

May 8, 2019

Board of Trustees
State Universities Retirement System of Illinois
1901 Fox Drive
Champaign, Illinois 61820

Re: Recertification of Fiscal Year 2019 Statutory Contribution

Dear Members of the Board:

Section 15-165(a-15) of the SURS Article of the Illinois Pension Code requires that the fiscal year 2019 Statutory contribution be recertified to reflect the provisions of PA 100-0587 (using the same assumptions in the original calculation of the fiscal year 2019 Statutory contribution).

Under Public Act (PA) 100-0587, the State Universities Retirement System of Illinois ("SURS") shall offer an accelerated pension benefit payment to eligible members beginning on the implementation date and until June 30, 2021. In addition, PA 100-0587 changed the provision that employers are required to pay the present value of the increase in benefits resulting from a participant's earnings growing by more than 3.00% (6.00% under the provisions before PA 100-0587, applicable prior to July 1, 2018) for earnings used in the calculation of the final average salary.

At the recommendation of GRS, the Board adopted an assumption in the actuarial valuation as of June 30, 2018 that 0% of eligible participants would elect the accelerated pension benefit payment options. The rationale for the assumption can be found in the letter from GRS dated August 8, 2018. SURS has not yet implemented the accelerated pension benefit payment options and does not expect to implement the options until closer to the end of fiscal year 2019. Therefore, there is no (and is not expected to be any) experience on elections from SURS participants that would cause a change in the recommended assumption of 0%.

Statutory contributions are calculated in total (for the employers and the State) as a level percentage of payroll. The portion to be paid by the State is the total Statutory contribution minus the employer portion. At the direction of SURS, there is no change in the fiscal year 2019 Statutory contribution due to the change in the employer billing rule (from 6% to 3%).

Therefore, the recertified fiscal year 2019 Statutory contribution is equal to the amount certified based on the actuarial valuation as of June 30, 2017 and is shown on the following page.

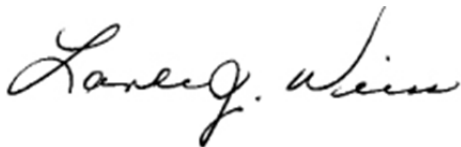
Statutory defined benefit and SMP contribution calculated by GRS	\$1,705,300,000
Less projected trust, federal, other funds	<u>46,000,000</u>
Proposed net contribution to be certified for Fiscal Year 2019	\$1,659,300,000
Less projected contributions from earnings that exceed Governor's salary	<u>4,146,000</u>
Net State contribution to be certified	\$1,655,154,000

The signing actuaries are independent of the State Universities Retirement System of Illinois.

Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions.

Sincerely,



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant and Team Leader



Amy Williams, ASA, MAAA, FCA
Senior Consultant

AW:rl

Enclosure

cc: Mr. Martin Noven, SURS
Ms. Tara Myers, SURS
Ms. Kristen Houch, SURS
Mr. David Kausch, GRS
Ms. Kristen Brundirks, GRS



Excerpt from Applicable Sections of the SURS Article of the Illinois Pension Code

(40 ILCS 5/15-155) (from Ch. 108 1/2, par. 15-155)

(Text of Section from P.A. 100-587)

Sec. 15-155. Employer contributions.

(g-1) For academic years beginning on or after July 1, 2018 and for earnings paid to a participant under a contract or collective bargaining agreement entered into, amended, or renewed on or after the effective date of this amendatory Act of the 100th General Assembly, if the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, by more than 3%, then 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 3%. 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 System may require the employer to provide any pertinent information or documentation.

(40 ILCS 5/15-165) (from Ch. 108 1/2, par. 15-165)

Sec. 15-165. To certify amounts and submit vouchers.

(a-15) On or after June 15, 2019, but no later than June 30, 2019, the Board shall recalculate and recertify to the Governor and the General Assembly the amount of the State contribution to the System for State fiscal year 2019, taking into account the changes in required State contributions made by this amendatory Act of the 100th General Assembly. The recalculation shall be made using assumptions adopted by the Board for the original fiscal year 2019 certification. The monthly voucher for the 12th month of fiscal year 2019 shall be paid by the Comptroller after the recertification required pursuant to this subsection is submitted to the Governor, Comptroller, and General Assembly. The recertification submitted to the General Assembly shall be filed with the Clerk of the House of Representatives and the Secretary of the Senate in electronic form only, in the manner that the Clerk and the Secretary shall direct.

(40 ILCS 5/15-185.5)

Sec. 15-185.5. Accelerated pension benefit payment in lieu of any pension benefit.

(b) Beginning on the implementation date, the System shall offer each eligible person the opportunity to irrevocably elect to receive an amount determined by the System to be equal to 60% of the present value of his or her pension benefits in lieu of receiving any pension benefit. The System shall calculate, using actuarial tables and other assumptions adopted by the Board, the present value of pension benefits for each eligible person upon his or her request in writing to the System. The System shall not perform more than one calculation per eligible member in a State fiscal year. The offer shall specify the dollar amount that the eligible person will receive if he or she so elects and shall expire when a subsequent offer is made to an eligible person. The System shall make a good faith effort to contact every eligible person to notify him or her of the election.



Excerpt from Applicable Sections of the SURS Article of the Illinois Pension Code (Continued)

(40 ILCS 5/15-185.6)

Sec. 15-185.6. Accelerated pension benefit payment for a reduction in an annual increase to a retirement annuity and an annuity benefit payable as a result of death.

(a) As used in this Section:

"Accelerated pension benefit payment" means a lump sum payment equal to 70% of the difference of: (i) the present value of the automatic annual increases to a Tier 1 member's retirement annuity, including any increases to any annuity benefit payable as a result of his or her death, using the formula applicable to the Tier 1 member; and (ii) the present value of the automatic annual increases to the Tier 1 member's retirement annuity, including any increases to any annuity benefit payable as a result of his or her death, using the formula provided under subsection (b-5).

(b-5) Notwithstanding any other provision of law, the retirement annuity of a person who made the election under subsection (b) shall be increased annually beginning on the January 1 occurring either on or after the attainment of age 67 or the first anniversary of the annuity start date, whichever is later, and any annuity benefit payable as a result of his or her death shall be increased annually beginning on: (1) the January 1 occurring on or after the commencement of the annuity if the deceased Tier 1 member died while receiving a retirement annuity; or (2) the January 1 occurring after the first anniversary of the commencement of the benefit. Each annual increase shall be calculated at 1.5% of the originally granted retirement annuity or annuity benefit payable as a result of the Tier 1 member's death.

