



The Advocate

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Legislators Create Hybrid Plan

Tier I members, retirees and SMP members not affected

The Illinois General Assembly, on July 6, passed a Fiscal Year 2018 budget that appropriates funds for SURS and creates an optional hybrid retirement plan that will be available to current Tier II members and future new hires. The new plan will not affect Tier I members, retirees or SMP members.

Senate Bill 6, the FY 2018 budget bill, appropriates \$1,587,985,000 to SURS for this fiscal year.

Senate Bill 42, the budget implementation bill, provides for the creation of

a hybrid plan that includes elements of both a defined benefit and a defined contribution plan. The hybrid plan will be the default plan for new hires; however they will have the option to irrevocably elect a Tier II plan or the Self-Managed Plan (SMP). Current Tier II members will have the option to irrevocably choose the hybrid plan.

SURS will inform members when details of the hybrid plan are available.

See Page 3 for more information on the budget bills.

Cozzi Appointed to SURS Board of Trustees



Mark Cozzi was selected by Gov. Rauner in June to serve on SURS Board of Trustees. Cozzi is the managing partner of Lincoln Park Capitol Group and has 30 years experience in the investment banking and private equity field.

He previously served on the Illinois State Board of Investment until his term expired in June 2017. Cozzi is serving his

second term on the board of commissioners for the Chicago Housing Authority as an appointee of Mayor Emanuel.

Cozzi replaced Francis Idehen who resigned from the board in May. He will serve out the remaining four years of Idehen's six-year term that expires in June 2021.

Cozzi's appointment must be approved by the Illinois Senate.

FROM THE EXECUTIVE DIRECTOR

A Busy Year Ahead

Fiscal Year 2018 promises to be exciting and challenging as SURS works to create a new hybrid retirement plan for new hires, imple-



Martin Noven

retirement plan option for new hires that the General Assembly included in the budget bill. This plan will include both a defined benefit and a defined contribution component and will be available to new hires and

ments new Self-Managed Plan income funds and works to secure our certified state appropriation.

We have already begun work on the hybrid

to existing Tier II members. We are analyzing the bill's language and meeting with legislators regarding implementation of the plan.

As you would expect, it will be a lengthy and tedious process. Implementation will affect our entire staff and include revamping computer, accounting and employer programs, staff education, changing all retirement materials, and member education and communication. We will be communicating with members and employers as we progress.

The budget bill included a FY 2018 state contribution for SURS of \$1,587,985,000. Our FY 2018 certified state contribution is \$1,753,685,000. Under the State Pension Funds Continuing Appropriation Act, SURS is entitled to the amount of the certified state contribution each year. If the amount in the budget bill is less than the

certified contribution, SURS can and will seek payment of the full certified state contribution for FY 2018 from the state comptroller.

At the end of August, SMP members will be able to select from a line-up of new target-date income funds from Dimensional Fund Advisors (DFA) that offer those looking to create lifetime income in retirement a target-date option designed specifically for that purpose. The funds are professionally managed and automatically rebalanced over time to reduce the volatility of monthly income amounts provided at retirement if members annuitize.

We have a busy year ahead. Keeping you informed will be our top priority. Watch for informational updates via email and on our website. And as always, please feel free to contact me with questions at mnoven@surs.org.

SURS Fiscal Year 2017 Appropriation

Month	Total Received	Total Due	Amount Owed	Total Certified FY 2018 Appropriation
July 2016	\$555,516	\$139,285,500	\$138,729,984	\$1,753,685,000 (Subject to change)
August 2016	\$71,636,749	\$139,285,500	\$67,648,751	Total FY 2016 Appropriation
September 2016	\$92,778,021	\$139,285,500	\$46,507,479	\$1,601,480,000
October 2016	\$76,331,610	\$139,285,500	\$62,953,890	Paid in full by Aug. 26, 2016
November 2016	\$114,698,196	\$139,285,500	\$24,587,304	Total FY 2015 Appropriation
December 2016	\$144,413,164	\$139,285,500	(\$5,127,664)	\$1,544,200,000
January 2017	\$129,485,411	\$139,285,500	\$9,800,089	Paid in full by Aug. 26, 2015
February 2017	\$73,202,941	\$139,285,500	\$66,082,559	Total FY 2014 Appropriation
March 2017	\$134,634,500	\$139,285,500	\$4,651,000	\$1,509,766,000
April 2017	\$139,308,500	\$139,285,500	(\$23,000)	Paid in full by July 30, 2014
May 2017	\$229,303,500	\$139,285,500	(\$90,018,000)	Total FY 2013 Appropriation
June 2017	\$159,113,500	\$139,285,500	(\$19,828,000)	\$1,402,800,000
Total FYE	\$1,365,461,609	\$1,671,426,000	\$305,964,391	Paid in full by July 30, 2013
July 2017	\$226,860,797			
Total to date	\$1,592,322,406	\$1,671,426,000	\$79,103,594	

LEGISLATIVE UPDATE

Revenue, Pensions and Budget

On July 4, 2017, the Illinois General Assembly sent a package of bills to the governor: Senate Bill 6, Senate Bill 9 and Senate Bill 42. Senate Bill 6 contains the Fiscal Year 2018 budget, Senate Bill 9 contains revenues to support the FY 2018 budget, and Senate Bill 42 makes changes to laws needed to implement the FY 2018 budget. On July 4, 2017, the governor vetoed these three bills. The Senate immediately overrode the governor's vetoes, and the House followed suit on July 6, 2017. The bills became law on July 6, 2017.

Senate Bill 6 and Senate Bill 42 directly impact SURS:
Senate Bill 6 – Fiscal Year 2018 Budget

Sponsors – Sen. Heather A. Steans and Rep. Gregory Harris

SB 6 appropriates \$1,587,985,000 for the FY 2018 state contribution to SURS. Of this amount, \$1,372,985,000 comes from the General Revenue Fund and \$215,000,000 comes from the State Pensions Fund. The certified state contribution to SURS for FY 2018 is \$1,753,685,000. (Please note that SB 42 requires recertification of the FY 2018 state contribution to SURS by Nov. 1, 2017, based on the changes made in the legislation.)

SB 6 also appropriates \$4,133,336 for the FY 2018 state contribution to the College Insurance Program (CIP), which provides health insurance to community college retirees. This amount is equal to the certified contribution for FY 2018.

SB 6 took effect immediately upon becoming law.

Status: Public Act 100-0021 (Effective July 6, 2017)

Senate Bill 42 – Fiscal Year 2018 Budget Implementation Act

Sponsors – Sen. Donne E. Trotter and Rep. Gregory Harris

SB 42 authorizes the use of money in the State Pensions Fund as part of the FY 2018 state contribution to SURS. SB 42 also creates an optional hybrid retirement plan (a plan that combines elements of both a defined benefit plan and a defined contribution plan) under SURS. The optional hybrid retirement plan will be implemented at a future date determined by SURS.

Individuals who first become participants of SURS on



or after the implementation date of the optional hybrid retirement plan have the choice of participating in the optional hybrid retirement plan, the Tier II plan or the Self-Managed Plan.

Individuals who are current participants in the Tier II plan may irrevocably elect to participate in the optional hybrid retirement plan.

The costs of the optional hybrid retirement plan are paid by the employer (instead of the state).

SB 42 also makes changes to the state funding formula and requires recertification of the FY 2018 state contribution by Nov. 1, 2017.

SB 42 does not impact the benefits of Tier I employees, SMP participants or retirees.

SB 42 took effect immediately upon becoming law.

Status: Public Act 100-0023 (Effective July 6, 2017)

Additional information available

For information on all legislation affecting SURS members considered during the spring session go to www.surs.org/legislation.

SURS Trustee Election April 2 – May 1

Nominating Petitions Available October 2

SURS will hold an election this spring to fill three board of trustee positions. Elected Trustees Dorinda Miller, Steven Rock and John Engstrom's terms will expire in June of 2018.

The election will be held April 2 through May 1, 2018. Winners will be announced shortly thereafter.

Nominating petitions will be available from SURS beginning Oct. 2, 2017. All SURS members are encouraged to consider running for the board of trustees. For candidate packets, contact Kelly Carson at kcarson@surs.org after Oct. 2, 2017.

Two of the open elected seats (Trustees Miller and Rock) are active-member seats and one (Trustee Engstrom) is an annuitant seat.

All eligible SURS members with



valid emails on file will receive voting materials via email prior to the election. Members with no valid email on file will receive their ballots via U.S. mail.

Active SURS members will be eligible to vote for the active-member candidates, and SURS annuitants will be eligible to vote for the annuitant candidates. Members will be able to vote electronically, by phone or by mail during the election period.

The SURS board is comprised of 11 trustees: four elected active SURS members, two elected annu-

itant SURS members, four trustees appointed by the governor, and the chairperson, appointed by the governor, who also serves as the chair of the Illinois State Board of Higher Education.

Current trustees are:

Chairperson Tom Cross
(Appointed)

Vice Chairperson Dorinda Miller
(Elected)

Treasurer John Engstrom
(Elected)

Aaron Ammons (Elected)

Mark Cozzi (Appointed)

Dennis Cullen (Appointed)

J. Fred Giertz (Elected)

Paul R.T. Johnson Jr. (Appointed)

Craig McCrohon (Appointed)

Steven Rock (Elected)

Antonio Vasquez (Elected)

Appointed Trustees Paul R.T. Johnson, Jr. and Craig McCrohon's terms also expire in June 2018.

Planning for your loved ones

Is your beneficiary designation up to date?

It is important to select the individual or group who will receive your death benefit when you pass away. That person or group is called your beneficiary.

You may have more than one beneficiary, and you may change your designations at any time.

You can name any person, corporation or other legal entity including a trust or your estate as your beneficiary, but you must keep your request up to date with SURS so we can easily contact them and verify their legitimacy at the time of your death.

You can easily complete your beneficiary form online via SURS secure Member Website. Log in by clicking the gold Member Website Login button on the top right-hand side of the www.surs.org homepage. When you have completed the form, print it, sign it and mail it to SURS, P.O. Box 2710, Champaign, IL 61825.

If you are in the Portable or Self-Managed Plan, you will also need a witness to sign your form and in some instances a notary stamp. Please read and follow the instructions on your form. You may also call SURS at 800-275-7877 and ask to have a form mailed to you.

Your beneficiary designation will not be updated until SURS receives your valid form.



Are you a beneficiary?

If you are a designated beneficiary, SURS will contact you concerning the benefits you will receive after a death has been reported. If you need to report a death, call SURS at 800-275-7877.

INSIDE SURS

Human Resources Team Busy Filling Vacancies

Like many of the institutions it serves, the State Universities Retirement System has seen an increase in staff turnover in recent years as many longtime employees have chosen to retire.

This trend is expected to continue, with five or more of the 134 staff members predicted to retire in each of the next five years. The task of replacing those staff members is handled by the three-person Human Resources team.

Led by Director of Human Resources Brenda Dunn, the SURS HR team recruits, hires and oversees the training of these new employees. Dunn has served in her current role for five years and has worked at SURS for 31 years. The team has a combined 61 years of experience with SURS.

Dunn said she and her team members enjoy helping to create and sustain a good work culture where work/life balance is very important.

As the administrator of retirement benefits for Illinois' public universities, colleges and affiliated agencies, SURS must adhere to hiring and employment rules set forth by the State Universities Civil Service System (SUCSS). The HR team ensures SUCSS rules, as well as all state and federal labor laws, are being followed.

Nearly all positions at SURS outside of the executive level are covered by SUCSS. This means there is a strict procedure for determining who will be interviewed and eventually hired to fill vacancies.

SUCSS tests administered by HR staff are used to determine the top candidates to interview for these positions. Normally, one of those people is hired, but if not the process starts over again to recruit more candidates.

"There is no easy job at SURS anymore. It has become a very complicated System," Dunn said. "The candidates we are looking for need to have attention to detail,



SURS Job Postings

To check current job openings go to www.surs.org/jobs.

communications and math skills, and be able to work in a fast-paced environment."

HR team members recruit prospective employees through jobs fairs, college and universities' jobs websites, surs.org, other jobs websites, and newspaper advertisements. Increasing the number of minority hires is a current goal for SURS.

"We are trying to cast a wider net to attract minority candidates. We are working with the colleges and universities, and target websites that are specifically for minority groups," Dunn said.

Employee training is another key function HR fills. The training coordinator sets up periodic seminars and webinars for all staff and arranges new-employee orientation. She schedules the instructors and works with managers to find out what training is required. She holds progress meetings to make sure new employees are on schedule and learning as they should be. This process can take as long as 18 months depending on the position.

HR also is responsible for inform-

ing new employees of all benefits offered and how to sign up. Current employees are informed of any changes in benefits as they occur.

Another key responsibility for the HR team is to ensure the morale at SURS remains at the highest level possible and for employees to feel valued and appreciated.

One way this is accomplished is through a number of HR-organized events, including the Health and Benefits Fair held every spring. A variety of vendors are invited in order to appeal to an array of likes and interests. Employees receive an abundance of information about ways to better their lives.

In January, SURS created the Employee Morale Committee, which includes a representative from HR. The committee reviews employee suggestions, organizes staff functions and creates ways for staff to engage with one another while participating in community events.

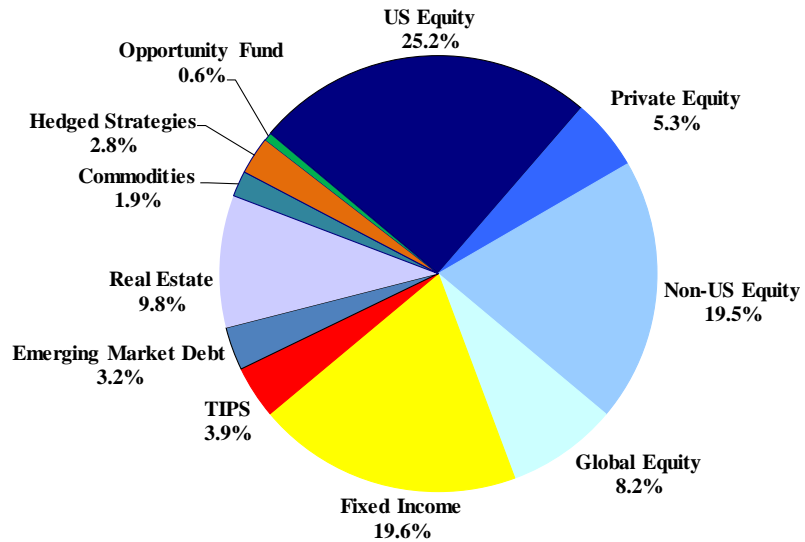
The committee's first volunteer effort was to help with the Christie Clinic Illinois Marathon. SURS employees and their families worked a station handing out water to marathon participants. It proved to be a fun morning and great opportunity to not only volunteer, but also spend time with co-workers outside of work hours.

INVESTMENT UPDATE

2017 Fiscal Year-To-Date Investment Results

The SURS investment portfolio produced robust returns during the first nine months of fiscal year 2017, due primarily to strong global equity market returns. Through March 31, 2017, the portfolio returned +8.6 percent, net of fees. This total fund return exceeded the +8.4 percent policy portfolio benchmark return. The U.S. equity asset class, propelled by strong economic conditions, performed best during the period, returning +15.1 percent, as measured by the Dow Jones U.S. Total Stock Market Index. Non-U.S. equity markets also performed well, with a return of +13.9 percent, as measured by the MSCI All Country World ex-U.S. Index. Fixed income markets declined slightly, however, in response to an increase in interest rates during the period since bond prices move inversely to interest rates. The Bloomberg Barclays U.S. Aggregate Index, a broad index of investment grade fixed income securities, returned -1.7 percent during the fiscal year-to-date period.

The SURS investment portfolio

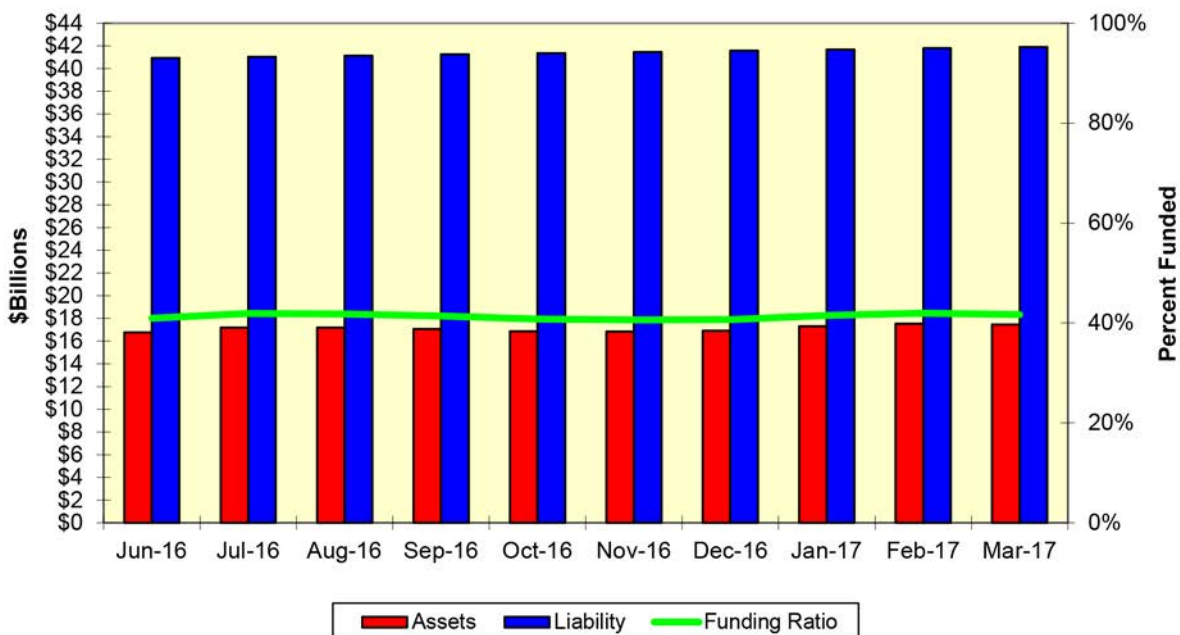


is broadly diversified across several asset classes in an attempt to appropriately manage the risk of the overall portfolio. The pie chart above illustrates the asset allocation of the SURS investment portfolio, as of March 31, 2017.

As of March 31, 2017, the SURS investment portfolio is valued at approximately \$17.5 billion, compared to \$16.8 billion, as of June 30, 2016.

As shown in the bar chart below, estimated liabilities, as of March 31, 2017, are \$41.9 billion, resulting in an unfunded liability of approximately \$24.4 billion (using the market value of assets method). The projected funding ratio is estimated to be 41.7 percent, using the market value of assets method, compared to the 41.6 percent funding ratio at the beginning of the fiscal year.

SURS Projected Funding Status 2017 Fiscal Year-to-Date Results



Note: Assets and liabilities are estimated and unaudited through March 31, 2017. The fund has an actuarial value funding ratio of 43.3 percent at the end of fiscal year 2016, utilizing a 7.25 percent assumed rate of return

SELF-MANAGED PLAN UPDATE

Target Date Retirement Income Funds to be Added

The Self-Managed Plan (SMP), SURS defined contribution plan, had assets of approximately \$1.97 billion, as of March 31, 2017, which equates to an average account balance of \$96,192 per each of the 20,464 SMP participants. These figures are up from the March 31, 2016, average balance of \$83,560 with 20,103 participants, an increase of 1.8 percent and 15.1 percent respectively.

The average asset allocation as of March 31, 2017, was 51.9 percent in Equities, 30 percent in Balanced Funds and 16.2 percent Fixed Income. The remaining 1.9 percent was attributable to Real Estate.

SURS is pleased to announce several upcoming changes to the SMP fund lineup.

1. Fidelity Freedom Index funds will be moving from the Investor Class (24 basis points) to the Institutional Premium Class (10 basis points).
2. CREF Money Market Account will be replaced by the Vanguard Federal Money Market Fund. This change is being made as a result of SEC rule changes and the ending of the expense waiver for the CREF Money Market Account. Assets in the CREF Money Market Account that are mappable will move to the new Vanguard account.
3. TIAA will be adding a series of Target Date Retirement Income Funds offered by Dimensional Fund Advisors (DFA). These funds are specifically designed to manage certain income associated risks as retirement approaches. A liability-driv-

en investment strategy is utilized to reduce the volatility of the monthly income amount that can be provided at retirement if a member chooses to annuitize.

All three fund changes will be implemented concurrently this fall. SMP members will receive more detailed information from SURS, Fidelity and TIAA over the next few months.

SURS offers a variety of ways to assist members with retirement planning. We offer SMP Pre-Retirement seminars in the spring of each year and the “Navigating the SMP” webinar quarterly. Dates and times for each event are posted on the SURS website as soon as they are set. The next webinar is scheduled for Aug. 10 at 9:30 a.m. Go to www.surs.org/seminars-webinars to register.

Individual counseling appointments are also available for those nearing retirement. The appointments last 30-45 minutes and focus on topics such as service credit, retirement options, health insurance, the application and retirement process, taxes, and return to work restrictions. If you are within four years of retirement, log in to your SURS member account or contact SURS at 800-275-7877 to request a counseling appointment. You may also meet with a Fidelity or TIAA guidance consultant at any stage of your career to discuss investment options and long-term retirement goals. Visit www.netbenefits.com/surs to sign up for a confidential consultation.

Taking a Lump-Sum Payout can be a Risky Decision

If you are in SURS Self-Managed Plan or SURS Portable Plan, you will have the option of receiving either a lump-sum payout or a lifetime annuity when you retire. This is an important decision that should be given thoughtful consideration. The decision is irrevocable and will impact your retirement security for the rest of your life.

As a SURS member, if you take a lump-sum payout you will not have access to state of Illinois or college health insurance, a benefit that can be worth hundreds of thousands of dollars. Many retirees underestimate the cost of health care. Giving up access to retiree health insurance is a decision that should not be taken lightly.

Lump-sum payouts offer you access to your money to do with as you please, however, a recent study from MetLife showed that one in five individuals who took a lump sum depleted it, on average, within five and a half years. Having easy access to your retirement savings makes it easy to spend it too quickly. Managing your retirement money also means you shoulder the burden of risk if your investments perform poorly.

Taking an annuity guarantees you will have consistent



income for the rest of your life, no investment management decisions or responsibilities and you will have access to retiree health insurance, if eligible.

Take the time to educate yourself on the pros and cons of a lump-sum payout versus a retirement annuity. The MetLife study “[Paycheck or Pot of Gold – Making workplace retirement savings last](#)” is a good place to start.



SURS Educational Seminars & Webinars

Seminars

Defined Benefit Retirement Education Seminars

Champaign (9:30 a.m. - 3 p.m.)

September 20 – University Employees (State Insurance)

September 28 – Community Colleges (CIP Insurance)

October 10 – University Employees (State Insurance)

November 1 – Community Colleges (CIP Insurance)

Naperville (9 a.m. - 2:30 p.m.)

October 4 – Community Colleges (CIP Insurance)

November 7 – University Employees (State Insurance)

Webinars

Understanding Your SURS Benefits – Tier I & II

September 21 (9 - 11 a.m.)

Navigating the Self-Managed Plan

August 10 (9:30 - 11 a.m.)

November 15 (9:30 - 11 a.m.)

Choosing Your Retirement Plan

A Webinar For Newly Hired Members

These plan choice webinars are presented each month for Tier II members who have not yet made a retirement plan choice.

Tier II members are SURS participants who first begin their SURS (or other eligible Illinois reciprocal system) participation on or after Jan. 1, 2011.

Webinars will be presented from 9:30-11 a.m. on these dates:

August 29

September 26

October 31

November 28

December 19

For additional information about seminars and webinars, and to register, go to www.surs.org/seminars-webinars.

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