# ICC – 6% SURS POLICY AND PROCEDURES

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| **Number:** | **Effective Date:** 08/01/2016 |
| **Next Review Date:** This policy will be updated annually with a full review at least every three years or with new legislation. | **Page Number(s):** 4 |
| **Related Policy:** | |
| **Responsible Cabinet Member:** VP of Human Resources | **Responsible Department:** Human Resources |
| **Board Approved:** N/A | **Approval Date:** |

**POLICY:**

ICC will monitor and maintain compliance with Illinois Public Act 094-0004 and 094-1057, also known as the SURS 6% Legislation, to ensure that employees who are defined as eligible to retire, as determined by SURS remain within the required 6% earnings limitation. This policy is to provide guidance on how this compliance is to be administered.

Sec. 15-135 Definition of Eligibility:

- Age 55 with 8 or more years of service
- Age 62 with 5 or more years of service
- Any age with 30 or more years of service
- 25 years of service in this system as a police officer or firefighter on or after the attainment of age 50

**OVERVIEW**:

In 2005, the General Assembly passed legislation requiring employer contributions to the State Universities Retirement System (SURS) for any SURS participant who receives salary increases exceeding 6% in any of the four years of final earnings rate (FRE) calculations. The full-time equivalent (FTE) earnings of each academic year in the FRE period are limited to 106% of the previous academic year's FTE earnings to yield the "capped FTE earnings" of each academic year.

The statutory provision within Public Acts 94-0004 and 94-1057 read as follows:

> *"If the amount of a participant's earnings for any academic year used to determine **the final rate of earnings exceeds the amount of his or her earnings with the same employer for the previous academic year by more than 6%,** 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 6%. 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 employer contributions required under this subsection (g) shall be paid in the form of a lump sum within 30 days after receipt of the bill after the participant begins receiving benefits under this Article."*

**PROCEDURE:**

1. All Illinois Central College administrators and those responsible for negotiating faculty salary increases, summer appointments, retirement/separation agreements, etc., should be aware of the guidelines and implications of the 6% earnings rule and the possible financial obligations related to Public Acts 94-0004 and 94-1057.

2. The employer cost equals the actuarial present value of the benefit increase to the employee. The actuarial present value calculation will be made by using actuarial tables provided by the SURS actuary.

3. The time period used in determining final rate of earnings is defined in statute (40 ILCS 5/15 112):

   - For an employee who is paid on an hourly basis or who receives an annual salary in installments during 12 months of each academic year, it is the average annual earnings during the 48 consecutive calendar month period ending with the last day of final termination of employment or the 4 consecutive academic years of service in which the employee's earnings were the highest, whichever is greater.
   - For any other employee, it is the average annual earnings during the 4 consecutive academic years of service in which his or her earnings were the highest. The academic year is the 12-month period starting on the first day of the employer's fall term.

**APPLICABILITY**:

1. Generally, the 6% rule will apply to all employees eligible to receive a retirement benefit from SURS. However, the rule will only be applied where the monthly benefit is calculated ***from the participant's final rate of earnings (FRE)***. Thus, it will only apply to participants who retire under the general formula under the SURS Traditional or Portable Benefit plans. The calculation will not be performed for participants retiring under the "money purchase" formula nor will it be performed for participants in the Self-Managed Benefit plan. With the implementation of the SURS 6% Rule, all new College employees who are eligible to participate in SURS based on their terms of employment who are hired or rehired after July 1, 2005 will no longer be eligible for the money purchase formula.

2. Although terminal vacation pays of up to 56 work days is included in the final rate of earnings, it is excluded from the definition of earnings under 40 ILCS 5/15-111 and therefore, excluded from the 6% calculation.

3. Under Public Acts 094-0004 and 094-1057 all excludable earnings exemptions have expired.

**BILL HANDLING PROCEDURES:**

1. SURS will send all bills and accompanying documentation for Illinois Central College to the HR Manager. ICC-HR will assign each bill a tracking number.

2. HR Manager will forward all bills and accompanying documentation to the Vice-President, Human Resources. In addition, each bill will be accompanied by the "Earnings by Pay Period" report which reflects HRIS salary data compared to SURS salary data.

3. ICC-HR will send a copy of all bills to the Controller's office.

4. The college/unit should review all documentation for accuracy. It is their responsibility for resolving any discrepancy and/or determining if there are pay increases which are excludable. The Human Resources offices will be available to assist the colleges/units should they have questions about the bills.

5. If there is no appeal to the SURS bill, ICC will process the bill for payment.

6. If the college wishes to appeal, ICC will complete the Application for Six Percent Bill Recalculation (Rev. 5.19.2016).

**DATES OF AND TIMING ON BILLS:**

1. Bills will be mailed from SURS on the 10th of the month, or the first working day following the 10th if the 10th falls on a weekend or holiday.

2. The employer will have 30 days from the "service of the billing letter" (service is complete four days after mailing) during which it may contest the earnings stated in the bill (see process above).

3. If the employer does not contest the bill, the amount of the bill must be paid in a lump sum payment within 90 days after the receipt of the bill. If not paid within this timeline, interest will be charged.

4. If a timely application of appeal was received by SURS and recalculations were done, SURS will either send a recalculated bill or notification of a favorable appeal decision (if no amounts are due).

5. If a non-favorable appeal decision is rendered, the employer should pay any contested amount within 90 days of the original receipt of the bill. If not paid within this timeline, interest will be charged.

**REFERENCES:**

- Application for Six Percent Bill Recalculation – 40ILCS 5/15-155(g); 80 Ill. Adm. Code § 1600.270
- Bill Handling Procedures: Financial Obligations Related to the 6% Earnings Rule
- Public Acts 94-0004 and 04-1057