experience of the System deviates from the actuarial assumptions used to calculate the required state contribution. Some of the actuarial assumptions that can have a large impact on the state contribution are investment return, mortality rates and salary growth. Once the required state contribution is reviewed by the state actuary, SURS certifies the amount under Illinois law to the state by Jan. 15.

Continuing Appropriations

State law provides a continuing appropriation to SURS, equal to the amount of the contribution certified by SURS under the formula outlined in Illinois law. This means that, if SURS is appropriated an amount less than the certified amount in a given year, SURS can continue to seek payment of the full amount of the certified contribution from the state comptroller.

For example, the statutory contribution for FY 2017 is \$1,718,926,000. This amount includes: \$68.9 million for the Self-Managed Plan; \$438.3 million in normal cost for the defined benefit plan; and \$1.212 billion to reduce the unfunded liability. Of this amount, \$47.5 million is estimated to come from employers whose employees are paid from federal, trust or other non-state funds. The certified state contribution for FY 2017 is \$1,671,426,000.

If the state only appropriates \$190 million of the \$1,671,426,000 through a budget bill, SURS can request payment of the remaining \$1,481,426,000 from the comptroller without seeking an additional appropriation through another budget bill. In short, under the continuing appropriation, SURS can obtain the certified contribution independently of the normal appropriations process.

Funded Status

Historical underfunding is largely responsible for the current funded status of the System. As of June 30, 2016, SURS was 43.3 percent funded based on the actuarial value of assets with nearly \$17.7 billion in assets and \$23.221 billion in unfunded actuarially accrued liability. The majority of the annual state contribution to SURS goes to pay down the costs of decades of underfunding by the state. For example, in FY 2017 approximately 30 percent of the total contribution will go towards the normal cost and 70 percent will be used to reduce the unfunded liability. If the state adheres to the current funding formula outlined in Illinois law, and all assumptions are met, most of the unfunded liability will be paid down over the next 29 years. The best way for the state to improve the funded status of the system is to make the actuarially determined contribution each year.

Payment of Benefits

SURS assets are held in a trust that exists outside of the state treasury and under the control of SURS. When SURS receives money from the state, it goes directly into the trust. SURS member benefits are paid directly from the trust – not from the state. SURS manages cash flows to ensure the timely payment of benefits to members. Regular payments from the state provide greater predictability in the management of cash flows each month.

More about SURS

SURS is a 401(a) public retirement system based in Champaign, Ill. A staff of 134 professionals administers retirement plans for more than 220,000 members and manages approximately \$18 billion in assets. Retirement plans administered include a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan known as the Self-Managed Plan. The defined benefit plan has two options available to members – the Traditional Benefit Package and the Portable Benefit Package. As of June 30, 2016, the average retirement annuity of a SURS member was \$3,226.