UIC FACULTY AFFAIRS POLICIES, PROCEDURES, AND GUIDELINES

SECTION: FPPG 900 – Retirement, Resignation, and Termination
NUMBER: 902

SUBJECT: State Universities Retirement System (SURS) 6% Rule for Faculty

APPROVED BY: The Provost **EFFECTIVE DATE: June 1, 2006**

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OVERVIEW: In 2005, the General Assembly passed legislation requiring employer contributions to the State Universities Retirement System (SURS) for any SURS participant who receives salary increases exceeding 6% in any of the four years of final earnings rate (FRE) calculations. The full-time equivalent (FTE) earnings of each academic year in the FRE period are limited to 106% of the previous academic year's FTE earnings to yield the "capped FTE earnings" of each academic year.

The statutory provision within Public Acts 94-0004 and 94-1057 read as follows:

> *"If the amount of a participant's earnings for any academic year used to determine the final rate of earnings exceeds the amount of his or her earnings with the same employer for the previous academic year by more than 6%, the participant's employer shall pay to the System, in addition to all other payments required under this Section and in accordance with guidelines established by the System, the present value of the increase in benefits resulting from the portion of the increase in earnings that is in excess of 6%. This present value shall be computed by the System on the basis of the actuarial assumptions and tables used in the most recent actuarial valuation of the System that is available at the time of the computation. The employer contributions required under this subsection (g) shall be paid in the form of a lump sum within 30 days after receipt of the bill after the participant begins receiving benefits under this Article.*
>
> *The provisions of this subsection (g) do not apply to earnings increases paid to participants under contracts or collective bargaining agreements entered into, amended, or renewed before the effective date of this amendatory Act of the 94th General Assembly." (40 ILCS 5/15-155(g))*

PROCEDURE: All University of Illinois at Chicago (UIC) administrators and those responsible for negotiating faculty salary increases, summer appointments, retirement/separation agreements, etc., should be aware of the guidelines and implications of the 6% earnings rule and the possible financial obligations related to Public Acts 94-0004 and 94-1057. The employer will be billed when the calculation of the employer cost exceeds the 6% limit and the employer is defined as the employing department or unit. The employer cost equals the actuarial present value of the benefit increase to the employee. The actuarial present value calculation will be made by using actuarial tables provided by the SURS actuary.

APPLICABILITY: Generally the 6% rule will apply to all employees eligible to receive a retirement benefit from SURS. However, the rule will only be applied where the monthly benefit is calculated from the participant's final rate of earnings (FRE). Thus, it will only apply to participants who retire under the general formula under the SURS Traditional or Portable Benefit plans. The calculation will not be performed for participants retiring under the "money purchase" formula nor will it be performed for participants in the Self Managed Benefit plan. With the implementation of the SURS 6% Rule, all new University employees who are eligible to participate in SURS based on their terms of employment who are hired or rehired after July 1, 2005 will no longer be eligible for the money purchase formula.

Additionally, Public Acts 94-0004 and 94-1057 excludes from the final rate of earnings calculations the following: (1) severance or separation pay, (2) retirement pay, (3) payment for unused sick leave, and (4) payments from an employer for the period used to determine final rate of earnings for any purpose other than; (i) services rendered, (ii) leave of absence or vacation granted during that period, (iii) vacation of up to 56 work days (the University of Illinois has a maximum accrual and payout limit of 48 work days) allowed upon termination of employment; and (iv) payment for compensable sick leave days.

Although terminal vacation pay of up to 56 work days is included in the final rate of earnings, it is excluded from the definition of earnings under 40 ILCS 5/15-111 and therefore, excluded from the 6% calculation.

Also excluded from the 6% calculation based on Public Acts 94-0004 and 94-1057 are the following:

- FTE changes;
- "overload" increases, including those that result from summer teaching, as well s overtime for eligible employees, when the employer has certified to SURS and SURS has approved the certification of the overload work;
- for promotions in academic rank for a tenured or tenure-track faculty position;
- for promotions within civil service in which the employee moves from a lower to higher classification under the State Universities Civil Service System (SUCSS).

There is a sunset provision on these exclusions, which means they expire in June, 2011 unless actively renewed.

BILL HANDLING PROCEDURES:

- SURS will send all bills and accompanying documentation for the University of Illinois to Rita Hunt, University Office of Human Resources (UOHR) and the U of I SURS liaison. UOHR will assign each bill a tracking number.
- UOHR will forward all bills and accompanying documentation for UIC faculty (tenured, tenure-track, and non-tenured) to the Director of Faculty Affairs Human Resources (FAHR) and for academic professional and support staff employees the bills will be sent to the Director of Human Resources, Shared Services. In addition, UOHR will forward with each bill the "Earnings by Pay Period" report which reflects HRIS salary data compared to SURS salary data.

- Faculty Affairs Human Resources and Human Resources, Shared Services (hereafter "The Human Resources offices") will send a copy of all bills to the Vice Provost for Resource Planning and Management (OVPRPM).
- The Human Resources offices will forward the bills and accompanying documentation to the appropriate college/unit for review. At the same time the Human Resources offices will provide to the college/unit the pay data (Banner PHICHEK form) for each employee. A copy of this form for each bill should be sent to the Vice Provost as well.
- The college/unit should review all documentation for accuracy. It is their responsibility for resolving any discrepancy and/or determining if there are pay increases which are excludable. The Human Resources offices will be available to assist the colleges/units should they have questions about the bills.
- If there is no appeal to the SURS bill, the college/unit should complete the 6% Liability Validation/Appeal Form and return the completed form along with their payment to Rita Hunt, University Office of Human Resources with a copy to the OVPRPM and the appropriate HR office.
- If the college/unit wishes to appeal, they should complete the Application for Recalculation of Employer Cost and the 6% Liability Validation/Appeal Form and return the completed forms to the appropriate Human Resources office with a copy of the OVPRPM.
- The Human Resources offices then forward the documents to UOHR.

DATES OF AND TIMING ON BILLS:

- Bills will be mailed from SURS on the 10th of the month, or the first working day following the 10th if the 10th falls on a weekend or holiday.
- The employer will have 30 days from the "service of the billing letter" (service is complete four days after mailing) during which it may contest the earnings stated in the bill (see process above).
- If the employer does not contest the bill, the amount of the bill must be paid in a lump sum payment within 90 days after the receipt of the bill. If not paid within this timeline, interest will be charged.
- If a timely application of appeal was received by SURS and recalculations were done, SURS will either send a recalculated bill or notification of a favorable appeal decision (if no amounts are due).
- If a non-favorable appeal decision is rendered, the employer should pay any contested amount within 90 days of the original receipt of the bill. If not paid within this timeline, interest will be charged.

REFERENCES: **https://hrnet.uihr.uillinois.edu/dart-cf/index.cfm?Item_id=3814**

- Understanding to Whom the 6% Rule Will Apply
- SURS 6% - Additional Guidance – University Human Resources
- Application for Recalculation of Employer Cost the 6% Liability
- Validation/Appeal Form
- Bill Handling Procedures: Financial Obligations Related to the 6% Earnings Rule
- Public Acts 94-0004 and 04-1057