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STATE UNIVERSITIES RETIREMENT SYSTEM

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 some of 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 2022, SURS employer contributions from the actual employers will be approximately $62.4 million, roughly 14.4% of the total employer normal cost and less than 3% 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 SURS Retirement Savings Plan), which is set at 7.6% 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 allocated to reducing the unfunded liability of the defined benefit plan.

Determining the Certified Amount

Each year, an independent actuary retained by SURS evaluates the System and determines 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% 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 is scheduled to increase each year between now and FY 2045 under the statutory funding formula due to the historical underfunding of the system

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 the 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 2022 is $2,101,279,000. This amount includes $86.033 million for the SURS Retirement Savings Plan, $443.110 million in normal cost for the defined benefit plan and $1.57 billion to reduce the unfunded liability. Of this amount, $62.369 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 2022 is $2,101,279,000.* If the state appropriates less than $2,101,279,000 through a budget bill, SURS can request payment of the remainder 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.

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Funded Status

Historical underfunding is largely responsible for the current funded status of the System. As of June 30, 2020, SURS was 42.2% funded based on the actuarial value of assets with nearly $20.1 billion in assets (actuarial value basis) and $27.5 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 2022 approximately 24.7% of the total contribution will go toward the normal cost and 75.3% will be used to reduce the unfunded liability. If the state adheres to the current 90% funding formula outlined in Illinois law, and all assumptions are met, most of the unfunded liability will be paid down over the next 24 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 157 professionals administers retirement plans for approximately 241,000 members and manages approximately $19.6 billion in defined benefit plan assets and $3.0 billion in defined contribution plan assets (market value basis). Retirement plans administered include a cost-sharing, multiple-employer defined benefit plan and a multiple-employer defined contribution plan known as the SURS Retirement Savings Plan. The defined benefit plan has two options available to members – the Traditional Benefit Package and the Portable Benefit Package. As of June 30, 2020, the average monthly retirement annuity of a SURS member was $3,456.

*Under state statute, SURS must exclude earnings that are paid by employers when calculating the certified contribution.