Retiring Wisely: Information for SURS Participants

Note: *Our abridged version of IFT's* Retiring Wisely *focuses primarily on the needs of faculty and academic support professionals who qualify for SURS retirement benefits. If you are not an academic employee or have also worked for other Illinois agencies, please consult the longer version at* https://www.ift-aft.org/your-work/retirees/retiring-wisely .

Acronyms You Should Know

The world of public employee retirement is filled with enough abbreviations to make your head spin. To understand much of the information in this guide, you will need to learn the common acronyms used when referring to retirement in Illinois' public systems.

CIP College Insurance Program

A health insurance program for community college professionals outside of Cook County. It is administered by State of Illinois Central Management Services (CMS).

CMS Central Management Services

The state agency that manages all SURS medical plans.

ERO Early Retirement Option

A program that allows Illinois teachers to retire before their 60th birthday if they meet certain criteria.

HMO Health Maintenance Organization

A medical insurance option. HMO plans are managed care and offer a limited choice of health care providers.

PPO Preferred Provider Organization

A medical insurance option that allows you to choose any U.S. medical provider that accepts Medicare.

PCP Primary Care Physician

Your primary care physician is your main doctor and provides referrals to other physicians when necessary.

SHIP (Illinois Division of) Senior Health Insurance Program

A free health insurance counseling service for Medicare, Medicare supplement, Medicare managed care, long-term care insurance, private health insurance, and related health coverage plans.

SURS State Universities Retirement System of Illinois

The retirement system that benefits employees of universities, colleges, and affiliated state agencies in Illinois.

TRAIL Total Retiree Advantage Illinois

A Medicare Advantage program offered to most annuitants and their survivors who qualify for Medicare.

Early Financial Planning

If you are still a few years away from retiring, there are many options available to you to save for retirement. There are benefits and drawbacks to all of them, so **be sure to consult a financial advisor as you consider what is best for you.**

One of the most important things you can do pre-retirement is to tax-shelter a portion of your income. Here are some smart ways to do that.

Individual Retirement Accounts (IRAs)

Currently, individuals may invest money that is sheltered from taxation in a conventional IRA. There is an additional catch-up contribution limit for individuals age 50 and over. The interest, dividends, and/or capital gains that are accrued are also sheltered. You may invest your IRA in a variety of ways. The allowable amount that you can shelter may vary from year to year, depending on legislation and IRS regulations. IRAs are not subject to debt payment in bankruptcy, nor are pension payments.

Roth IRAs are currently available for individuals to select as an investment. Because contributions to Roth IRAs are made after taxes, only the accruals are sheltered, not the principal. Principal may be withdrawn without penalty. Depending on how long earnings remain in the Roth IRA before they are withdrawn, tax on the earning may be avoided completely.

There is a phase-out of these amounts for those earning above certain income thresholds that varies depending upon the type of IRA, your filing status, and whether or not you are covered by a workplace retirement plan. It is advisable to consult with a financial/investment specialist to determine which, if any, IRA is beneficial for you.

Tax-Deferred Annuities [also called Tax-Sheltered Annuities or 403(b)s]

Many retirees are unaware that tax-sheltered annuities, or 403(b)s, provide the ability to save for retirement with a higher yearly maximum contribution than with an IRA. Unlike the IRA in which contributions must be made annually or before April 15 of the following year ("use it or lose it"), with 403(b)s it is possible to save beyond the annual limit if you have previous years during which full contributions were not made. Investigate this potential.

Currently, there is a maximum contribution for 403(b)s. The maximum amount may change from year to year, depending on legislation and IRS regulations. If you are 50 years or older, you may contribute additional monies above the cap for the current year and each year thereafter. These annual amounts continue to increase automatically based on the increase in the Consumer Price Index (CPI). If you are with one employer for 15 years or more, additional contributions can be made under a "catch-up" provision.

Most retirement accounts have penalties for withdrawals taken before age 59½ unless these withdrawals are for such things as early retirement, disability, certain home purchases, etc. Be sure to check before you withdraw.

IRAs, 403(b)s, and other tax-deferred retirement accounts also specify that mandatory withdrawals must start being made before April 1 of the year following the date that you turn age 70½. There is no maximum limit on withdrawals. Failure to withdraw the minimum amount each year can result in a tax penalty of 50 percent of the amount that should have been withdrawn. (This does not apply in the case of Roth IRAs.)

Although a person may delay the first Minimum Required Distribution (MRD) until April 1 of the year following age 70½, the second MRD must be made before December 31 of that same year. To avoid the tax consequences of two MRDs in one calendar year, it may be advisable not to wait until April 1, but rather withdraw this money in the same year in which you turn 70½.

Note: Money deposited in a 403(b) before December 31, 1986, need not be withdrawn until age 75. However, if you roll over the 403(b) into an IRA, this advantage is lost. (Your annuity company has a record of your deposits before December 31, 1986.)

Remember: It is best to roll over any tax-deferred money directly from one shelter into another in order to avoid tax complications. You should carefully investigate before making any changes to your plan.

Retiring Under SURS

The State Universities Retirement System (SURS) provides a pension that takes the place of Social Security. (Some SURS members also receive Social Security benefits if they have worked for a non-SURS employer.) If you are new to SURS, you must decide which of the three plans — Traditional, Portable, or Self-Managed (SMP) — is the best choice for your retirement fund. This is a one-time, irrevocable selection.

Traditional Plan

If you first began participation prior to January 1, 2011, you are eligible to receive a retirement annuity when you satisfy any of the following:

- You are at least 55 and have eight or more years of Illinois service (benefits will be reduced for early retirement if you retire between ages 55 and 60);
- You are at least 62 and have five or more years of service; or
- You achieve 30 years of service, regardless of your age, provided your covered employment terminated on or after August 2, 2002.

If you first began participation on or after January 1, 2011, you are eligible to receive a retirement annuity when you satisfy any of the following:

- You are at least 62 and have 10 or more years of Illinois service (benefits will be reduced for early retirement if you retire between ages 62 and 67); or
- You are at least 67 and have 10 or more years of Illinois service (no benefit reduction based on age).

Calculating Your Pension

There are three formulas that may be used to calculate a SURS pension.

1. 2.2% General Formula

The General Formula annuity is based on your years of service and your final average earnings. The formula is: Years of service x 2.2% x Final Average Earnings = Pension Benefit.

For participants who began SURS-covered employment prior to January 1, 2011, **Final Average Earnings (FAE)** is the higher of: a) the average of the 4 highest consecutive academic years of salary, or b) the average of the last 48 months of employment.

For participants who began SURS-covered employment on or after after January 11, 2011, **FAE** is the higher of: a) the average of the 8 highest consecutive academic years of salary during the last 10 years, or b) the highest 96 consecutive months during the last 120 months of employment.

Years of service may include up to one year based on unused sick days.

You may also want to check with your university for any options that may boost your final average salary.

2. Early Retirement Reduction

The law requires a .5% reduction to the General Formula benefit for each full month you are under the normal retirement age. Normal retirement age is: 60 if your participation began prior to January 1, 2011; or • 67 if your participation began on or after January 1, 2011.

3. Money Purchase Calculation

This calculation is not available to participants who began SURS-covered employment on or after July 1, 2005. The Money Purchase Formula is based on accumulated normal retirement contributions and interest, an imputed employer (State of Illinois) contribution, and your age at retirement.

Minimum Annuity Formula

If you were employed at least 50% of the time during the years on which your final average earnings are based, you are entitled to a minimum retirement benefit for each of your years of service, up to 30 years. The benefit amount depends on your final average earnings at retirement.

For more specific information on these formulas and the Portable or Self-Managed Plans, visit SURS at http://www.surs.com.

Reciprocal Arrangements

SURS has reciprocal arrangements with a number of other retirement programs, including IMRF, CPS, and Social Security. These may be important to you if you have paid into Social Security or worked for more than one state agency or school. (See "Social Security and Medicare," next section.) As you apply for your main pension through SURS, make sure your counselor checks to see whether you are entitled to additional benefits from your other employment. Sometimes a pension package can legitimately be calculated in more than one way, and it is important to insist on the calculation that is best for you.

Spousal Contributions

In certain cases, retirement contributions made by a deceased spouse may be refundable to you upon your retirement. If you think you might qualify for such a benefit, be sure to ask your SURS counselor to check for you.

Medical Insurance

The Department of Central Management Services (CMS) administers the health insurance benefits available to retirees under the State of Illinois Insurance Program. Eligible annuitants may be covered under the TRAIL program (see the next section).

The most current benefits, premiums, and policies are available online. Contact CMS at 800-442-1300 with any questions.

For more information about health insurance, see the "Health Insurance Information" section at the end of this document.

Social Security and Medicare

What you need to know

Although state university employees are not covered by Social Security, many of them are eligible for Social Security and Medicare benefits through work outside of state university employment or through a spouse. Even if widowed or divorced, a person can claim spousal coverage if the marriage lasted at least 10 years.

To receive Social Security coverage, you must have worked 40 quarters (10 years) under Social Security and reached the eligible age. Many SURS-covered employees have earned these quarters through part-time work while in school, through military service, through previous employment, or through summer employment. Find out your status. (Note that earning $4,000 during the year gives you four quarters of credit even if you earned it in one calendar quarter.)

Be aware that your Social Security benefits will usually be reduced when you receive your pension; however, your pension is not reduced. Generally you will receive about 4/9 of your earned Social Security benefit, unless you have 20 or more years of "substantial earnings" under Social Security.

If you expect to receive Social Security benefits through a spouse, that benefit will be reduced (or "offset") by the amount of your pension, which is typically more than the entire Social Security benefit, thus negating the Social Security benefit altogether. Unless your state pension is quite small, do not expect to receive any spousal Social Security benefits. However, there will be no reduction in Medicare benefits, either your own or through a spouse, because of your pension. Learn more about Social Security pension offset rules on the SSA website.

You should apply for Medicare coverage three months before the month in which you reach age 65, even if you are still working. (If you miss this deadline, be aware that the enrollment window extends 7 months in all, 3 months on either side of your birth month. But being prompt is a good idea.) For more information about Social Security, visit the SSA website or call 800/772-1213, or visit your local Social Security office. You can also use the 24-hour automated telephone number to get recorded information and conduct some business.

Medicare

Nearly all state university retirees can qualify for Medicare through their own work history or that of their current or former spouse. Retirees who are already collecting a Social Security retirement benefit may already be enrolled in Medicare Parts A and B; if so, you should have received a Medicare card before the first day of the month you turn 65. Retirees who are not receiving SSA benefits should contact the Social Security office three months prior to turning 65 to enroll in Medicare Parts A and B. However, SURS retirees who have enrolled in TRAIL (the State Medicare Advantage Program) should not enroll in Medicare Part D, as it will end their TRAIL Part D coverage. See TRAIL, below.

Total Retiree Advantage Illinois (TRAIL)

Most annuitants and survivors are now offered a Medicare Advantage Program known as Total Retiree Advantage Illinois (TRAIL). Medicare-eligible annuitants and survivors who want to continue health and prescription coverage are required to enroll in one of the Medicare Advantage options during the first enrollment period after they have enrolled in Medicare Parts A and B. Remaining in your current plan is not an option.

TRAIL provides eligible members and their covered dependents comprehensive medical and prescription drug coverage. TRAIL offers both PPO and HMO Medicare Advantage options. To be eligible for this program you and your eligible dependents MUST ALL:

- Live in the U.S. or a U.S. territory, and
- Be enrolled in Medicare Parts A and B prior to September 30 of the year of application.

You must continue to pay your Medicare Part A and B premiums. (Medicare Part A is free for most SURS retirees.) Retirees with 20 or more years of employment under SURS pay no additional premiums for state Medicare Advantage, except for covered dependents. Enrollment in any second Medicare plan will automatically end coverage in TRAIL.

Open enrollment for TRAIL is in the fall of each year and coverage starts January 1. Requests for information booklets and questions about TRAIL medical insurance programs should be directed to Central Management Services.

Phone numbers: • 217/782-2548;• 800/442-1300;• 800/526-0844 (FAX)

Important Issues to Consider

Whether you're just starting your career or may retire soon, there are a number of other issues besides pension and health care that you should consider. Here are some of the most important ones and how they relate to your future retirement plans.

Beneficiaries

Be sure your pension beneficiaries are correctly recorded. Often, death, divorce, remarriage, etc. take place without your pension system being informed. When you have a change in beneficiaries, let the pension system know immediately. Take note: There is a substantial difference in benefits for dependent and non-dependent beneficiaries.

Durable power of attorney

In advance of retirement, it is wise to grant a durable Power of Attorney for Finances to someone you trust. A lawyer can assist you with this. Also, be sure to consider granting someone a Power of Attorney for Health Care, allowing them to make critical medical decisions on your behalf.

Estate planning

Illinois has no estate tax, and the federal government does not tax estates that are left to a spouse. When not left to a spouse, the federal government taxes only estates that exceed the exclusionary limit, set at $11.4 million as of 2019. The federal tax rate is steep, but if you are in this lucky situation, a good financial planner can help you find ways to reduce your exposure.

Joint tenancy

Be careful with placing names on joint-tenancy deeds, bank accounts, stocks, etc. Creditors can sue the joint tenant for their share of the tenancy, or the joint tenant may withdraw funds for personal use. Also, grandchildren may be left out. Joint tenancy is not probated.

Land trust

If you don't have a living trust, consider seeing a bank to place your home(s) into a land trust. After your death, the trust passes on to your named heirs without probate.

Life insurance

When you begin to consider retirement, you should reevaluate your need for life insurance, and then investigate your options for obtaining or changing coverage. Check with your employer about the availability of continued coverage. The American Federation of Teachers offers members and retirees term life insurance at good rates. Call 800/238-1133 Ext. 8643 or visit the AFT website for more information about AFT+ plans.

Living will

This document directs doctors and/or hospitals to remove life support treatment in extreme cases. Most hospitals have these forms, as do attorneys.

Long-term care insurance

When checking into the possibility of obtaining long-term care coverage, do not rely on a salesperson as your only source of information. Research the topic and shop around for the best plans and rates. (Note: Tax deductions may be available.)

Moving out of state

Consider these factors before deciding to change your full-time residency from Illinois upon retirement:

- Illinois does not tax income from your pension, Social Security, IRA, 401k, or 403b;
- Although several states have no income tax at all, they may make up for that lack with high sales or real estate taxes;
- Illinois has no inheritance tax; and,
- If you move out of state, the TRAIL HMO option may not be available to you. You may want to change to a PPO option.

Qualified funeral trust

If you are considering prepaying your burial expenses, think twice. Such trusts are limited to $8,000, and many consumer advocates have expressed misgivings about this. Do your research or consult an attorney or financial advisor before proceeding.

Real estate taxes

When you reach age 65, notify your County or Township supervisor of assessments regarding your eligibility for the Senior Homestead Exemption and the Assessment-Freeze Homestead Exemption. The exemptions provide a reduction in tax rates. You may have to file a form annually to qualify for these exemptions, so learn about the requirements and take advantage of these reductions.

Reverse mortgage

This type of mortgage allows you to receive monthly payments from a mortgage based upon the equity you have in your home. Check several institutions for the best rates. The mortgage is repaid upon your death, the sale of your home, or when you no longer live in the home. See an attorney before pursuing this option.

Revocable living trust

This is a popular way to avoid probate costs, attorney fees, and delays in property distribution. Note of caution**:** Most of your assets must be re-titled and placed in the trust. Living trusts are not probated.

Will

Everyone needs a will, which is a document that states to whom you have chosen to leave your assets. **It must be filed in the probate division of the county in which you reside. Before filing, make a copy (or two) for the executor, lawyer, accountant, and surviving family members.**

If there is no will, state law dictates who will receive your assets (e.g., surviving spouse receives one-half, surviving children divide the other half amongst themselves), unless joint tenancy or trusts direct otherwise. An administrator is appointed, usually the surviving spouse or other family member. If your estate is over $100,000, it must be probated in Illinois. Be sure to maintain a list of all your assets and their locations for both the concerned parties and the executor.

Lists Make It Easy

Although it's never an easy thing to think about, you should plan ahead to ensure that the handling of your affairs is less difficult for your survivors. To ensure that important information is available to those who will need it, use the checklist below to create lists that include critical information such as account numbers, service providers, and more. Then be sure your family and executor know where to access the lists quickly in the event they are needed. As you prepare your lists, consult an attorney for advice. There may be other assets or directions for distribution not listed herein.

Accountant. Name, address, and phone number (for final estate filings and estate taxes, if any).

Annuities

Antiques, jewelry, other items of value. Include descriptions, locations, names, and contact information of recipients.

Assets (in-state, out-of-state, etc.)
Include descriptions of the accounts, locations, contact persons, and account numbers, if applicable. Also, include information on where to find supporting documents such as certificates, titles, deeds, passbooks, mortgage loan statements, etc. (Note: Assets in joint tenancy go to named joint tenants;assets in trusts go to beneficiaries named in the trust. Assets held in joint tenancy or trusts are not probated.)

Attorney -- name, address, and phone number

Autos, boats, planes, etc. Provide registration and title information, plate numbers, etc.

Bank and credit union accounts (savings, checking, and certificates of deposit)

Bills -- descriptions, addresses, account numbers, due dates

Death benefits from past and present employers and companies

Homes and other real estate

Insurance policies (life, auto, real estate, health, accidental death)

Leases and/or rental agreements

Legal documents. Provide descriptions and locations of any essential documents.

Pension benefits from employment. Provide employer information, death benefits to spouse and other survivors, as well as rights under the retirement system.

Power of Attorney for Finances, Power of Attorney for Health Care, pre- and post-nuptial agreements

- ☐ **Pre-paid burial arrangements**
- ☐ **Retirement accounts (IRAs)**
- ☐ **Safe deposit box**

  Provide location of box and key and names of persons who have access to the box.
- ☐ **Social Security benefits and related documentation**
- ☐ **Stocks, bonds, and investments**
- ☐ **Suggestions for person handling the estate**
- ☐ **Trusts (land trusts and other trusts, such as bank and financial)**
- ☐ **U.S. military benefits for burial**
- ☐ **Will and living will**

Stay Connected with Your Union

Join an IFT retiree council

The IFT and American Federation of Teachers (AFT) recognize that much of the success the union enjoys today is due to the dedication and efforts of its retirees who paved the way. That's why the support you receive from the IFT and AFT does not end when you retire. When you retire, you become a lifetime member in these organizations, and you remain eligible for group insurance rates, legal fee discounts, travel and merchandise discounts, and much more.

Many local unions also maintain active retiree councils or chapters. There may be a nominal annual membership fee (often as little as $12 per year), but remaining a member of your local can have many benefits. Your continued membership gives your local increased member strength when calculating convention delegates and allows you to seek election as a delegate. Your dues contribution to the local and any voluntary contributions you make to COPE (Committee on Political Education) are valuable in helping the local provide service to both working members and retirees. **The IFT Retiree Constituency Council urges you to continue to be an active member after you retire.**

The IFT Robert M. Healey Center is the headquarters for the statewide organization:
500 Oakmont Lane
Westmont, Illinois 60559
p: 630/468-4080

To learn more about local IFT retiree chapters, contact Tony Casalino, tonycasalino@gmail.com or Audrey Edwards, atedwards36@gmail.com . Visit ***ift-aft.org/your-union/contact*** for additional office locations throughout the state.

Helpful Resources

For information about topics in this guide and more, contact these organizations for assistance.

Illinois Federation of Teachers (IFT) Website: http://www.ift-aft.org/ General office: 800/942-9242

AFT+ Benefits Website: http://www.aft.org/about/member-benefits Toll-free: 800/238-1133

Central Management Services (CMS) for TRAIL information: Access from the CMS website (**http://www.illinois.gov/cms/Employees/benefits/Pages/ Default.aspx**) or by clicking the programs below.
TRAIL: http://www.illinois.gov/cms/Employees/benefits/trail/Pages/default.aspx Toll-free: 800/442-1300

U.S. Dept. of Aging (Eldercare): Toll-free: 800/677-1116 Illinois office: 312/938-9855 Website: **http://www.aoa.gov/**

Illinois Municipal Retirement Fund (IMRF): Toll-free: 800/275-4673 Website: **https://www.imrf.org/**

Senior Health Insurance Program of Illinois (SHIP) (For Medicare and other health insurance-related questions): Toll-free: 800/252-8966 Website: **http://www.illinois.gov/aging/ship/Pages/default.aspx**

State Universities Retirement System of Illinois (SURS): Toll-free: 800/275-7877 Website: **http://www.surs.com/**

Social Security Administration: Toll-free: 800/772-1213 Website: **www.ssa.gov**

Health Insurance Information

SHIP (Senior Health Insurance Assistance Program) is a health insurance advisory program. Call 1-800-252-8966 or visit www.illinois.gov/aging/ship

To see whether you are eligible for Medicare, call 1-800-772-1213 or visit www.socialsecurity.gov

If **EITHER** you or your dependents are not eligible for Medicare, you both must seek benefits under non-Medicare programs, either private or state-sponsored. For information, call 1-844-251-1777 or visit www.benefitschoice.il.gov

If **BOTH** you and your dependents are Medicare-eligible, enroll in Medicare A once you reach age 65 even if you are still employed (it's free if you're eligible for Social Security), and in Medicare B when you are retired and age 65 (you pay a premium either directly or through Social Security or SURS deduction). This also applies to your dependents.

State vs. private coverage. You can choose between the state's TRAIL plan or private Medicare supplement policies. For details, see below. Note: The two plans have different benefits choice periods (times when you can choose or change coverage).

HMO vs. PPO. You can choose either an HMO or a PPO plan. An HMO covers a limited set of doctors in Illinois. A PPO covers any U.S. doctors who accept Medicare (most do), including doctors in an HMO and those in other states. If you plan to travel out of state or think you may move away from Illinois, consider a PPO.

TRAIL *(Total Retiree Advantage Illinois).* The State of Illinois Medicare Advantage program. This state plan includes health, vision, and prescription drug coverage. You pay for Medicare B and dental coverage. You pay no other premiums; however, you do pay a copay/co-insurance for each service up to a yearly limit. The courts have ruled that the state must pay the cost of premiums, but the plan has gradually raised copays and co-insurance with no court challenges so far. For information, call 1-800-442-1300 or visit www.cms.illinois.gov/thetrail

A private agency. Any independent agency can arrange separate Medicare supplement policies for health insurance, vision coverage (if you want it*), and drug coverage (enroll promptly when you join Medicare or pay a higher premium for the rest of your life). If you already had dental coverage through your job, you have the option to continue it through the state. One independent agency is Medigap 360 (call 1-888-875-4463 or visit medigap360.com)

*Medicare covers vision problems, so you would need supplementary insurance only for eyeglasses and frames. Over time, the premiums can cost more than these items.