

University Senates Conference
Finance, Budget, & Benefits Committee
Minutes

DATE: Thursday, January 25, 2024

PLACE: I Hotel & Conference Center, Graduate Boardroom
University of Illinois Chicago, Daley Library, Room 1-360
University of Illinois Springfield, Brookens Library, Room 180G

PRESENT: Campbell, Danziger, Erricolo, Funderburg, Leff

ABSENT: Lyons

I. Call to Order

The meeting was called to order at 2:00 p.m.

II. Public Comment

No public comment.

III. Approval of minutes

a. December 11, 2023

A motion was made and seconded to approve the minutes from December 11, 2023. A brief discussion was held. The minutes were approved with a voice vote by FBBC Members.

Yes: Campbell, Danziger, Erricolo, Leff

No:

Abstain: Funderburg

IV. Today's Business

a. Pensions – Tier II

Professor Funderburg provided a discussion on the impact of Tier 1 on social security 20/30-year bracket windfall tax. FBBC would like to discuss this with Katie Ross, Assistant Vice President, System Human Resources Services, University of Illinois System, if possible, in February. Professor Lyons provided an extract from the November 14, 2023 UIUC Senate Committee on Faculty and Academic Staff Benefits (FB) that begins on page 3. The UIUC Senate FB Committee has scheduled a follow-up meeting in February.

Links discussed in the November 14th FB Meeting are included as a reference:

- i. [Link to the Impact of Potential Tier 2 Benefit Formula Change Needed for FICA Exemption June 2023 document](#)
- ii. [Link to pages 12-50 of the 2023_Jun01_Leg.pdf document from SURS](#)

b. DPI & IIN Budgets

FBBC plans to write questions for VP Walsh and send them to the USC Executive Committee. Capital funding supports IIN/DPI infrastructure, however there are questions about other funding such as for the broadband initiative. Are there other components to DPI/IIN funding? For broadband, how does it work with K-12 and plans for outreach from universities?

- c. Great Lake's Consortium Budget
FBBC plans to ask VP Walsh about the effort and if there is other funding available.
- d. State Budget for the System
FBBC discussed questions about the State Budget for the System. Will the State Budget support a large request for the University of Illinois System since K-12 is also asking for a large allocation and budget income have not matched the budget needs for this year? How does that likelihood influence budget needs and capital maintenance? What happens with the predicted downturn of undergraduate students?

V. New Business
None

VI. Old Business – Action Items
None

VII. Adjournment
The meeting was adjourned at 2:32 p.m.

Information for the minutes provided by Professor Campbell.

David Perryn
USC Administration

SENATE COMMITTEE ON FACULTY AND ACADEMIC STAFF BENEFITS

TUESDAY, NOVEMBER 14, 2023

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MINUTES

=====EXTRACT=====

FB.24.01, Current State of the State Universities Retirement System (SURS) and the Tier II Retirement Plan

Ross commented that SURS Tier II has a reduced benefit from Tier I with several factors contributing to the reduction of benefit including age and cap on earnings. In March 2019, it was questioned by the state legislature if Tier II would keep pace with Social Security benefits due to the Safe Harbor rules by Social Security Administration. Safe Harbor requires that the state annuity must be sufficiently generous as the benefit the employee would have received under Social Security.

The report by Segal in June 2023 indicated that SURS may be at risk for Tier II members since the Tier II general formula and Tier II Police formula with less than 20 years of service, do not satisfy the Safe Harbor requirement with the key reasons being later age for full retirement. The maximum pensionable earnings cap is also not indexed to Social Security's cap.

2023 \$119,892 for SURS vs. \$147,000 for Social Security

Ross commented that the risk is explained within the Segal report solicited by the Commission on Government Forecasting and Accountability (CoGFA). It was noted that SURS has not had a Tier II annuitant who has failed the Safe Harbor test, but SURS has stated that there may be one Tier II annuitant who will fail the test this year (not at the University of Illinois).

Ross stated that it appears the employer is required to perform the calculations to determine if individual employees are meeting the Safe Harbor test. She noted that the concern is that a solution could be to require all Tier II employees to pay into Social Security which would mean an additional 6.25% for both the employee and the employer, in addition to the current contribution to SURS. FB members noted the windfall elimination provision, a federal law which reduces the amount a retiree can receive from Social Security based on the annuity received from SURS. This results in the employee not eligible to receive full Social Security benefits at retirement.

A study by SURS reviewed what would be needed legislatively to not fail the Safe Harbor test and it was determined that the minimum requirement would be to raise the earnings cap to 90.5% of the Social Security taxable wage cap.

The Segal report recommended raising the Tier II cap to the levels of Social Security to be in compliance with Safe Harbor. The estimated cost would be \$5.6 billion through

fiscal year 2045, which represents a 1.7% increase in total pension payment for that same period.

Ross noted the need for a legislative amendment for Tier II which includes at a minimum raising the Tier II cap, and possibly revising the age. The salary cap being much lower than Social Security causes the biggest issue.

Weible questioned if Tier II employees who may be at risk are being kept informed. Ross answered that information is being shared to stakeholder groups as the intent is not to alarm employees. A legislative fix is anticipated, so there is no immediate risk for employees.

Ross encouraged FB members who are so inclined to contact state representatives to inquire on what is being done to correct Tier II. She reminded FB members that contact must occur from personal accounts and equipment and on personal time.