



Money Purchase Factor Change

Background Information

When SURS calculates a retirement benefit, all eligible calculation types are performed and the annuity is based on the calculation that provides the highest benefit. For most defined benefit members, this is a comparison between the General Formula and the Money Purchase calculation. Approximately 50 percent of SURS retirements are highest using the Money Purchase calculation. The Money Purchase, however, is not available to members who first became participants on or after July 1, 2005.

How are the Money Purchase factors used?

While the General Formula is based on a member's age, years of service and earnings averages, the Money Purchase utilizes the member's age, normal retirement contributions and interest at retirement to determine the benefit amount. The Money Purchase factors are, in effect, an actuarial representation of the member's life expectancy. The Money Purchase factors are used to divide the member's normal retirement contributions and interest into a monthly annuity, based upon their age at retirement.

Why do Money Purchase factors change?

State statute requires SURS to conduct an actuarial experience study (full review of economic and demographic assumptions) at least every three years. In addition, the state actuary recommends an economic assumption study be completed annually. The results of these studies are then evaluated to determine which, if any, of the assumptions need modification to provide better estimates of future liability and asset growth for the System. If the assumptions are modified, the Money Purchase factors also change accordingly to reflect the changes in economic conditions, demographics and life expectancies.

When will the Money Purchase factors change?

Upon completion of the actuarial reviews described above, the SURS Board of Trustees will review the necessary changes to the Money Purchase factors, consider the impact to member benefits and determine an effective date. Once the effective date of the Money Purchase factors change has been determined, SURS will notify affected members.

Will factor changes impact everyone?

Factor changes will not affect current annuitants or survivor benefit recipients. They will also have no impact on Self-Managed Plan members or members who first became participants on or after July 1, 2005, because they are not eligible for the Money Purchase calculation that uses the factors.

As noted in the Background Information section, the Money Purchase calculation does not always provide the highest benefit for members. If a member's retirement annuity is highest under a calculation method other than the Money Purchase, they will experience no reduction in benefit based upon the changing factors.

How will a change affect benefits?

Historically, changes to the Money Purchase factors have resulted in a lower monthly benefit for members who have a higher annuity calculated under the Money Purchase calculation, and retire after the effective date of the change.

How can I determine the impact to my benefit?

The actual reduction in a monthly annuity calculated using the Money Purchase is unique to each individual member. For this reason, SURS encourages members to use the Benefit Estimator by logging on to the Member Website at www.surs.org. Members can gain a clearer picture on how the factor changes will impact them and their retirement date by performing estimates for retirement dates before and after the effective date of the factor change and then comparing the result.