

Retirement Workshop

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Retirement Workshop Preliminary Information

SURS asks that you submit your application 90 days before your retirement date so your first check will be on time. If you are expecting to retire in the next few months, go to the HR web site at <http://www.hr.ilstu.edu/benefits/surs.shtml> and click on ISU Campus Notice of Retirement to learn about campus checkout and insurance options.

There is no proration on retirement checks. If you terminate in the middle of the month, you do not receive a retirement check until the first of the next month. Your health insurance with ISU ends on your date of termination and becomes active with SURS on the first day you receive a retirement check. If you want to retire on February 15th, you will have no health insurance coverage with ISU or SURS from February 16th through the 28th. The exception to this is for academic employees who retire at the end of their contract on May 15th; ISU continues their insurance through the end of May.

Your retirement is confidential until you sign your resignation or Human Resources receives notification from SURS that you have applied for an annuity.

Retirement pays in advance. If you retire effective June 1st (last working day in May), you receive your first retirement check the first day in June.

If you elect automatic deposit, you can expect your first check to be at your bank by the 4th or 5th of the first month depending on holidays and weekends. If you or the bank haven't received your first check by the 4th or 5th, you need to call SURS to find out the status of your check. If you elect automatic deposit, after the first check is issued and all routing numbers are verified with your bank, each monthly check thereafter will be in your account on the first business day of the month. You will also receive a statement from SURS showing your gross earnings, your deductions for Federal taxes, and any optional State insurance. If you have your check mailed to your home, you should receive your check by approximately the 5th of each month.

For the first 4 months, you will receive a Preliminary Estimated Payment (PEP) check. You receive about 80% of what you are entitled to from SURS. When SURS *finalizes* your claim, SURS will send you a catch up check. No interest is paid on the catch up money.

Deductions from retirement check

- Federal income tax
- Illinois state income tax will only be withheld if you request it to cover other state income tax liabilities
- Optional group insurance (dependent health, spouse life, optional life)
- No TDA
- No credit union
- No charitable contributions
- No MCAP or DCAP

Service Credit

SURS Member Guides Pages 2-4,

MINIMUM QUALIFICATIONS FOR SURS RETIREMENT

- 5 or more years of service credit at age 62
- 8 or more years of service credit at age 55
- 30 years of service at any age

House Bill 2370 was signed into law by the Governor on August 2, 2002 making the “30 and out” provision permanent.

How Service Credit is Calculated

SURS Year: September 1 through August 31

Limit of one year during the SURS year

- 15 or more calendar days = 1 month
- 1-2 months = .25 year
- 3-5 months = .50 year
- 6-7 months = .75 year
- 8-12 months = 1.0 year (April 15th)

EXAMPLE:

Academic Employee	12-Month Employee
<u>Hire Date: 1/1/00</u>	<u>Hire Date: 1/1/00</u>
1/1/00 – 5/15/00 = 5 months 3-5 months = 0.50 year	1/1/00 – 8/31/00 = 8 months 8-12 months = 1 year
8/16/00 – 8/31/00 = 0.25 year	
TOTAL = 0.75 year	TOTAL = 1 year

Service Credit for Part-Time Employment

All appointments over 50% are considered full-time

3 years at 50 % or less - no service offset

The fourth year at 50% or less - offset begins

EXAMPLE:

5 years	At 100%	=	5 years
4 years	At 75%	=	4 years
6 years	At 50%	=	3 + 1.5 years
Total years of service			= 13.5 years

Service Credit While On Leave At No Pay

Service can be purchased:

- Lump sum at beginning of leave (After-Tax)
- Monthly payments during leave (After-Tax)
- Deferred lump sum at a later date (After-Tax)
- Installment Payments via Payroll Deduction (Pre-Tax)

Cost = 8% of your current salary (salary rate while on leave) for the length of leave + interest

SURS Interest Rate for the
Money Purchase Formula

8.5%, Effective 9/1/05

8.0% Effective 9/1/06

Retirement Formulas

SURS Traditional Plan Member Guide Pages 13-19

SURS Portable Plan Member Guide Pages 12-18

General Formula

Average monthly earnings \times 2.2 percent \times years of service credit = monthly annuity (subject to 80% limitation)

Average monthly earnings = 4 highest-paid consecutive years \div 48

If the last 4 years are your high 4 years, vacation is added to your last year's earnings.

High 4 Years

Defined as the high 4 Consecutive Academic years (8/16-8/15) (faculty and non-faculty employees). In addition, non-faculty employees also have their high 4 years defined as the 48 months immediately preceding retirement, if higher.

Early Retirement Reduction

If you retire before age 60 under the General Formula, your retirement annuity will be reduced 6% for each year under the age of 60, unless

- you have 30 or more years of service

Money Purchase Formula

- Only applies to employees hired before July 1, 2005
- Your Contributions (6.5%)
- State Contributions (9.1%)
- Interest Earned (based on investment returns)
- Your Life Expectancy
- Conversion Table on Page 18 of Member Guide (Page 17 in Portable)
- Subject to 80% limitation
- Approximately 60-75% of those now retiring yield greater benefits under the Money Purchase Formula
- Retirement amount shown on annual statement is Money Purchase
- Service Credit does not determine benefit amount under Money Purchase Formula
- The Illinois Constitution *guarantees* the General Formula benefit – the Money Purchase may or may not be higher.

Sabbatical Leave

- If Sabbatical Leave is in the high 4 years under General Formula, The sabbatical year is calculated as full earnings.
- Under Money Purchase,
Only one-half the contributions (assumes 9 months at half pay), but you can make up the other half by making the contribution.

Purchasing Service Credit

SURS Member Guides Pages 4 – 7, 25-28

PRIOR SERVICE WITH A SURS COVERED EMPLOYER

- Must be at least half-time, or 50%
- First 3 years did not participate
- Graduate Assistant
- Extra-Help
- Leave of Absence
- Took a refund

Cost is based on 8% of certification salary + interest from certification date

You must repay any refunds before you can buy any additional service.

All service is purchased at 100% full-time starting salary. If you started at 50% for \$1,000/month, you buy service based on \$2,000/month

EXAMPLE:

Purchase first three years when participation wasn't mandatory

EXAMPLE: Currently earning \$15/hour, \$2,437.50 monthly average, certified in SURS 23 years ago, while earning \$8/hour.

Cost to purchase = $\$8 \times 1950 \text{ hours} \times 8\%$
= $\$1,248 + 23 \text{ years' interest}$
= $\$8,736/\text{year}$
= $3 \times \$8,736 = \$26,208$ to purchase 3 years

State's match = $\$8 \times 1950 \text{ hours} \times 9.1\%$
= $\$1,420 + 23 \text{ years interest}$
= $\$9,940/\text{year}$
= $3 \times \$9,940 = \$29,820$ if you purchase 3 years

Increase under 2.2% General Formula

Increase = $3 \times 2.2\% \times \$15 \times 162.5 \text{ hours/month} = \161 per month more

Pay back period = $\$26,208 \div \$161 = 162 \text{ months} = 13.5 \text{ years}$

Increase under Money Purchase Formula

Of the 8% you contribute, only 6.5% goes into the Money Purchase formula; hence, the \$26,208 you paid is reduced to \$21,294.

Increase = $(\$21,294 + \$29,820) \div 120^* = \$426$ per month more

Pay back period = $\$26,208 \div \$426 = 61 \text{ months} = 5.1 \text{ years}$

*120 is the estimated Money Purchase factor for a 58-year old

PURCHASING SURS SERVICE CREDIT WITH PRE-TAX PAYROLL DEDUCTIONS!

How to Enroll

- Call SURS at 800/275-7877
- If you have not previously verified your service to be purchased, you will have to do that first.
- SURS will send you a letter summarizing the various payment options based on the quarter you wish to begin deductions, the length of the contract, and the amount of service you wish to purchase.
- Complete and return the “Summary Letter” to SURS.
- SURS sends you the contract for signature. Return to SURS
- SURS notifies ISU when to start the payroll deductions and sends you a confirmation letter.

Other Methods Of Purchasing SURS Service Credit

Rollover from 403(b)/457/IRA:

You must mail the cost letter from SURS to your investment company and ask them to remove money from your account and send it to SURS along with completed SURS letter.

Lump Sum after-tax contribution :

You write a check to SURS for the cost of the purchase.

PURCHASING OTHER PUBLIC EMPLOYMENT

Must have 5 years of service with:

- State Universities Retirement System (SURS),
- Teachers' Retirement System (TRS), or the
- Chicago Teachers' Retirement Fund (CTRF).

Other Public Employment (OPE) includes:

1. Public school, college, or university service in another state IF
 - Full-time 100%
 - No annuity entitlements from that service
 - Limit of 10 years maximum
 - Limit of 2/3 SURS service
 - Cannot be used to meet minimum SURS qualifications for retirement
 - Cost is based on 8% of starting salary + interest
2. Out of state public employment (Other state, county, or city government and any federal government, but must have begun participation in SURS before 9/1/1974)
3. Partial year for work in another Illinois retirement system, but must have begun participation in SURS before 9/1/1974
4. Part-time (50% or greater) out-of-state service, but must have been a SURS participant between 7/1/1967 and 9/4/1975)

IMPORTANT INFORMATION ABOUT PURCHASING SERVICE

- At least 100% match on your investment
- Always have SURS estimates done before buying service (with & without purchase). You can also use the SURS Benefit Estimator
- Recovery time generally 4-5 years after retirement

PURCHASING MILITARY SERVICE

BEFORE SEPTEMBER 1, 1974

If you were certified in SURS on or before 9/1/74, you can purchase active duty military service.

Total still limited by:

- 10-year maximum
- 2/3 SURS service
- not used for minimum SURS requirements

Cost is based on 8% of starting SURS salary + interest.

AFTER SEPTEMBER 1, 1974

If you began participating in SURS after 9/1/74, there is a 2-year maximum limit on the amount of military service you can purchase.

You must pay

- 8% of starting salary under SURS + interest, **PLUS**
- Employer's portion + interest.

This service **CAN BE** used to meet minimum qualifications for retirement.

Retiring Under Reciprocity

Reciprocal Systems are other Illinois Public Retirement Systems

More common reciprocal systems

- Illinois Municipal Retirement Fund
- State Employees' Retirement System of Illinois
- Teachers' Retirement System of the State of Illinois

Must have a minimum of one year in other system(s)

Service/Money is not transferred between systems

When annuities are calculated

- Pension credits in any reciprocal system may be used to meet qualifications for retirement or survivor benefits.
- Your earnings from all systems will be considered in determining your final average earnings.
- Each system will apply the benefit formula in effect at time of termination

You apply for retirement with each system and each system pays you separately.

With the exception of SERS, reciprocal service does not count towards the 20 years needed for free health insurance in retirement.

Reciprocity usually occurs with the Traditional or Portable plans, but you can retire under reciprocity even if you are in the Self-Managed Plan. The reciprocal system would use earnings from both employers in their calculation of benefits. The SMP benefit would not be affected.

Applying Unused Sick Leave to Service Credit

Must retire within 60 days of termination to receive credit

FORMULA:

Accumulative sick leave earned prior to 1/1/84
+
One-half of Accumulative sick leave earned between 1/1/84 and 12/31/97
+
Accumulative sick leave earned after 12/31/97
+
Non-Accumulative sick leave or Extended Illness
Equals
Your non-payable Sick Leave

EXAMPLE:

Earned BEFORE 1/1/84	= 810 hours
Earned between 1/1/84 & 12/31/97	= 585 (1170 ÷ 2)
Earned after 1/1/98	= 180
Non-Accum/ Extended	= 150
Total Non-Payable Sick Leave	= 1725 hours
	= 1 year

Converting Hours to Years of Service Credit	
150 hours	= .25 year
450 hours	= .50 year
900 hours	= .75 year
1350 hours	= 1.0 year

Beginning September, 2004, one (1) year of service credit is the maximum that will be allowed for unused sick leave.

The examples used in this session are for the standard full time employee working 37.5 hours per week and accruing 7.5 hours of sick leave per month.

If you work 40 hours a week, you accrue 8 hours of sick leave per month. Therefore, it takes more hours to reach the quarter of a year for service.

If you work less than 37.5 hours per week (less than 100% employee), it will take fewer hours to reach the quarter of a year for service.

Calculating Payable Sick Leave

The other half of that earned between 1984 and 1997

585 hours X hourly rate of pay = Sick Leave Payout
Sick leave payout not subject to SURS
Sick leave payout is taxable

EXAMPLE: Hourly employee

585 hours X \$15.00/hour = \$8775.00

EXAMPLE: Monthly employee

Monthly rate of pay (basic contract) divided by 162.5 = hourly rate of pay

\$3,000/month for 9 months.....\$3,000 ÷ 162.5 = \$18.46/hour

585 hours X \$18.46/hour = \$10,799.10

Calculating Payable Vacation

SURS will accept up to 56 days of unused vacation and your payout counts as earnings in your last year of employment; 8% is deducted for SURS.

Multiply hours of vacation by hourly rate, as above.

Sick & Vacation Payout Calculator at <http://www.hr.ilstu.edu/downloads/Payouts-Web.xls>

Payroll will pay out your benefits on your last paycheck if they have the proper documentation. If you are retiring on January 1st and are paid monthly or are Civil Service Exempt, you may choose to keep your benefits usage card until your final December payroll is processed and then submit it to payroll. You will then be paid out your sick and vacation benefits in January, a year in which you may have lower earnings. To receive your payout on the December check, turn in your benefits usage card no later than the 7th of December. If you are paid hourly, you will receive your final paycheck and benefit payouts on January 15th anyway, so no special action is necessary.

If you are not retiring on January 1st, you may want to be paid out on your final paycheck. If you are paid monthly or are exempt civil service, turn in your benefits usage card to payroll on or before the 7th of the month prior to retirement. If hourly, turn in your time card as usual.

If you plan to defer your payouts into a 403(b) or 457 account at retirement, begin working on your changes a few months prior to your retirement. Contact Human Resources at 438-8311.

Supplemental Retirement Savings Plans

403(b) Tax Deferred Annuity (TDA); Tax Sheltered Annuity (TSA)

Like a 401(k)

Contributions are tax deferred, not tax exempt. There are no matching contributions from the University. You pay taxes at a later date when you receive the money.

There are six companies from which to choose: Fidelity, ING, Lincoln National, State Farm, TIAA-CREF, and VALIC.

Limits on Contributions:

	2005	2006
Regular Contributions	\$14,000	\$15,000
Age 50 CatchUp	\$4,000	\$5,000
Maximum Contributions	\$18,000*	\$20,000*

* 15-year CatchUp may also be available

457 State of Illinois Deferred Compensation Plan

Similar to 403(b) and 401(k)

Contributions are tax deferred, not tax exempt. There are no matching contributions from the University. You pay taxes at a later date when you receive the money.

CMS has investigated and chosen 12 individual mutual funds for you to invest in, including stock funds, bond funds, stock & bond funds, money market funds, international stock fund, etc.

Limits on Contributions:

	2005	2006
Regular Contributions	\$14,000	\$15,000
Age 50 CatchUp	\$4,000	\$5,000
Maximum Contributions	\$18,000*	\$20,000*

*Lifetime CatchUp may also be available

Social Security and SURS

Qualifications

- 40 quarters (10 years) OR
- Qualifying spouse
- Make appointment with local Social Security Office
 - 207 N. Williamsburg Road, 662-1836
- Toll-free number 800/772-1213

Start Social Security at age 62 or 65?

If you are retired at age 62 and qualify for Social Security,
Contact Social Security for your benefits at age 62 vs. age 65.

Government Pension Offset

If you receive a pension from an agency where you did not pay into Social Security (like ISU and SURS), any Social Security benefits you receive as a spouse, widow, or widower will be reduced by two-thirds of your government pension.

Windfall Elimination Provision

If you receive a pension from an agency where you did not pay into Social Security (like ISU and SURS), any Social Security benefits you receive in your own right (based on your own earnings) will be calculated as shown below (based on your starting Social Security in 2002), unless you have more than 30 years of substantial earnings under Social Security or were eligible to retire from SURS prior to 1986.

Calculation of Social Security Benefit

Year	Earnings	Indexing Factor	Adjusted Earnings	Highest 35 years (Including Zero years)
1973	10,000	4.34	43,400	
---	---	---	---	
1983	15,000	2.16	32,400	
---	---	---	---	
1993	20,000	1.42	28,400	
---	---	---	---	
2001	30,000	1.0	30,000	
				Divide sum of 35 highest years by 420 (# of months in 35 years) to get average indexed monthly earnings (AIME)

Years of substantial SS earnings*	Average Indexed Monthly Earnings (AIME)		
	First \$612	Next \$3,077	Over \$3,689
30 or more	X 90% (= \$551)	X 32%	X 15%
25	X 65% (= \$398)	X 32%	X 15%
20 or less	X 40% (= \$245)	X 32%	X 15%
The Social Security benefit is called the primary insurance amount (PIA) and equals the sum of the amounts in columns 2-4. It is payable at normal retirement age, but can be received earlier at a reduced rate.			

*In 2005, substantial earnings are \$16,725.

Social Security and SURS Annuities

General Information – Visit local Social Security office in Bloomington or call the 800 number.

- **Employee still working at ISU**

1. Qualify for Widow(er) Social Security benefit – no offset
2. Upon retirement (SURS starts), Social Security offset by 2/3 of SURS

- **Annuitant (former employee) receiving SURS annuity**

1. Qualify for Social Security based on own employment record

Social Security is reduced up to 50%,

2. Qualify for Social Security based on employment record of spouse (receive 50% of spouse's Social Security)

Spousal Social Security benefit reduced by 2/3 of SURS, or

3. Qualify for Social Security based on death of spouse who was receiving Social Security

Widow(er) Social Security Benefit reduced by 2/3 of SURS

- **Spouse not receiving a SURS annuity but married to SURS annuitant**

Can receive full Social Security benefit (100% of own entitlement or 50% of spouse's benefit)

- **Spouse receiving a SURS survivor annuity benefit**

Can receive full Social Security benefit (100% of own entitlement or 100% of spouse's benefit)

- **Helpful links to the SSA Web Site**

<http://www.ssa.gov/pubs/10007.html> Pension Offset (widow/widower and a retiree)
<http://www.ssa.gov/pubs/10045.html> Windfall Elimination Provision (retiree)

State of Illinois
Group Health & Dental Insurance Program
Employee Health Insurance After Retirement
COST

With 20 years of qualifying service, **premium free**.

Qualifying service includes

- SERS
- SURS
 - OPE
 - Refunds
 - Prior Illinois State Service
 - Military
- Unpaid Sick Leave
- Illinois Community College (if at least 5 years with a university or state of Illinois)
- No TRS and No IMRF

With less than 20 years of qualifying service and if member was employed on 7/7/97, retiree can elect:

1. Take post- 1/1/98 annuity formula – Money Purchase or new General Formula - and waive the insurance benefit or pay 5% of the premium for each year less than 20 years (whole years only), or
2. Take pre- 1/1/98 annuity formula – Money Purchase or old General Formula – and receive premium free insurance.

Surviving spouse receives whichever benefit you elect.

Senate Bill 211

Choices For Employees With Less Than 20 Years Service

Age 60; 12 Years Service
Average Earnings Over High 4 Consecutive Years: \$45,000

Percentage Benefit Under 2.2% General Formula: 26.4%

$\$45,000/12 \times 26.4\% = \$1,000$ (Approximately)
Cost for Quality Care - \$208; HMO - \$113

Percentage Benefit Under Old General Formula: 20.5%

$\$45,000/12 \times 20.5\% = \775 (Approximately)
Free Insurance under existing legislation

THREE SCENARIOS TO CONSIDER:

Under Senate Bill 211, you are eligible for benefits under the “old” plan or benefits under the “new” plan.		
	Old	New
Situation A		
General Formula	\$775	\$1,000
Money Purchase	\$1,100 – free insurance	\$1,100 – pay for ins.
Situation B		
General Formula	\$775	\$1,000 – pay for ins.
Money Purchase	\$900 – free insurance	\$900
Situation C		
General Formula	\$775 – free insurance	\$1,000 – pay for insurance
Money Purchase	\$600	\$600
<p>In situation A, your choice would be \$1,100 with free insurance or \$1,100 and pay partially for insurance (no brainer)</p> <p>In situation B, your choice would be \$900 with free insurance or \$1,000 and pay partially for insurance</p> <p>In situation C, your choice would be \$775 with free insurance or \$1,000 and pay partially for insurance.</p> <p>Remember that the cost of insurance will continue to rise, so what looks like a good deal today may not be such a good deal tomorrow!!</p>		

**Under existing legislation

Health Insurance

COVERAGE

- Benefits remain the same as before retirement
- Retirees are offered same choices as employees
- Each May is Benefit Choice – changes take effect July 1st
- Can also change benefits due to a change in family status, such as moving out of an HMO's service area
- SURS mails Benefit Choice information to your home
- You make changes through SURS

SPOUSAL COVERAGE

- Premiums remain the same as for current employees
 - Premium reduces if spouse has Medicare coverage at age 65
- Coverage remains the same
- Cost deducted from your SURS retirement check

Dental Insurance

Retiree

- No cost for Quality Care or Managed Care
- Benefits remain the same
- Retirees are offered the same choices as employees

Spouse

- No cost
- Benefits remain the same
- Must be on health insurance

Medicare is not the same as Medicaid.

Medicare

SURS Member Guides Pages 25-28

Medicare is health insurance through Social Security Administration; University employees hired after 4/1/86 must contribute to Medicare.

- Part A Medicare - Hospital Charges
- Part B Medicare - Doctors Charges
- Part D Medicare - Prescription Drug Benefit

Qualification for Social Security benefits:

- 40 quarters of covered employment, or
- Coverage under spouse's employment record

If you qualify for Social Security benefits,

- You qualify for Part A Medicare at NO COST when you turn 65
- You qualify for Part B Medicare when you turn 65 (current premium – approximately \$78 (\$89 in 2006) – deducted from Social security check, or you write a check if your SS check is not enough).
- If you have State of Illinois Group Insurance coverage, your coverage is on average as good as or better than the standard Medicare Prescription drug coverage (Medicare Part D). You can keep your current group coverage and choose not to enroll in Medicare Part D. We strongly encourage you NOT to enroll in Medicare Part D.
- To keep your current prescription drug benefit, you should not join a Medicare Prescription drug plan. It is not necessary for you to spend extra money on monthly premiums to buy Medicare Part D coverage. The Department of Central Management Services Group Insurance Division has determined that your prescription drug coverage is, on average for all plan participants, expected to pay as much as the standard Medicare Part D plan will pay.

How Medicare works with CIGNA

- Before Medicare
 - CIGNA pays 80%
 - You pay 20%
- With Medicare
 - Medicare pays 80%
 - CIGNA pays 20%
- Prescriptions are covered by CIGNA, but not Medicare
- Vision care remains the same
- You should not need any additional supplementary insurance

How Medicare works with an HMO

- Before Medicare
 - You pay \$10 co-payment for doctor's charges
 - You pay \$100 co-payment for hospital charges
- With Medicare
 - No co-payment for doctor's charges
 - No co-payment for hospital charges
- Co-payment for prescriptions remains the same
- Vision care remains the same
- You should not need any additional supplementary insurance

Penalty for not enrolling in Medicare when first eligible

- If you qualify for FREE Part A Medicare **and**
- You elect **NOT** to sign up for Medicare at age 65,
- You will receive a penalty
 - You pay 80%
 - CIGNA/HMO pays 20%; they assume that you are enrolled in Medicare and Medicare pays the first 80%

Medicare Premium Penalty

For every year you wait to sign up for Medicare after you are retired and turn 65, the monthly premium for Part B Medicare increases 10% for the rest of your life.

When should you and your spouse enroll in Medicare?

If you turn age 65, are not yet retired, and you qualify for Medicare:

- You can enroll for Part A at no cost
- Wait until you retire to enroll in Part B
- No penalty from the State (CIGNA or HMO) or Medicare

If you are not yet retired, you carry your spouse on your health insurance, your spouse is retired, and your spouse turns 65:

- Spouse can enroll in Part A
- Wait until you retire for spouse to enroll in Part B
- No penalty for spouse from State (CIGNA or HMO) or Medicare

If you don't qualify for free Part A Medicare **DO NOT PURCHASE IT!**

Your state coverage will continue the same as while employed

- CIGNA pays 80%
- You pay 20%
- Part A costs over \$300 per month if you pay for it; most people get it for free

Reduced health insurance premiums for spouse

If you are retired and carry your Medicare-covered spouse on your health insurance coverage

- CIGNA premium for spouse decreases about \$50 a month
- HMO premium for spouse decreases about \$5 a month

Crossover

If you are under both CIGNA and Medicare, your doctor will normally file your claim with Medicare (if not, you will have to do it yourself). Medicare then sends your claim to CIGNA for processing.

Tracking forms

If you are covered by Medicare and also have coverage under either Quality Care or an HMO, you probably do not need another health policy.

You may need to track the payments by Medicare and Quality Care to ensure that bills are paid properly and promptly. It can get confusing! A tracking form may help you.

CMS Group Life Insurance Program CMS Benefits Handbook

Life Insurance Before Retirement Minnesota Life

The State provides life insurance equal to your annual salary.

You can purchase:

- 1-8 x state portion

EXAMPLE:

Before retirement, annual salary = \$30,000.

State provides \$30,000 in life insurance

You can purchase

1 x state portion =	\$30,000	5 x state portion =	\$150,000
2 x state portion =	\$60,000	6 x state portion =	\$180,000
3 x state portion =	\$90,000	7 x state portion =	\$210,000
4 x state portion =	\$120,000	8 x state portion =	\$240,000

*IF YOU PURCHASE 8 TIMES THE STATE PORTION,
YOUR TOTAL LIFE INSURANCE = \$270,000.*

\$30,000 from the state + \$240,000 optional = \$270,000

Monthly Cost for Optional Life

Age	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85+
Cost	\$.16	\$.26	\$.50	\$.78	\$1.50	\$2.66	\$3.74	\$4.46	\$5.50

Life Insurance After Retirement

Retirement before Age 60

State continues to provide life insurance equal to your annual salary until your 60th birthday.

At age 60, the state provided life insurance reduces to \$5,000 and any optional life insurance in excess of 4 times basic will terminate.

You have the option to purchase:

- 1 x state portion
- 2 x state portion
- 3 x state portion
- 4 x state portion

Retirement at Age 60 or Later

The state provides \$5,000 in term life insurance.

You can purchase:

- 1 x state portion = \$5,000
- 2 x state portion = \$10,000
- 3 x state portion = \$15,000
- 4 x state portion = \$20,000

*IF YOU PURCHASE 4 TIMES THE STATE PORTION,
YOUR TOTAL LIFE INSURANCE = \$25,000.*

$\$5,000$ from the state + $\$20,000$ optional = $\$25,000$

EXAMPLE:

Person retires at age 55. Annual salary is \$30,000

State provides \$30,000 in life insurance until the age of 60.

At age 60, state portion reduces to \$5,000

At age 60, optional purchases decrease to \$5,000 per multiple and any optional life insurance in excess of 4 times basic will terminate.

Cost for the life insurance in this example (person elected 8 x state portion):

Age	State Portion	Employee Option	Monthly Cost
55-59	\$30,000	\$240,000 (8x)	\$115.20
60-64	\$5,000	\$20,000 (4x)	\$15.00
65-69	\$5,000	\$20,000 (4x)	\$28.40
70-74	\$5,000	\$20,000 (4x)	\$50.80

Continuing Life Insurance Coverage After Retirement

If you have optional life and retire after 60 or are retired and turn 60, you can “port” the amount of optional life that you are losing and continue it on a direct pay basis. For example, if your optional coverage drops from \$100,000 to \$20,000, you can continue \$80,000 as term life insurance directly with Minnesota Life.

ACCIDENTAL DEATH & DISMEMBERMENT

- Increases the life insurance benefit, if death is the result of an accident.
- Cost = \$0.02 per thousand
- Cost does NOT increase with age
- May elect basic coverage only or basic plus optional coverage (up to 4 times)

EXAMPLE:

- State portion = \$5,000
- Optional = \$20,000
- Total Life Insurance = \$25,000
- AD& D cost = $25 \times \$0.02 = \0.50 per month

*IF ACCIDENTAL DEATH, TOTAL BENEFIT = \$50,000
(\$25,000 X 2)*

LIFE INSURANCE FOR DEPENDENTS

Coverage	Amount	Premium	Reduces to \$5,000 when Annuitant turns 60?
Spouse	\$10,000	\$7.14	Yes
Children	\$10,000	\$0.56	No

Optional state life insurance coverage is deducted from your SURS retirement check.

Other Insurance Coverages

RELIASTAR LIFE INSURANCE (OPTIONAL)

Premium increases with age

BEFORE Retirement: Payroll deductions

AFTER Retirement: Direct bill to your home

Terminates at age 70

OR

Can be converted to Whole Life

PRUDENTIAL LONG TERM DISABILITY (OPTIONAL)

Terminates upon retirement

METROPOLITAN UNIVERSAL LIFE (OPTIONAL)

Contact your local Metropolitan representative

MET LIFE LONG TERM CARE (OPTIONAL)

Can be continued in retirement

Direct Pay – Cannot be deducted from retirement check

SURS Death Benefits Traditional Plan Member Guide Pages 11-13, 19-21

TRADITIONAL PLAN DEATH & SURVIVOR BENEFITS

TRADITIONAL PLAN EMPLOYEE CONTRIBUTIONS

- 6.5% Retirement Benefit
- 0.5% Annual Increases after Retirement
- 1.0% Survivor Benefits
- 8.0% TOTAL EMPLOYEE CONTRIBUTIONS
- 9.1% STATE CONTRIBUTIONS

TWO SURS BENEFITS

SURVIVOR BENEFIT - Paid to a survivor before and after retirement (by law)

- SPOUSE – age 50, married more than 1 year
- UNMARRIED CHILD – under age 18 or full-time student to age 22
- DEPENDENT PARENT – age 55
- DISABLED CHILD – over 18, if disability began before age 18. Plan ahead!

*If active, must have 1.5 years of service;
If inactive, must have 10 years of service.*

DEATH BENEFIT - Paid to a beneficiary, any person or legal entity you name.

**YOUR SURVIVOR & BENEFICIARY CAN BE THE SAME PERSON – THEY CAN
ALSO BE DIFFERENT.**

Review other beneficiaries: ReliaStar, CMS life insurance, TDA plans

Under the Traditional Plan, if you die before retirement with a survivor;

SURVIVOR receives:

50% of your retirement as if you had retired (funded by your 1% contribution)

+

\$1,000 One-Time Death Benefit

+

Your health insurance benefit

This monthly annuity is not 50% of the projected (future) monthly benefit listed on your SURS statement.

BENEFICIARY receives:

Approximately 7/8 of all your contributions + Interest (All in a lump sum)

EXAMPLE:

Employee has \$80,000 total contributions + interest in SURS

Had he retired, monthly retirement would have been \$1,500 per month

SURVIVOR receives \$750 per month (for life) + \$1,000 one-time death benefit + health insurance

BENEFICIARY receives \$70,000 lump sum

Under the Traditional Plan, if you die before retirement without a survivor;

BENEFICIARY receives:

All of your Contributions (8/8)

+

Interest

+

\$2,500 One-Time Death Benefit

EXAMPLE:

Employee has \$80,000 total contributions and interest

Beneficiary receives \$80,000 + \$2,500 one-time death benefit.

Under the Traditional Plan, if you die after retirement with a survivor;

SURVIVOR receives:

50% of your current retirement benefit

+

\$1,000 One-Time Death Benefit

+

Your health insurance benefit

Survivor can waive monthly benefit in lieu of a lump sum benefit (no insurance)

BENEFICIARY receives: ZERO! (Does not get 8/8 as in death before retirement)

EXAMPLE:

Employee has \$80,000 total contributions + interest in SURS

Monthly retirement = \$1,500 per month

SURVIVOR receives \$750 per month (for life) + \$1,000 one-time death benefit + health insurance

BENEFICIARY receives ZERO!

Under the Traditional Plan, if you die after retirement without a survivor;

BENEFICIARY receives:

The balance of your remaining contributions and interest

OR

\$1,000 one-time lump sum benefit

Whichever is greater

(Does not get 8/8 as in death before retirement)

EXAMPLE:

Employee had \$80,000 total contributions + interest on date of retirement

Monthly retirement = \$1,500 per month

Lived 4 ½ years

Balance in account is ZERO (Contributions + Interest generally last about 4 years)

BENEFICIARY receives \$1,000 one-time lump sum (does not receive state's portion)

Death and Survivor Benefits – Traditional Plan

This table is a summary of previous two pages

	Before Retirement	After Retirement
With a Survivor	50% Survivor Annuity + \$1,000 one-time lump sum AND 7/8 Contributions & Interest to named Beneficiary	50% Survivor Annuity + \$1,000 one-time lump sum BUT No Death Benefit!
Without a Survivor	No Survivor Benefit 8/8 Contributions & Interest to named Beneficiary Plus \$2,500 one-time lump sum	No Survivor Benefit 8/8 Contributions & Interest to named Beneficiary minus benefits already paid out, or \$1,000 one-time lump sum, if greater NO employer contributions!
<h3 style="margin: 0;">6.5% + 0.5% + 1%</h3>		

Survivor's Refund

If you retire under the **Traditional Plan** without a qualifying Survivor,

YOU may

1. Elect to receive a refund of 1% of all your contributions + interest (can roll over into an IRA), or
2. Elect an additional annuity (no annual 3% increases), or
3. Elect to waive for a future survivor (recovery time usually very short on part of survivor)

(SURS Service only; Not OPE; Not Military)

Reversionary Benefit

Under the **Traditional Plan** ONLY, you may elect (at least 30 days before retirement) to waive a portion of your monthly retirement check to increase your SURVIVOR'S monthly survivor benefit.

- Not reversible
- Option 1: If spouse pre-deceases you, your check stays the same.
- Option 2: If spouse pre-deceases you, your check goes back to original amount ("costs" slightly more than Option 1).

EXAMPLE:

At age 60, monthly retirement is going to be \$1,500 per month.
Spouse is 57 and would receive \$750 if you die

Before retirement, employee elects to waive \$80.00 ($\16×5) per month from monthly retirement (Option 2).

Employee receives \$1,420 per month

Upon retiree's death, spouse would receive \$1,250 per month ($\$750 + 500$)
If your spouse dies first, your check reverts to \$1,500 per month.

PORTABLE PLAN DEATH & SURVIVOR BENEFITS

Portable Plan Member Guide Pages 11-12

PORTABLE PLAN EMPLOYEE CONTRIBUTIONS

- 6.5% Retirement Benefit
- 0.5% Annual Increases after Retirement
- 1.0% Portability Benefit
- 8% TOTAL EMPLOYEE CONTRIBUTIONS
- 9.1% STATE CONTRIBUTIONS

Survivor Benefit is Available under the Portable Plan.
Member must purchase at retirement in form of reduced annuity.

TWO SURS BENEFITS

SURVIVOR BENEFITS (determined by law)

- Before retirement, spouse is the only eligible survivor if married for more than one year
- After retirement, spouse or contingent annuitant determined at the time of your retirement. Can be a significant other.

If active, must have 1.5 years of service
If inactive, must have 10 years of service.

DEATH BENEFITS (determined by you)

- Beneficiary for death benefits must be your spouse unless you are single, or spouse has given consent to name an alternate.
- Review other beneficiaries (ReliaStar, CMS life insurance, TDA plans)

If you die **before retirement** and **have a surviving spouse** who did not waive survivor and beneficiary benefits;

Spouse may elect

Lump sum of your account with employer contributions and interest
OR
50% of your reduced retirement beginning when you would have been first eligible to retire
+
Health insurance when annuity begins
+
Lump sum balance reduced by the actuarial value of the future monthly benefit.

EXAMPLE: Both the employee and spouse are age 60

Employee's account includes own \$80,000 total contributions + interest **AND** employer's \$80,000 total contributions + interest.

Had employee retired, monthly retirement would have been \$1,500 per month

SURVIVOR can elect \$160,000 One-Time Lump Sum Benefit (NO health insurance)

- OR -

SURVIVOR receives \$694 per month (give up \$80,717 of the \$160,000)
(50% of reduced benefit to buy survivor benefit at retirement)

+

Health Insurance

+

\$79,283 Lump Sum Benefit

If you die **before retirement** and **do not have a surviving spouse;**

BENEFICIARY receives:

All 8/8 of your Contributions + Interest

+

Matching (dollar for dollar) Employer Contributions + Employer Interest

No separate \$1,000 or \$2,500 one-time death benefit

If you die **after** retirement and **have elected** a *Joint & Survivor Annuity* for your spouse or significant other by waiving part of your monthly benefit;

SURVIVOR receives

50%, 75%, or 100% of your retirement (whichever was elected at retirement)
+
Health insurance Benefit

BENEFICIARY receives: ZERO (No \$1,000 death benefit)

EXAMPLE: Both the employee and spouse are age 60

Employee has \$80,000 total contributions and Interest

Employee elected 50% survivor benefit

Monthly Retirement = \$1,500

Survivor receives \$694 per month + Health Insurance Benefit

Beneficiary receives \$0 (No \$1,000 death benefit)

If you die **after** retirement **without** a survivor;

BENEFICIARY receives:

The balance of your remaining contributions and interest

OR

\$1,000 one-time lump sum

Whichever is greater (NO employer contributions!)

EXAMPLE:

Employee had \$80,000 total contributions + interest on date of retirement

Monthly retirement = \$1,500 per month

Lived 4.5 years (Contributions + Interest generally last about 4 years)

Balance in account is ZERO

BENEFICIARY receives \$1,000 one-time lump sum
(beneficiary does not receive the state's portion)

Death and Survivor Benefits – Portable Plan

This table is a summary of previous two pages

	Before Retirement	After Retirement
With a Surviving Spouse who did not waive survivor and beneficiary benefits	<p>8/8 Contributions & Interest plus matching state contribution (dollar for dollar)</p> <p style="font-size: 24pt; font-weight: bold;">OR</p> <p>50% Future Survivor Annuity when you would have been first eligible to retire + Health Insurance + balance of lump sum described above reduced by the actuarial value of the future annuity.</p>	<p>If elected at retirement, 50%, 75%, or 100% Survivor Annuity + Health Insurance</p> <p>No Death Benefit</p>
Without a Surviving Spouse	8/8 Contributions & Interest and matching state contributions (dollar for dollar) to named Beneficiary	<p>8/8 Contributions & Interest to named Beneficiary minus benefits already paid out, or \$1,000 if greater</p> <p>NO employer contributions</p>
6.5% + 0.5% + 1%		

Reading Your SURS Statement

Your SURS statement does not take into account any service credit in a reciprocal Illinois retirement system like Teacher's Retirement System, State Employees Retirement System, or the Municipal Retirement Fund, to name a few. It also does not take into account any unused sick leave or vacation that you will have at termination.

If you have eight (8) or more years of service credit in SURS, then there will be an amount listed in your projected pension as of the date of the statement or age 55, if later. If you have at least five (5), but less than eight (8) years of service credit in SURS, then you will have an amount listed in your projected pension as of the date of the statement or age 62, if later.

If the date of the projected benefit is in the future, SURS has taken your Money Purchase value as of the date of the statement and projected it forward at 8% until your first eligible retirement date, assuming no more service credit in SURS. The value is calculated as if you terminated on the date of the statement and left the money on deposit until you were able to retire.

If the date of the projected benefit is as of the statement date, then you are eligible to retire with that benefit calculated under the Money Purchase Formula.

In either case, your benefit will also be calculated under the General Formula and you will receive the larger of the two benefits.

If your retirement benefit is 80% of the monthly average earnings shown on the statement, then you will probably be eligible to receive a refund of excess contributions. SURS will calculate this amount as part of the finalization process.

Your SURS statement also lists your named beneficiaries, monthly disability benefits, death benefits, and lump-sum refund amounts.

REMEMBER, your statement is just an estimate of your benefits. For long range planning, it is an excellent tool when used in conjunction with the Benefit Estimator available at www.surs.org. As the time of your retirement nears, you should probably have an appointment with a SURS counselor at SURS in Champaign, on campus, or on the telephone. All three types of appointments provide the same amount and types of information.

GENERAL SUMMARY OF RETIREMENT PLANS

Qualification for Retirement & Benefit Payouts

<p>Qualification for Retirement</p> <p>Age 55 with 8 or more years service credit</p> <p>Age 62 with 5, 6, or 7 years service credit</p> <p>Any age with 30 years of service</p>

Money Purchase Formula	Payouts	General Formula
Your 6.5% X vacation payout State's 9.1% X vacation payout	Vacation Payout	If last 4 years are high four, vacation payout is included as earnings
Does Not Count	Sick Leave Payout	Is not a factor in benefit calculation
Is not a factor in benefit calculation	Unpaid Sick Leave	Additional Service Credit (up to one year)

Retirement Formulas

At retirement, your benefit will be calculated under all applicable formulas and you will receive the highest possible benefit.

General Formula - (The Guaranteed Formula)

“Full” Retirement

62 years old/5 years service
60 years old/8 or more years service
Any age/30 or more years

Years of Service X 2.2% X Average Salary (Hi-4 consecutive yrs.)

Early Retirement Benefit

Age 55-60 with 8-30 years of service

Years of Service X 2.2% X Average Salary (Hi-4 consecutive) X[100%-(60 – age) X 6%]

Money Purchase Formula

Under the Money Purchase Formula, you contribute 6.5% (out of your 8% contribution) to the MP Formula and the state contributes 9.1%. This total of 15.6% earns interest as determined by the SURS Board of Directors. The current interest rate is 8%.

The MP balance is shown on your annual SURS statement. The projected annuity is based on the MP Formula and is estimated at the date you are first eligible to receive a benefit (could be future date or immediately).

To convert your MP balance to a monthly annuity, use the conversion factor on page 18 of the SURS Traditional Member Guide (Page 17 of the Portable guide). Illustrative factors are shown below (all amounts subject to 80% limit):

Age	MP Balance	Conversion Factor	Monthly Annuity
55	\$100,000	124.4	\$803.85
60	\$100,000	116.3	\$859.85
65	\$100,000	106.6	\$938.08