

BILL HANDLING PROCEDURES
FINANCIAL OBLIGATIONS RELATED TO PUBLIC ACTS 94-0004 & 94-1057
6% EARNINGS RULE

Obligations under Public Acts 94-004 and 94-1057 are accrued under the following conditions:

"If the amount of a participant's earnings for any academic year used to determine the final rate of earnings, determined on a full-time equivalent basis, exceeds the amount of his or her earnings with the same employer for the previous academic year, determined on a full-time equivalent basis, 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 System may require the employer to provide any pertinent information or documentation."

An employer will be billed when calculation of the employer cost exceeds the 6% limit. 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 general formula under the SURS Traditional or Portable Benefit plans. The calculation will not be performed for participants retiring under the "money purchase" option. Nor will it be performed for participants in the Self Managed Plan. The "present value" of the increased benefits, called the "Employer Cost" will be calculated as follows:

- (1) The earnings, as defined in Section 40 ILCS 5/15-111, for every academic year in the final rate of earnings period, as defined in 40 ILCS 5/15-112, are adjusted on a full-time equivalent basis.
 - a. 48 Month FREs and Partial Academic Years. Where the final rate of earnings for a participant is the average annual earnings during the 48 consecutive month period ending with the last day of final termination of employment, any partial academic year at the beginning of the final rate of earnings period will be disregarded.
 - b. Full-Time Equivalent (FTE) Basis.
 - i. The SURS shall adjust earnings from an employer in a manner consistent with the percent time employed reported by the employer.
 - ii. The FTE earnings of an academic year shall equal the total earnings in the academic year divided by the average percent time of employment.
 - c. Earnings credited during periods of service purchased under Sections 40 ILCS 5/15-113.1 through 40 ILCS 5/15-113.7 shall be determined on a FTE basis.
 - d. For the purpose of Section 40 ILCS 5/15-155(g), earnings do not include payments made under a collective bargaining agreement for unused sick leave or payments made for unused vacation.
- (2) The 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.
- (3) The Capped FTE Earnings of each academic year are multiplied by their respective average percent times of employment to yield the "Capped Earnings" for each academic year. The Capped Earnings shall be used to determine the "Capped FRE".
- (4) The "Benefit Increase" shall equal the difference between the FRE and the Capped FRE, multiplied by the number of years of service, and further multiplied by 2.2%.

- (5) The “Employer Cost” equals the actuarial present value of the benefit increase. This actuarial present value calculation will be made by using actuarial tables provided by the SURS actuary from time to time. The actuarial table used will correspond with the type of monthly benefit that is provided to the participant. A single-life annuity table will be used where a Traditional Benefit Package participant has no eligible survivor at the time of retirement. If the participant had employment with more than one employer during the final rate of earnings period, the Employer Cost is calculated for each employer using only the earnings with that employer. However, no Employer Cost will be assessed among multiple, concurrent employers if the increase in total earnings for the concurrent academic year in the FRE period does not exceed 6% over the total earnings of the previous academic year.

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.

SURS 6% - Processing Steps

The following processing steps must be completed once the System receives a bill. These steps were designed to comply with SURS' procedures.

- (1) After finalizing a participant's benefits, SURS will send a bill to the employer containing the Employer Cost and the earnings from which the Employer Cost was derived. Bills will be sent to the employer on a monthly basis for all claims finalized the prior month. These 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) Bills will be sent to Lori Jones in System Human Resource Services (System HR).
- (3) Bills will be logged in System HR and assigned a tracking number, then forwarded to the University Budget Officer (or designee) of the University at which the retiree was employed. If the employee held appointments at more than one university, the notice will be forwarded to each of the universities that may be responsible for contributing toward payment of the SURS bill. System Office employees will be forwarded to the appropriate System Office contact.
- (4) Under statute, 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. If the employer disputes the amount of the pending bill, it may, within 30 days following the date of service of the billing letter, apply to SURS for a recalculation by completing a form entitled Application for Recalculation of Employer Cost. This form requires the employer to specify the grounds of the dispute and, if the employer asserts the calculation is subject to 40 ILCS 5/15-155(h) or 40 ILCS 5/15-155(i), includes an affidavit setting forth and attesting to all facts within the employer's knowledge that are pertinent to the applicability of 40 ILCS 5/15-155(h) or 40 ILCS 5/15-155(i). This form must be signed and notarized, if required, by a duly authorized official who has knowledge of the facts being represented.
- (5) Upon receipt of a bill from System HR, the University or System Office Budget Officer (or designee) should complete the 6% Liability Validation/Appeal Form and return it to System HR within 10 business days. This form should be signed and dated. System HR will log the return of the form into the tracking log.

- (6) If the liability will not be contested, System HR will log this information. Account code 219180 has been established in Banner to track the SURS excess earning payments. Units should use this account code when making payments. The University or System Office Budget Officers (or designee) will work with the units to request the invoice voucher and make sure that the check is directed to Anne Jennings in System HR. System HR will maintain all files and will send the payment to SURS. The amount of the bill may be paid in a lump sum payment, within 90 days after the University receives the bill. If payment is not received within 90 days, interest will be charged at the prescribed rate. Payments must be concluded within 3 years after the University received the bill.
- (7) If the liability will be contested, the University or System Office Budget Officer (or designee) should complete the 6% Liability Validation/Appeal Form and provide System HR with a signed letter detailing the reason(s) for the appeal. The SURS APPLICATION FOR RECALCULATION OF EMPLOYER COST” form will now be completed and notarized by System HR to comply with SURS revised processing procedure.
- (8) Upon receiving a timely application for recalculation, SURS shall review the application and, if appropriate, recalculate the amount. Appeal decisions will be communicated by SURS to System HR, in the form of either a recalculated bill or notification of a favorable appeal decision (if no amounts are due).
- (9) After a non-favorable appeal decision, a copy of the recalculated bill will be forwarded to the System Office or University Budget Officer (or designee). The employer should pay any contested amount within 90 days of the **original receipt** of the bill. Account code 219180 has been established in Banner to track the SURS excess earning payments. Units should use this account code when making payments. The University or System Office Budget Officers (or designee) will work with the units to request the invoice voucher and make sure the check is directed to Anne Jennings in System HR. System HR will maintain all files and will send the payment to SURS. If payment is not received within 90 days, interest will be charged at the prescribed rate. Payments must be concluded within 3 years after the employer’s receipt of the bill.
- (10) In the event of favorable appeal decisions, System HR will notify the System Office or University Budget Officer (or designee) that no liability exists.