

INSIGHTS

Use SURS DCP to Boost Retirement

October is National Retirement Security Month, a nationwide effort to raise awareness of the importance of saving for retirement. It's the perfect time to consider enrolling in SURS Deferred Compensation Plan (DCP) or increasing your current contribution.

As a SURS employee, you are enrolled in a core retirement plan: either the Traditional or Portable defined benefit plan or the Retirement Savings Plan (RSP) defined contribution plan.

SURS also offers you the DCP, an easy, convenient way to save more for your retirement. This supplemental 457(b) retirement plan is designed to complement your SURS core retirement plan by providing additional monthly income to help you build a more financially

See [DCP](#) on [Page 6](#)



Our Newsletter Has a New Name

We have renamed our newsletter. "Insights" better describes the important information in each edition. We strive to always bring you timely, easy-to-understand news you can use.

MESSAGE FROM THE EXECUTIVE DIRECTOR

I'm happy to report that SURS received our full fiscal year 2022 state appropriation of \$2,101,279,000 before the end of the fiscal year. In addition to our regular monthly state payments, SURS received a supplemental payment of \$58,138,900 for FY 2022 from the state Pension Stabilization Fund, which is used to reduce the unfunded liabilities of the five state-funded retirement systems.



SUZANNE
MAYER

Our FY 2023 state appropriation is \$2,118,567,000. So far this fiscal year, we have received our full monthly payments due and another supplemental payment of \$38,759,300 to help reduce the unfunded liabilities.

As you will read in the Investment update on Pages 4-5, fiscal year 2022 was a challenging one for investors. SURS managed this volatile period well, ending the fiscal year with an annual net return of -1.4%, well ahead of our policy benchmark return of -4.9% and in the top 10% of returns among

our peer group of over 65 large public funds. Over the past several years, SURS has re-structured and diversified its portfolio to protect against market downturns. This strategy served us well in FY 2022 and has played an important role in protecting fund assets as we continue to deliver on our top priority and mission of securing and delivering benefits promised to our members.

The article on the cover is a reminder that October is National Retirement Security Month, the perfect time to review your retirement goals and enroll in SURS new 457(b) savings plan – The Deferred Compensation Plan (DCP). I encourage all active members to learn more about the SURS DCP. It is an excellent way to save additional money and generate monthly income to supplement your core retirement benefits.

Whether you are a new employee or mid-career, it is never too early or late to start saving. It's easy to enroll and convenient to have automatic payments deducted from your monthly paycheck. Learn more about the plan by attending a DCP informational webinar or reviewing our helpful DCP materials at surs.org/retirement-plans/dcp.

FISCAL YEAR 2023 APPROPRIATION		PREVIOUS YEARS
FY 2023 TOTAL	\$2,118,567,000	FY 2022 Appropriation \$2,101,279,000 Fully paid June 27, 2022
DUE TO DATE	\$529,641,750	FY 2021 Appropriation \$1,995,767,000 Fully paid June 10, 2021
RECEIVED TO DATE	\$568,401,050*	FY 2020 Appropriation \$1,854,692,000 Fully paid by July 7, 2020
BALANCE OWED	\$0	

*SURS received a supplemental payment of \$38,759,300 from the state Pension Stabilization Fund, which is used to reduce the unfunded liabilities of the five state-funded retirement systems.

In Memory of Trustee Scott Weisbenner

The State Universities Retirement System's board of trustees and staff were saddened to learn of Trustee Scott Weisbenner's passing on Sept. 29. He was elected to serve as an active-member trustee on May 3, 2021.



As a William G. Karnes professor of mergers and acquisitions at the University of Illinois Urbana-Champaign Gies College of Business, Trustee Weisbenner brought to our board his immense knowledge and understanding of economics and behavioral finance.

Throughout his tenure with the University of Illinois, Trustee Weisbenner participated in significant research on topics relevant to SURS membership including co-leading a study that examined behavioral patterns exhibited by SURS participants when selecting their SURS retirement plan.

He was valued and respected by membership and the board. He will be missed by all who knew and served with him. SURS extends our sincere condolences to his family.

OPTIONAL PENSION BUYOUT PROGRAMS EXTENDED

During the 2018 state budget process, the Illinois General Assembly passed a law that created two voluntary pension buyout options – the Vested Inactive Buyout and the Tier I Automatic Annual Increase (AAI) Buyout – for SURS members who meet certain criteria. The participation deadline for both buyouts was recently extended through June 30, 2026.

Members who are eligible for one or both buyouts should have received an email or letter via the USPS from SURS. If you did not receive a notice and feel you are eligible, please call us at (800) 275-7877.

Tier I Automatic Annual Increase Buyout

The Tier I Automatic Annual Increase (AAI) Buyout available to retiring SURS members through June 30, 2026, provides eligible Tier I members with an optional lump-sum buyout payment at retirement in exchange for a permanently reduced and delayed AAI. The decision to retire with the Tier I AAI Buyout and waive the normal 3% compounded AAI is irrevocable.



Vested Inactive Buyout

The Vested Inactive Buyout is an option to receive a total lump-sum buyout instead of any pension benefit otherwise payable from SURS.

This buyout will be available to SURS members who meet the eligibility requirements through June 30, 2026.

For more details on the buyouts and the application process, go to surs.org/buyouts.

SURS Long-Term Portfolio Returns

As of June 30, 2022

	1 Year	5 Years	10 Years	20 Years	25 Years	30 Years
SURS Portfolio	-1.4%	7.5%	8.3%	7.5%	7.0%	8.1%
Policy Portfolio	-4.9%	6.8%	7.9%	7.4%	6.8%	7.8%
SURS Assumed rate	6.5%	6.7%	7.0%	7.6%	7.8%	7.9%

*Net of investment management fees

DEFENSIVE POSTURE PROVES ITS WORTH

The SURS investment portfolio weathered the volatile markets of the past year, its defensive structure serving to cushion the portfolio from the full impact of falling global financial markets. The portfolio returned -1.4%, net of fees, lagging the assumed rate but significantly outpacing the policy benchmark return of -4.9%.

As of June 30, 2022, the defined benefit plan is valued at approximately \$22.6 billion, while the Retirement Savings Plan (RSP) is valued at approximately \$3.5 billion. SURS new Deferred Compensation Plan (DCP), a supplemental defined contribution 457(b) plan, was at approximately \$8 million.

Over the past several years, the SURS portfolio has systematically and purposefully been restructured to protect assets and diversify the portfolio to minimize the impact of near-term negative surprises. Importantly, the new structure is expected to achieve our target expected returns with a lower risk.

The key portfolio change was the introduction of the Crisis Risk Offset (CRO) portfolio in December 2019. The CRO portfolio was gradually increased to its 19% policy target weighting in February 2022. Over that period, the policy weight for the Traditional

Growth portfolio (i.e., public equity), the primary funding source for CRO, was reduced from 54% to 37%.

This shift from growth-oriented assets to diversifying strategies served the portfolio well in the tumultuous fiscal year and illustrated the importance of a prudently diversified portfolio.

Performance Compares Favorably

When compared to a universe of over 65 other large public funds, the SURS return ranks in the top 10% for the one-year period ending June 30, 2022. For the three- and five-year periods, SURS ranks in the top 25%, and is in the top third of other large public plans for the 10-year period.

The primary reason for the strong short-term results is a more defensive posture compared to peers.

While this positioning will result in weaker relative results in very strong equity markets like those seen in FY 2021, it has provided critical downside protection during periods of significant equity market declines seen during FY 2022.

Asset allocation is the primary determinant of a fund's ranking in a peer universe.

PORTFOLIO NEAR LONG-TERM POLICY TARGETS

At the conclusion of an asset liability study in June 2021, the Board adopted the long-term strategic policy targets shown in the table at right.

This asset mix is positioned to generate an expected return in-line with the current actuarial rate and offers an attractive mix of liquidity, drawdown protection, and expected return.

Currently, four of the six broad functional classes are at target weight. The only functional classes not at target are Non-Traditional Growth and its funding source, Traditional Growth.

Annual pacing plans within the Non-Traditional Growth class, comprised of private equity and non-core real assets investments, will move the class to the target over time.

Other key accomplishments in the defined benefit portfolio include:

- Fine-tuning of Traditional Growth portfolio structure, including graduation of a diverse firm from a manager-of-managers portfolio to a direct SURS relationship.
- Continued commitment to private market portfolios.
- Restructuring of the public/liquid credit portfolio.
- Achievement of CRO policy target as well as the completion of searches for long volatility and tail risk strategies to further diversify the CRO portfolio.
- Continued focus on partnering with diverse investment managers. As of June 30, assets managed by diverse firms totaled \$9.3 billion, or 40.9% of the portfolio.

	Functional Asset Class	Allocation as of 7/1/22	Long-Term Target
Growth-oriented	Non-Traditional Growth	14%	16%
	Traditional Growth	37%	35%
	Stabilized Growth	17%	17%
Diversifying	Inflation Sensitive	5%	5%
	Principal Protection	8%	8%
	Crisis Risk Offset	19%	19%

SURS has continued its focus on partnering with diverse investment managers. As of June 30, assets managed by diverse firms totaled \$9.3 billion, or 40.9% of the portfolio.

The Retirement Savings Plan (RSP) Update

RSP participant assets were approximately \$3.456 billion, as of June 30, 2022, which equates to an average account balance of \$150,084 per each of the 22,873 RSP participants. These figures are down from the June 30, 2021, average balance of \$166,817 with 22,651 participants. The average asset allocation as of June 30, 2022, was 50% Equities, 24% Balanced and 22% Fixed Income. The remaining 4% was attributable to Real Estate.

STATE MEDICARE PLAN PROVIDER UPDATE

The Department of Central Management Services (CMS) has recently announced that open enrollment for the state of Illinois Total Retiree Advantage Illinois (TRAIL) Medicare plans will be Nov. 1- 30, 2022. Aetna PPO will be the only insurance carrier offered under the plans effective Jan. 1, 2023.

Members eligible for the state of Illinois TRAIL plans are Medicare-eligible retirees who are enrolled in Medicare Parts A & B. Members who have qualifying dependents are only eligible when all dependents are also eligible and enrolled in Medicare Parts A and B.



CMS is mailing letters to affected members. A copy of that letter, along with additional information regarding open enrollment and plan changes can be found on the CMS TRAIL website at cms.illinois.gov/benefits/trail.

SURS serves as the withholding agent for retiree insurance premiums. However, SURS is not the plan administrator and is not involved with contracting decisions or carrier coverage.

MyBenefits is the third-party administrator of the state of Illinois retiree insurance programs for CMS. Questions regarding open enrollment and plan coverage should be directed to MyBenefits at (844) 251-1777 or to the plan carrier directly using the contact information provided in the CMS letter.

DCP from Front Page

healthy future.

The DCP is available to actively contributing SURS members.

To enroll or to increase your current contribution if you are already participating, log in to SURS secure Member Website by clicking on the Member Login button on the surs.org homepage and then SURS Deferred Compensation Plan.



To learn more about the DCP, or to join a virtual webinar on Oct. 12 or 31, go to surs.org/retirement-plans/dcp.

Why should you save supplementally?

About 70% to 80% of your pre-retirement income is needed in retirement to maintain your standard of living. Few members will reach that amount with their SURS core retirement benefit alone, and SURS members don't contribute to Social Security.

Contributing to a supplemental savings plan such as the SURS DCP can help you reach your retirement goals. You can save as little as \$10 per paycheck, and every little bit helps. SURS plan has been specially designed to provide options that will provide additional guaranteed monthly income in retirement.

Don't delay; start to save now.

In-office counseling appointments available

SURS is once again scheduling in-person retirement counseling appointments at our offices in Champaign and Naperville. Virtual and phone appointments are also available.

Members in the Traditional or Portable Plan may request a retirement counseling appointment when they are within 10 years of retirement eligibility. RSP members may schedule a pre-retirement appointment within four years of retirement eligibility. RSP members greater than four years from retirement may schedule an investment guidance appointment at sursrsp.timetap.com.



To access the request form, log on to the SURS secure Member Website and click on Retirement Counseling. The form can be completed and submitted electronically, or members may call SURS at (800) 275-7877 to request the form be mailed. If the form is submitted electronically, members will be prompted to follow a link to schedule an appointment online.

For more information go to surs.org/life-events/counseling-appointments.

SURS EDUCATIONAL SEMINARS & WEBINARS

Plan Choice Webinar – Tier II

Oct. 25, Nov. 29 and Dec. 20 (9:30-11 a.m.) – These webinars are for Tier II members new to SURS.

Retirement Education Seminar

October 19 and November 16 (8:30 a.m.–4 p.m.) – These virtual seminars are for Tier I Traditional and Portable Plan members who are close to retirement.

Understanding Your SURS Benefits

October 11 (9:30-11:30 a.m.) – This webinar is an overview of SURS Tier I and Tier II benefits, with a focus on retirement.

DCP Informational Webinar

October 12 (9-10 a.m.), October 31 (10-11 a.m.), November 8 (10-11 a.m.), November 30 (2-3 p.m.) and December 14 (Noon-1 p.m.) – The SURS Deferred Compensation Plan (DCP) is a voluntary supplemental retirement plan designed to complement your SURS core retirement plan.

Navigating the Retirement Savings Plan (RSP)

October 13 (9:30-11 a.m.) – This webinar is for RSP participants new to SURS.

RSP Distribution Options Webinar

December 8 (9:30-11 a.m.) - This webinar will explain financial distribution options at retirement for RSP members and address the forms needed and application processes.

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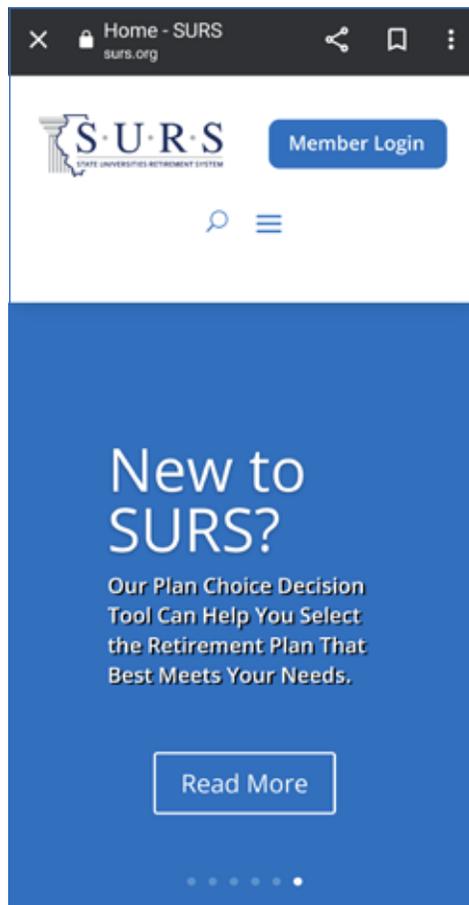


SURS Website Member Survey

Thanks to all who participated in our online website survey.

We received excellent feedback and because of your comments and requests, we made a few changes.

The most requested changes we made were to rename the Member Website Login button and to make sure it is always at the top of the homepage on all devices.



Review/Update Your Account Any Time

Log in to SURS secure Member Website at any time to view your most current account information via your personal Member Summary page. Go to www.surs.org, click on the Member Website button on the homepage and follow the prompts. You can also review and update your personal information and connect to the Benefit Estimator to approximate future retirement benefits.

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