

UIC RETIREMENT PLANNING

The “arithmetic” of
SURS formulas:
Understanding the
basics.

UIC PENSION PLANS

- SURS: Traditional, Portable, or SMP:
401(a)414(h)(2)
- TDA/TSA: 403(b) plans (Roth Contributions)
- Deferred Comp: 457(b) plans
- DB vs. DC plans

SURS – CALCULATING A PENSION

- Multiple formulas utilized:
 - General Formula
 - Money Purchase Formula
 - Police Formula
 - Minimum Formula

Statutes determine formula...which one provides highest benefit

MOST COMMON FORMULAS

- General Formula and Money Purchase
- General Formula referred to as 2.2
- Money Purchase function of age, total of member and state contributions plus interest

SERVICE CREDIT

- Must have minimum of 5 years of vesting service credit to be eligible at earliest age of 62
- With 8 or more years of vesting service credit eligibility begins at age 55

FINAL RATE OF EARNINGS - FRE

- Last 48 months plus up to 56 paid vacation days or highest 4 consecutive academic years for 12 month employee. For 9 month teaching faculty FRE is highest 4 consecutive academic years.
- Max annuity is 80% of FRE

GENERAL FORMULA CALCULATION

- Years of service x 2.2% x FRE = monthly annuity
- Discount of $\frac{1}{2}$ of 1% per month if less than 30 years of service and between ages 55 - 59

MONEY PURCHASE CALCULATION

- Accumulated Normal employee retirement contributions, interest and state match divided by annuity factor = monthly annuity
- Service credit only used to determine if eligible for an annuity and is not used in the formula

HOW DO I INCREASE MY SURS PENSION?

- Vacation pay
- Unused unpaid sick leave
- Purchasing additional service credit
 - Prior Service
 - Repay Refund
 - Other Public Employment
 - Military Service
 - Leave of Absence
- Reciprocal Systems in Illinois

MANAGING A DEFINED CONTRIBUTION PLAN

- SURS Self-Managed Plan, 403(b)s, and 457(b)s are DC plans. Individual determines investment approach
- Based on suitability and risk tolerance
- Diversification across multiple asset classes
- Rebalancing
- Efficient Frontier

LIFE ANNUITIES FROM DC PLANS

- Portfolio design
- Too conservative
- Multiple asset classes
- Commercial Real Estate
- Not preservation of principle

LIFE ANNUITY FROM A DC PLAN

- Converting Accumulation Units to Annuity Units
- No need to “market time”...risk tolerance and portfolio design are determining factors.
- Inflation risk
- Rebalancing portfolio

SURS SELF MANAGED MEMBERS

- Required to take life annuity from 100% of SMP accumulation
- Risk tolerance
- Portfolio design/multiple asset classes
- Too conservative

MINIMUM DISTRIBUTION

- “Thank you, I do not need my money yet!”
- Required minimum distribution (RMD)
- Stretching funds
- What IRS tables are utilized?