What's Happening with YOUR Pension?

(A Question and Answer Session)

1. Q Is there any validity to the public perception that pension payments for state university employees are outlandish?

A **No.** During FY 2004, there were 29,566 people on regular SURS annuities. The average monthly annuity payment was $2,330.

2. Q How does Illinois compare with the other 49 states in its preparedness to meet its pension obligations?

A Currently, Illinois ranks **last** among all states.

3. Q How is your pension system funded?

A There are **three** sources of funding:

1. YOU, the employee
2. Your employer (which is the state of Illinois, and **not** SIUC)
3. Returns gained from investing the above two sources.

Each is expected to contribute a certain share to the pension system. If each provides its agreed upon share, there is no problem. The state, however, has not provided its agreed upon share.

4. Q Do additional problems exist due to (a) state employees not contributing their share to the pension plan and (b) pension funds being poorly invested?

A No. Employees have always contributed their mandatory required share and SURS (the State University Retirement System) has produced adequate investment returns on the funds they manage. The state, however, has **failed** to contribute its actuarially required contribution.

5. Q How much do employees contribute?

A **Eight percent** of their salary. Distribution of this 8% is dependent upon which type of retirement plan the employee may be enrolled. For those employees with Traditional or Portable Plans, 6.5% goes to retirement and 0.5% to automatic annual increase, with the remaining 1.0% to either survivor insurance (Traditional Plans) or for portability (Portable Plans). Those employees with the Self Managed Plan contribute the entire 8% to retirement.

6. Q How much does the state contribute?

A Full funding would be **4%** of an employee's salary. In the past 10 years, the state has funded at an approximate rate of **2.4%**.

7. Q Can state university employees rely on social security, like the rest of the population?

A **No.** The state of Illinois does not allow the majority of state university employees to participate in social security based on their state salaries. If state employees did participate in social security, the state of Illinois would be required to contribute 6.2% of an employee's salary without any provision for paying only part of the cost, as the state now does.

8. Q Are critics correct in arguing that the State of Illinois would save money by using the kind of pension plan employed in the private sector rather than using the current pension plan?

A **No.** Many private sector employers provide some form of retirement plan to employees. These retirement plans provide benefits to retirees in addition to Social Security benefits. There is no standard percentage or amount contributed by employers to the retirement plans. We noted that several large private sector employers contribute approximately 4%

of the employees' salary to retirement plans. If you factor into account the 6.2% employer required contribution to Social Security, many private sector employers spend approximately 10.2% of employees' wages for employee retirement benefits.

9. Q How does this compare to what Illinois currently pays and has paid for many years on behalf of its state employees?

A The State of Illinois has paid approximately 2.4% of a state employee's salary into the pension plan, which is why there currently exists a problem with the pension system. If the state had paid its required 4% of a state employee's salary into the plan, the plan would be fully funded now.

10. Q Isn't it true then that a typical private sector solution would actually be more expensive for the state than the current system?

A Yes, in fact much more expensive. The 4% cost of fully funding the current system is quite a good deal compared to the 10.2% cost of a private sector style pension plan.

11. Q Wouldn't the state save money if it decided to provide no pension to its employees?

A Once again, no. By providing no pension, the state would then be required to pay the 6.2% directly to Social Security, which would be more costly than the 4% the state had agreed to contribute in order to maintain the pension system at full funding.

12. Q What has happened to all the money that should have been going into the pension system so that the system could operate at full funding?

A The state has taken monies intended for the state's contribution to the pension system and diverted the funds to other state budget items.

So...

Q What can **you** do as an SIUC employee to change the state's lack of preparedness in meeting its pension obligations?

A **Contact** the University Joint Benefits Committee:
http://www.siu.edu/~facsenat/ujbc.html

For more information....

... regarding your **retirement benefits**, visit the websites of the
State Universities Annuitants Association (SUAA) at: http://www.suaa.org
and the State Universities Retirement System (SURS) at: http://www.surs.com

Much of the information shared within this sheet has been sourced from investigations and reviews conducted by John Terwilliger. To receive his interesting reviews of current policies as well as his provocative commentaries on the issues, add your email address to his mailing list at: http://www.SUAATalk@lists.eiu.edu

This information provided by the SIUC Joint Benefits Committee and the SIUC Emeritus and Annuitant Association