

FACT SHEET FOR MAKING UP SURS CONTRIBUTIONS FOR FURLOUGH DAYS REPORTED AS LEAVES

The University of Illinois (University) has designated that the 2009-2010 furlough days will be reported for State Universities Retirement System (SURS) purposes as formal leaves of absence. SURS has confirmed that this will enable employees to contribute make-up contributions to SURS for pay forfeited by unpaid furlough days.

What Are the Eligibility Requirements for Making Leave Contributions for Furloughs Reported as Leaves?

Employees may be eligible to make up the contributions and applicable interest which would otherwise not be made while on furlough in accordance with SURS Statutes [40 ILCS 5/15-113.2] and Administrative Rules [80 Ill. Adm. Code Section 1600.220].

- The employee must return to work after each of the furlough days in accordance with SURS rules on leaves of absence; and
- The University must report to SURS the furlough days taken by employees as formal leaves of absence.

Are Employees Required to Make Up SURS Contributions?

The decision to make up contributions to SURS is entirely voluntary. Payments may be made now or later in accordance with 80 Ill. Adm. Code Section 1600.220.

What is the Potential Impact on SURS Benefits if Contributions Are Not Made?

The following examples assume the employee is eligible for both the General Formula and the Money Purchase calculation. The Money Purchase calculation is not available to participants hired on or after July 1, 2005. The following examples are for illustrative purposes only and apply to employees in the Traditional and Portable Plans. For employees enrolled in the Self-Managed Plan, the forfeiture of earnings will impact the value of the member's account.

- **General Formula** – Under the General Formula, the benefit is based on the employee's service and earnings. Therefore, if the furlough is not part of the employee's Final Rate of Earnings (FRE) period, the loss of earnings does not impact the employee's annuity. If the furlough is part of the employee's FRE period, a quick way to estimate the impact on the annuity is to determine the amount of earnings the employee will forfeit (daily rate x number of days on furlough), divide that number by 48, and then multiply it by the percentage that represents the number of years of service the employee has multiplied by 2.2%. If the employee is under age 60, an age reduction may apply.

Example: An employee has to take 4 furlough days. The employee's daily rate is \$100, so the employee will forfeit \$400 in earnings. Assume the employee is age 60 at retirement and has 25 years of service credit.

$$\begin{aligned} \$400 \div 48 &= \$8.33 \\ 25 \text{ years} \times 2.2\% &= 55\% \\ \$8.33 \times 55\% &= \$4.58 \end{aligned}$$

Under the General Formula, the forfeiture of \$400 in earnings results in a decrease in the annuity of \$4.58 per month.

- **Money Purchase** – Under the Money Purchase calculation, the furlough will impact the employee's annuity, but the amount depends upon how close the employee is to retirement. Under this calculation, the closer the employee is to retirement, the less the furlough will impact the annuity.

Using the example above, assume the furlough was during the last year before the employee retired. To calculate the impact on the employee's annuity, the normal retirement contributions for the furlough day must first be determined. This is done by multiplying the total earnings forfeited by 6.5%. The result is then multiplied by 2.4 to account for the employer matching contributions and then divided by the appropriate age factor based upon the employee's age at retirement.

$$\begin{aligned} \$400 \times 6.5\% &= \$26.00 \\ \$26.00 \times 2.4 &= \$62.40 \\ \$62.40 \div 119.521 &= \$0.52 \end{aligned}$$

Under the Money Purchase calculation, the forfeiture of \$400 in earnings results in a decrease in the annuity of \$0.52 per month.

How are the Contributions and Interest Amounts Due for Furlough Days Calculated?

- **Contributions** - The basic formula for computing the amount of leave contributions due for each furlough day at the time of payment is based on the employee's daily rate of pay. The daily rate of pay can be found on the employee's Earnings Statement. The amount listed as Earnings Type "Pay Reduction/Furlough" is the total amount the employee's pay was reduced in that month. For employees required to take 4 days of furlough, this is the daily rate. For employees required to take 10 days of furlough, this amount will need to be divided by 2 to determine the daily rate.

To calculate the contributions due:

Daily Rate of Pay x SURS Contribution Rate % x Number of Furlough Days = Contributions Due

Example: If an employee's daily rate of pay is \$200, the contributions due for 4 furlough days would be \$64 ($\$200 \times 8\% \times 4 = \64 or \$16 per day).

- **Interest** - If the employee makes up the SURS contributions immediately, additional interest will not apply. If the employee defers the option to make up the SURS contributions to a later date, the amount due at the time of payment will include applicable interest on the make-up contributions. Interest is compounded annually based on the SURS effective rate of interest up through the date of payment.

What is the Process for Making Up SURS Contributions Immediately?

SURS has developed the following process for employees to make up their missed contributions without incurring additional interest charges:

1. The University will report to SURS the furlough days taken by employees as formal leaves of absence. The furlough days will be reported as follows:
 - For employees required to take 4 furlough days, all 4 furlough days will be reported in mass to SURS by May 31, 2010.
 - For employees required to take 10 furlough days, the first 8 furlough days will be reported in mass to SURS by May 31, 2010. The remaining 2 furlough days will be reported in mass to SURS in June 2010.
2. Beginning on June 1, 2010 and continuing through June 30, 2010, a special leave election form will be available online at www.surs.org. If the employee does not have internet access, this form may also be obtained by contacting SURS. This form will allow an employee to inform SURS of his/her intention to make leave contributions for his/her furlough days. The form will include a section requiring the employee to estimate the amount due to make up the missed contributions due to

the furlough days along with instructions on how to submit payment to SURS. This advanced payment method may only be made using after-tax dollars. Employees wishing to make payments using before-tax dollars cannot use the online form. Please refer to the information listed below under "What is the Process for Making up SURS Contributions at a Later Date?"

3. The employee must submit to SURS the completed election form and corresponding payment no later than June 30th under this option. Postmarked dates on or before June 30th will be accepted.
4. Upon receipt of the completed election form and corresponding payment, SURS will compute the actual cost for the reported furlough days based on the official information supplied by the University.
 - Any resulting overpayments will be refunded to the employee.
 - Employees will be billed for any difference due to underpayment.

Due to the increased volume of payments that SURS may receive due to this process, your patience is requested as they work to compute the actual costs and complete the posting of the payments made.

5. SURS will automatically mail a receipt to the employee confirming the posting of the funds once posting is complete.

What is the Process for Making Up SURS Contributions At a Later Date?

If the employee does not make contributions within the above timeframe, he or she may choose to make contributions to SURS at a later date. In this case, the employee must contact SURS to request the cost. SURS will compute the actual cost for the reported furlough days based on the official information supplied by the University and provide the cost to the employee. The amount of this payment would include interest at the SURS effective rates up through the date the payment is received by SURS.